

C O N T E N T S .

1. Commercial Banks, 1925-1933. (1934.II.1.5.) 336pp.
2. dto 1929-1934. (1935.II.1.2.) 213pp.

LEAGUE OF NATIONS

Economic Intelligence Service

COMMERCIAL BANKS

1925-1933

GENEVA

1934

Series of League of Nations Publications

II. ECONOMIC AND FINANCIAL
1934. II.A. 5.

LEAGUE OF NATIONS

Geneva, April 30th, 1934.

COMMERCIAL BANKS, 1925-1933.

Corrigenda

Introduction, Appendix III, page 50.

Germany (all banks), November returns, item d.
(Government securities)
1931 and 1932,
for 1.190 and 1.741,
read 119 and 174.

New Zealand, page 330, in column heading (3) of table,

for Excess of assets (+) or liabilities (-) in New Zealand,
read Excess of liabilities (+) or assets (-) in New Zealand.

TABLE OF CONTENTS.

	Page
PREFACE	4
INTRODUCTION :	
General Observations	5
Trend in Banking, 1925-1929	8
Increased Importance of Security Loans in U.S.A.	8
Growth of Bank Deposits as a Form of Investment in Central Europe	9
Increasing Use of Foreign Short-Term Funds	9
Reduced Relative Importance of Banks' Own Funds	10
Commercial Bank Credit during the Depression	11
Banking Developments in 1930 : The Freezing of Credit	13
Banking Developments in 1931 : The Financial Crisis	17
Banking Developments in 1931-32 : Secondary Repercussions of the Financial Crisis	24
Banking Developments in 1933 : The End of Contraction	28
Money Rates during the Depression	33
Commercial Bank Profits during the Depression	40
State Intervention in Commercial Banking	44
Appendices	48

THE BANKING POSITION IN INDIVIDUAL COUNTRIES.

	Page		
<i>Europe.</i>		<i>North America.</i>	
1. Austria	55	25. Canada	227
2. Belgium	66	26. United States of America	236
3. Bulgaria	69		
4. Czechoslovakia	74		
5. Denmark	80	<i>Latin America.</i>	
6. Estonia	85	27. Argentine	268
7. Finland	92	28. Bolivia	274
8. France	98	29. Brazil	280
9. Germany	110	30. Chile	283
10. Greece	129	31. Colombia	287
11. Hungary	133	32. Ecuador	291
12. Italy	138	33. Mexico	296
13. Latvia	146	34. Peru	300
14. Lithuania	154	35. Uruguay	303
15. Netherlands	161	36. Venezuela	310
16. Norway	165		
17. Poland	172		
18. Portugal	178		
19. Roumania	182	<i>South Africa, India and Oceania.</i>	
20. Spain	187	37. Union of South Africa	315
21. Sweden	193	38. India	318
22. Switzerland	199	39. Australia and New Zealand	325
23. United Kingdom and Irish Free State :		I. Australia	325
(I. England and Wales; II. Scotland ;		II. New Zealand	330
III. Ireland)	207		
24. Yugoslavia	224		

PREFACE

The present volume is a continuation of the *Memorandum on Commercial Banks, 1913-1929*, published in the autumn of 1931. Statistics relating to eleven countries which were not covered by the previous edition have been added, so that the volume now covers the commercial banking systems of some forty countries, including ten Latin-American countries, all the British Dominions and India, the United States of America and twenty-four European States.

The introductory notes to the eleven new chapters are, in principle, similar to those given for all countries in the previous edition; they contain a brief description — in part historical — of the banking structure of the countries concerned. The introductory notes for the countries contained in the last edition have not been repeated and most of the chapters have been shortened. On the other hand, a more comprehensive account of recent banking developments is given in the introductory notes on certain countries, the events in which were of particular interest or had international repercussions of major importance.

The adaptation of the banking statistics to the standard forms used for the purpose of international comparison continues to present very real difficulties. In many cases the national statistics are of a summary character; in almost all cases there is a lack of precision in defining the exact type of business to which the various items of the balance-sheets refer.

The general introduction summarises the main tendencies to be discerned from an analysis of commercial banks' accounts in recent years and compares the experience of the various banking systems before and during the depression. While the analytical tables annexed to the introduction and also the summary tables given in the individual chapters cover the years 1925 and 1929-1932, a considerable amount of information relating to 1933 is given in the text.

League of Nations,
Geneva, March 1934.

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

INTRODUCTION.

General Observations.

The first edition of this *Memorandum*¹ covered the period from 1913 to 1929; the early history of the commercial banking systems of some thirty countries and the development of those systems up to 1929 were outlined and an attempt was made to point out significant differences in the structure and functions of the commercial banking organisation in different parts of the world. The latter analysis was largely based upon an examination of the banking statistics of the various countries, which were adapted to a common balance-sheet form established for this purpose. Some of the difficulties encountered in making this adaptation (difficulties resulting from lack of uniformity and, frequently, lack of adequate specification in the basic statistics) were set out in the last edition² and it is not necessary to repeat them here. An attempt has been made to achieve a maximum of international comparability among the various groups and sub-groups of the standard balance-sheet form used; but the limitations of the basic statistics render complete comparability impossible. Reference should therefore be made in all cases to the notes given in the individual chapters setting out the detailed composition of the various items as given in the national statistics.

The present volume covers all the countries previously given and, in addition, eleven others. It aims primarily at analysing the developments which have taken place in commercial banking since 1929 — *i.e.*, in the course of the world economic depression.

The fall in world production and in prices has been accompanied by a sharp contraction in the volume of credit extended by commercial banks and in its effective use. Inevitably, controversy has arisen over the causal relationship involved in these parallel movements, one section of informed opinion maintaining that the contraction of credit has been responsible for the fall in prices and slump in production, and another section maintaining that prices and production have fallen as a result of exaggerations and misdirections of capital which occurred during an earlier period of credit expansion, and that the recent contraction of credit has been an effect and not a cause.

It is no part of the task of this memorandum to attempt to prove the general validity of either of those two propositions; both are, in fact, incapable of conclusive demonstration by means of banking statistics alone.

Even if any conclusions could be based on banking statistics alone, it would still be difficult to measure the expansion of bank credit: from 1925 to 1929, for example, commercial banks' total deposits increased much more rapidly than current accounts, owing to a shift from the latter to time deposits; all these items increased at different rates from total loans, discounts and advances. Obviously, a judgment of the "adequacy" of the bank credit expansion will differ according to which of these elements is taken to represent bank credit. All that can be said with certainty is that between 1925 and 1929 the total volume of commercial bank credit outstanding increased very considerably and that this increase differed considerably from country to country. Total deposits in the commercial banks of the forty countries included in the present volume amounted to rather more than \$70,000 million at the end of 1925 and between \$82,500 million and \$84,000 million at the end of 1929. The increase in this four-year period was therefore \$12,500 - \$14,000 million, or on an average of 4 - 4½ per cent per annum. These figures must, of course, be treated with the greatest reserve. In the first place, the data on which they are based do not cover all commercial banks in all countries. Secondly, the conversion into dollars may not accurately reflect changes in the internal purchasing power of bank deposits in countries with fluctuating currencies. Finally, estimates of the changes in the velocity of circulation of deposits are only available for a few countries and it is therefore impossible to determine to what extent the rate of effective increase may have differed from the above figure.

It may be mentioned that world production of foodstuffs and raw materials would appear to have increased during the same period at an average rate of 2.6 per cent per annum and both the quantum of world trade and the world's industrial activity at a rate between 4 and 5 per cent per annum.³

¹ *Commercial Banks, 1913-1929*, League of Nations, Geneva, 1931.

² *Ibid.*, pages 6 and 7.

³ *World Production and Prices*, League of Nations, Geneva, 1933.

The movement of total commercial bank deposits differed widely from country to country, ranging from an increase of over 200 per cent in the case of Poland to declines in the case of the Scandinavian countries. The following table ranges the countries

included in this volume by groups in the order of the expansion (or contraction) of their total commercial bank deposits *in terms of national currency* between the end of 1925 and the end of 1929.

Table I.
MOVEMENT OF COMMERCIAL BANK DEPOSITS, 1925-1929.
(In terms of national currency.)

Increase of 100 per cent or more	Increase of 100-50 per cent	Increase of 50-25 per cent	Increase of 25-1 per cent	No increase or decline
Poland	Germany	Mexico	Yugoslavia	Sweden
Hungary	Belgium	Portugal	Czechoslovakia	India
Latvia	Roumania	Switzerland	Canada	Denmark
Estonia	Lithuania	Venezuela	Argentine	Bolivia
Colombia	Bulgaria	Finland	U.S.A.	Norway
	France	Austria	Japan	
	Brazil		Italy	
	Uruguay		New Zealand	
	Spain		England and Wales	
			Netherlands	
			Peru	
			Australia	
			South Africa	
			Chile	

The wide range of the various groups ensures against drawing conclusions on the basis of small differences which might be due to discrepancies in the original data, etc. The countries in which the expansion of commercial bank credit, as measured by total deposits, proceeded most rapidly between 1925 and 1929 were those whose currencies suffered the severest depreciation during the post-war inflation.¹ In the later stages of inflation, such saving as persisted took the form largely of direct hoarding of goods, and not the maintenance of bank balances whose value was steadily depreciating. After currency stabilisation, saving in the countries affected again took a monetary form, and bank deposits increased very rapidly.

Most of the countries in the second column of the above table are also States which experienced serious currency depreciation immediately after the war. In certain cases — France and Belgium, for example — the restoration of the gold standard took place at rates which, with regard to the level

of prices at home and abroad, were relatively low. Prices therefore tended to rise to adjust themselves to the new level of the currency, and, as retail prices and costs lagged behind in this rise, the profitability of industry — particularly, of course, the export trades — was considerable and there was a rapid growth of bank deposits and bank credit.

Bank deposits in the majority of the countries included in the fourth group — from Yugoslavia down to New Zealand — increased by 10 to 20 per cent, while in the remaining cases the increase was less than 10 per cent. This group, like the third, includes States of such diverse economic structure and experience that it is impossible to make any generalisation. It may be pointed out, however, that several of the countries included in it returned to the gold standard at parities subsequently found to be relatively high. In the downward pressure on prices in these countries, retail prices and certain costs lagged behind; this reduced the profit margin, particularly in the export trades, and the situation was thus the obverse of that described

¹ The only exception is Colombia, where the large growth of deposits in these years represents a change in public habits.

for the countries which stabilised at relatively low levels.

Finally, in the three Scandinavian countries, India and Bolivia, there was either no increase or an absolute decline in the total volume of commercial bank credit outstanding (as measured by total deposits) between the end of 1925 and the end of 1929. During the war and early post-war years, there was a sharp expansion of commercial bank credit in these countries. In Norway and Denmark, the banks suffered heavy losses in the subsequent liquidation, and the period under review was one of banking consolidation after the exceptionally rapid deflation which was pursued in order to restore the exchange value of these currencies to the pre-war parity. In the case of Sweden, the stability of commercial bank deposits reflects a change in the investment habits of the public, which began to invest directly in securities to a greater extent than previously, when savings habitually took the form of bank deposits.

In the three Scandinavian countries, where a contraction of bank credit appears to have taken place between 1925 and 1929, as well as in certain of the countries where the credit expansion was negligible — such as the Netherlands, South Africa and Chile — the increase of production and of economic activity in general was in no way less but indeed greater than in the countries with a more or less pronounced credit expansion. This fact suggests that it is necessary to consider not simply the quantitative but also the qualitative changes in the credit structure. In the following paragraphs, an attempt is made to state in summary fashion some of the more important changes in the character of commercial banks' accounts which took place between 1925 and 1929.

Such a qualitative analysis must largely resolve itself into a study of changes in the relative importance of various items in the banks' balance-sheets. In the distribution of its assets, each bank must take into account a multitude of factors which may be summarised in the terms *safety*, *liquidity* and *profitability*. It is possible to attach fairly definite meaning to the first and last of these concepts. On the basis of experience, banks find it necessary to keep only a certain ratio between their cash resources and their liabilities to the public. In some countries, this ratio is a conventional one, while in others minimum requirements are specified in the banking legislation. The object of such legal minimum cash reserve requirements is, of course, not only to ensure the safety of depositors' funds, but also, in part, to facilitate the central bank in controlling

the credit policy of the commercial banks.

In applying the criterion of safety to their assets, the commercial banks therefore rely upon the inflow of funds balancing the outflow over long periods and upon the expectation that withdrawals in any particular short period will not exceed a certain maximum which they habitually or legally maintain in the form of cash. Standards of safety are, of course, not fixed and static, but change in accordance with economic conditions and general business sentiment. Bankers, like the rest of the population, are affected by the prevailing spirit of optimism or pessimism.

The meaning and nature of bank liquidity has undergone serious changes since the concept was first developed. Liquidity, like safety, has to do with the character of bank assets; in the case of liquidity, the emphasis is upon the relative facility with which various types of assets can be turned into cash without loss or otherwise disposed of to meet liabilities falling due. Legislation in certain countries has imposed certain standards of liquidity upon commercial banks by prohibiting or limiting some types of loans and encouraging others. This legislation has, in general, tended to encourage the use of short-term credit instruments, the prototype of which is the trade discount or commercial bill, on the assumption that such instruments are of a "self-liquidating character" and thus possess a degree of liquidity superior to other types of bank loans. Commercial bills are largely based upon goods in process of production, and the expectation is that, as the goods move to a further stage of production, they will, in the normal economic process, be sold and thus permit the repayment of the bank loan.

It is significant that the belief in the superior liquidity of the commercial bill to direct investments has come down from the time when direct investments were definitely immobilised — that is, before the establishment of organised stock exchanges. In modern conditions, securities, representing fixed capital, possess in normal times the quality of marketability to the extent to which current savings are normally absorbed by security investment. The trade bill is generally eligible for rediscount at the central bank, but the purchasing power advanced against it becomes part of the permanent working capital of the country, and a sudden attempt to force repayment of the whole, or even a large part, of such credit outstanding (except, of course, the small fraction used only for seasonal requirements) would precipitate a crisis as inevitably as the attempt to liquidate large volumes of securities.

Trend in Banking 1925-1929.

From these observations of a general character, it is now necessary to turn to a detailed examination of the changes which took place in the character of commercial banks' accounts between 1925 and 1929. It is not possible in the space available to examine separately the evolution in each country covered by the present volume: special reference will therefore be made to the case of the United States of America and certain States of Central Europe.

Increased Importance of Security Loans in U.S.A.

The outstanding feature in the development of American commercial banking during this period was the declining importance of the commercial bill and the increased importance of the security loans, real-estate loans, and direct investments in public and private securities. Between the middle of 1922 and the middle of 1929, the total volume of credit extended by American commercial banks increased by \$15,000 million. Of this increase, no less than \$5,000 million are accounted for by security loans, \$4,000 million by direct investments and \$2,500 million by loans on real estate. Ordinary commercial loans — *i.e.*, discounts of commercial paper and loans on collateral other than securities or real estate — increased by only \$3,500 million, or 20 per cent, in this seven-year period. Commercial loans constituted about 35 per cent of the total earning assets of all commercial banks in the United States of America in 1929 as compared with over 50 per cent in 1922. Loans on securities rose from 18 per cent of total loans and investments of national banks in 1922 to over 25 per cent in 1929; for State banks the proportion rose from 13 to 23 per cent. In the case of the national banks, real-estate loans increased from 4.3 to 6.5 per cent of total credit portfolio, and investments in securities other than Government obligations from 14 to 18 per cent.

It is not necessary to consider here in detail the economic and institutional factors lying behind this change in the character of commercial banks' assets. In part they relate to the progressive concentration of industry, which tended to eliminate small firms, the chief users of commercial bills. Large corporations have direct access to capital markets, and during this period many of them aimed at financial independence. A large proportion of their net profits was re-invested and

their other capital requirements were largely covered by the direct issue of securities — at first bonds, and later stocks — to the public.

The rapid growth of security loans and direct investments by American commercial banks gave rise to certain undesirable consequences the full significance of which has only become clear in recent years. In making loans on the basis of securities — *i.e.*, providing the public with the resources necessary for their purchase — the commercial banks anticipated the real savings required if the capital thus invested were to be maintained. The expansion of this form of bank credit facilitated speculation in securities much more than would appear from the absolute amounts involved, as the velocity of circulation of the bank deposits resulting from security loans, particularly those to brokers, is exceptionally great; and with the upward movement of stock prices and the rapid turnover of stocks, it was possible to finance the last year of the security boom entirely through a more rapid turnover of bank deposits and without any increase in their absolute amount. The rapid rise in security prices involved a reduction in the yield on capital — the speculation being largely based on the hope of appreciation in the capital value of the stock rather than on a consideration of the prospective return. This naturally contributed to the boom in investment industries using a high proportion of capital. Many investments made under the stimulus of very low capital rates subsequently proved unprofitable.

From the purely banking point of view, the growth of security loans largely represented the offsetting of a short-term liability with a long-term asset. Even though the individual loans may have been made for only short periods, the ultimate use of the funds provided through these loans was for long-term purposes: to provide fixed capital for industry. In providing this fixed capital, the commercial banking system created against itself a body of claims in the form of deposits, which might be withdrawn at sight or short notice. The assets held against these claims could only be liquidated in an economic sense by the sale of the securities held as collateral by the banks to depositors — *i.e.*, by the investing public "digesting" the securities it had already bought. This is necessarily a slow process, and an attempt to speed it up by throwing securities on the market must lead to losses. The American banks did, in fact, attempt to liquidate large volumes of securities

in the latter part of 1931 and the first part of 1932. The result was that security quotations, particularly of bonds, which had been well maintained until then, fell very sharply and the capital market was demoralised.

Growth of Bank Deposits as a Form of Investment in Central Europe.

It has already been shown in Table I above that the growth of commercial bank deposits between the end of 1925 and the end of 1929 was particularly rapid in countries whose currency systems were very severely disorganised during the post-war inflation — Poland, Hungary, Latvia, Estonia and Germany, for example. By the end of 1925, the currencies of these countries had been stabilised in law or in fact. Two features of the subsequent development in these countries are particularly worthy of attention from the present point of view — namely, the growing use of bank deposits as a form of investment and the increasing reliance on foreign loans.

The inflation in the class of countries referred to largely wiped out the capitalist *rentier* class. Fiscal and social policy were influenced by the desire to secure a more equal distribution of wealth, and capital resources which had formerly been largely concentrated in relatively few hands became more evenly divided. The owner of small capital resources is naturally less willing to take the risks involved in direct investments through the purchase of equities than the owner of large resources ; his knowledge of the relative attractiveness of different types of investment is less and his power to spread risks through diversification of assets is slight. In many countries, during the period under review, the investment of the small capitalist therefore took the form of a bank deposit ; the necessity for choosing a particular bond was avoided, a fixed income and apparent security obtained. The task of putting the capital to productive use was left to the banks.

In view of the shortage of capital in the countries concerned, it was, perhaps, not unnatural that the banks should have used the funds deposited with them to make loans to industry for long-term purposes. In so far as this was done, the real owners of the fixed capital of industry were, of course, bank depositors. But the legal position was quite different : instead of this ownership taking the form of the holding of equities which did not constitute a fixed charge on industry, it took the form of a double set of debtor-creditor

relationships — industry owed fixed sums to the banks from which they borrowed, and the banks owed fixed sums to their depositors. The inflexibility of industrial costs was aggravated and the inability of industry to adjust itself to falling prices increased ; and, as in the case of the United States of America, the economic area subject to sudden liquidation pressure — through the withdrawal of deposits — was widened. The importance of both these factors became obvious in the subsequent period, when mass withdrawals found the banks unable to liquidate their loans to industry ; and industry, on the other hand, was partly prevented from operating profitably by the necessity for meeting fixed interest payments on its bank advances.

Increasing Use of Foreign Short-Term Funds.

The expansion of commercial bank credit in many European countries after the collapse and subsequent rehabilitation of currencies was partly financed through foreign borrowing, largely on short-term account.

The war and inflation periods left many countries poor in capital resources. Industrial reconstruction, the modernisation of capital equipment and large State expenditure all resulted in a heavy demand for capital ; its internal accumulation, on the other hand, was checked, in some degree, by social policy and was not sufficient to meet the internal demand. Interest rates rose in consequence, and the high differential between the return on capital available in these countries and that available in the creditor countries where capital was more abundant naturally led to a flow of capital from the latter to the former. But foreign capitalists, though desirous of taking advantage of this differential, were in many cases unwilling to invest their capital at long-term ; the necessary confidence — political as well as economic — in the security of a long-term investment was frequently lacking. Consequently, credits were granted on short-term account ; the creditors hoped that in this way they would be able, if circumstances dictated, to withdraw their credits at very short notice. These credits took several different forms : they were sometimes made directly to industry through branches of foreign banks situated in the borrowing country ; they sometimes took the form of acceptance credits secured by warehouse receipts, shipping documents and other titles to goods ; they were sometimes simply cash advances from the lending bank or deposits made by it in the borrowing bank.

Sufficient data are not available to enable a measurement to be made of the amount of short-term capital lent abroad in this way during the reconstruction period. Between the end of 1926 and the end of 1929, the estimated total foreign short-term indebtedness of Germany increased from 4.1 to 11.7 milliard RM., or by 7.6 milliard RM. (almost \$2000 million). The German banks accounted for 5.2 milliard RM. of this increase (the rest being due to direct borrowings by industry and by municipalities) and their total foreign short-term liabilities at the end of 1929 amounted to 8.6 milliard RM. They held at that date foreign short-term assets of 3.7 milliard RM. (excluding Reichsbank *devisen*), so that their net foreign short-term indebtedness amounted to about 5 milliard RM. The net foreign short-term indebtedness of German banks, indeed, amounted to about a third of the total credit portfolio (discounts, loans, investments and participations) of all German commercial banks at the end of 1929. In other words, at the end of 1929, one-third of the German banks' outstanding loans to customers had been made with funds borrowed abroad which might be recalled at any moment.

In the post-war period, the Viennese banks carried on their pre-war tradition of foreign business and influence; in a large measure they have acted as intermediaries in the flow of capital from Western Europe and America to Eastern and South-Eastern Europe. The importance of the foreign accounts of the Viennese banks may be judged from the following figures: at the beginning of 1931, the foreign short-term liabilities of the Creditanstalt alone exceeded 450 million schillings, and that of the other Viennese banks amounted to about 300 millions. This total of almost 750 million schillings (\$110 million) represented more than a quarter of the aggregate earning assets of all the Viennese banks. Towards the end of 1931, the medium- and short-term foreign borrowings of the Hungarian commercial banks were estimated at about 825 million pengő (over \$140 million), while their short-term foreign assets amounted to 120 million pengő. The total earning assets of the commercial banks, within Hungary, exceeded 3,500 million pengő.

In the two years 1928 and 1929, the foreign short-term borrowings of Polish credit institutions increased from 399 to 673 million zloty (\$75 million). Unfortunately, detailed statistics are not available regarding the short-term foreign borrowing of commercial banks in South-American countries.

¹ 1928.

Such data as are available suggest that they, too, made increasing use of foreign short-term funds in the period preceding the depression. In Colombia, for example, the amount due by commercial banks to foreign correspondents rose from less than 1 million pesos at the middle of 1925 to over 14 millions at the middle of 1930; in the same period, amounts due to them by foreign banks increased by less than 4 million pesos.

A large part of the foreign short-term credits of the period under review were nominally granted for the purpose of financing the foreign trade of the credit-taking country. This was the case, for example, of the so-called acceptance credits which were largely granted on the basis of shipping or warehouse documents. Though these credits were generally of three months' duration, it was not infrequently agreed at the time the credit was given that they would be renewed three or four times, or even more often, against a 5 or 10 per cent repayment at each maturity. Not only the trade, but also the industry, of the European countries referred to was partly financed through foreign short-term credits; the credits granted, though sometimes short-term in name, were in fact frequently renewed and became part of the permanent working capital and even part of the fixed capital of the country.

Reduced Relative Importance of Banks' Own Funds.

Alongside this double tendency just analysed — the use of deposits as an investment and the use of foreign short-term funds for long-term purposes — there developed a third tendency in the period under review, which aggravated the dangers of the other two. This last was a tendency for the commercial banks to allow an increase in their liabilities to the public, in the form of deposits, to take place without at the same time increasing their own capital resources in proportion. Detailed statistics on this point will be found in Table IV of the last edition of this memorandum. The following figures, showing the changes in the percentage ratios of their own resources to public liabilities, are given by way of sample illustration:

	1913	1925	1929
Argentine Republic.	39.0	15.3	13.3 ¹
Australia and New Zealand	22.2	18.6	20.2
Austria	33.3	17.4	15.1
Belgium.	24.3	16.8	25.6
Brazil.	36.0	22.5	20.8

	1913	1925	1929
Chile	62.3	38.1 ¹	42.6
England and Wales.	10.1	7.5	7.4
Estonia	—	20.9	10.5
France	24.7	8.0	9.5
Germany	30.3	14.0	7.5
Hungary	—	31.5	16.8
Netherlands.	52.8	30.8	28.0
Poland	—	22.4	14.2
United States of America	19.8	12.7	15.6

In 1925, the ratio of commercial banks' own funds to public liabilities was universally lower than before the war. Losses of capital were incurred during the post-war depressions and inflations, and, though fresh banking capital was raised in some countries in 1923-1925, it was in no case raised in sufficient amount to bring the ratio of own to outside funds up to the pre-war figure. This tendency towards a decline in the relative importance of equity in banking persisted between 1925 and 1929

in most Latin-American countries included in the present volume; indeed, it was only in Chile and Peru that the ratio in question increased between 1925 and 1929. The ratio also increased in Canada, the United States of America, South Africa, Australia and New Zealand, but in no case was the 1913 level again attained. In Europe, there was a particularly sharp decline in the ratio of own funds to outside liabilities between 1925 and 1929 in Estonia, Germany, Hungary, Latvia and Poland. A reference to Table I will show that deposits increased more in these countries than elsewhere; the commercial banks did not raise new capital in proportion to this rapid increase in their liabilities. The capital ratio also fell in Austria, the Netherlands, Czechoslovakia and certain other European countries between 1925 and 1929, but it rose in Belgium, Denmark, Finland, France, Italy, Portugal, Roumania, Sweden and Yugoslavia, and was stable in the United Kingdom.

Commercial Bank Credit during the Depression.

Between the end of 1929 and the end of 1933, the total volume of commercial bank credit outstanding contracted very sharply in most countries. A first approximation to the amount of this contraction may be made from an examination of the commercial bank returns of the forty countries included in the present volume. Total deposits in these banks were reduced from \$82,500-\$84,000 million at the end of 1929 to less than \$60,000 million at the end of 1932, or by about 30 per cent. The qualifications with which these figures must be treated have already been mentioned above. In particular, it should be observed that the inequality in price movements in different parts of the world greatly limits the significance of any comparison of the purchasing power represented by aggregate world commercial bank deposits in 1929 and 1932. Moreover, the velocity of circulation of bank deposits fell very sharply between these years, so that the decline in the effective use of bank credit outstanding was much greater than the decline in its absolute amount.

The character and extent of the credit contraction of the past few years have varied considerably from country to country. It is possible to discern several distinct periods in the contraction, which will be analysed in some detail below. A rough comparison of the extent to which the commercial banking systems of various countries reduced the total volume of credit outstanding between 1929

and 1932 is afforded by Table II below, which shows the range of percentage decline, in national currency, of aggregate commercial bank deposits in the countries included in the present volume. This table is based on the detailed figures given in Appendix I at the end of this Introduction, to which reference should be made.

It is not necessary to repeat here the qualifications which have already been made regarding the comparability of the figures for different countries. The data on which the table is based are wider in some cases than in others; and in some countries the currency unit in which deposits are measured has remained a fixed value in terms of gold while in others it has depreciated. In spite of this incomplete comparability, at least one striking conclusion emerges unmistakably from Table II. It is that the contraction of commercial bank credit — as measured by total deposits — has been particularly drastic in certain of the European debtor States which borrowed most heavily abroad in the period preceding the depression, and in which bank deposits were most extensively used as a form of investment. The commercial banks of the countries included in the first column were, without exception, subject to heavy runs on the part of domestic and foreign creditors. It would be wrong, however, to conclude that the liquidation of credit *in general* was greater in these countries

¹ 1926.

Table II.
PERCENTAGE DECLINE IN TOTAL COMMERCIAL BANK DEPOSITS
IN VARIOUS COUNTRIES, 1929-1932.

(In terms of national currency.)

Decline of 60-40 per cent	Decline of 30-20 per cent	Decline of 20-10 per cent	Decline of 10-0 per cent	Increase
Latvia	Venezuela	Estonia	Argentine Republic	Lithuania
Poland	U.S.A.	Netherlands	South Africa	Sweden
Austria	Mexico	Chile	New Zealand	Switzerland
Bulgaria	Colombia*	Canada	Italy	England and Wales
Germany	Portugal (1931)	Norway	Czechoslovakia	Brazil
Roumania (1931)	Belgium	Ecuador	(1931)	Bolivia
		Yugoslavia (1931)	Australia	Peru
			Denmark	
			Uruguay	
			Hungary	
			Finland	
			India (1931)	
			Japan	
			France	

than elsewhere. The above table relates to total deposits; and while the order of the various countries included would not be radically changed if figures for total discounts, loans and investments had been used (see Appendix III), nevertheless it must be borne in mind that commercial banks, which are alone covered by this volume, are not the only purveyors of credit. To cite but two illustrations: in Poland, long-term credit is chiefly extended by the National Economic Bank and the State Land Bank, whose loans outstanding were considerably higher at the end of 1932 than at the end of 1929; and in the United States of America, the Reconstruction Finance Corporation granted loans amounting to almost \$2,000 million in the course of 1932.

The last column of Table II shows that, in seven countries, total commercial bank deposits were higher at the end of 1932 than at the end of 1929. Three of these are European creditor States in which confidence in the commercial banking systems was well maintained throughout the depression, and three are South-American States whose currencies were heavily depreciated or devaluated in the course of the period covered. The remaining country, Lithuania, borrowed very little abroad before 1929. This country was not seriously affected by the economic depression until 1931; in the course of 1930, there was a very sharp increase in deposits, and, though extensive

withdrawals took place in 1931, total deposits had not been reduced below the 1929 level at the end of 1932.

The most important changes which took place over this period (1929-1932) in the various types of credit extended by commercial banks may be studied in detail in Appendix III; the effect of these changes on the relative share of their credit portfolio constituted by different assets is shown in Appendix IV. The most uniform and striking change is an increase in the relative importance of investments in total credit outstanding. The following table shows for certain selected countries the percentage distribution of total discounts, loans and investments among each of these items at the end of 1929 and 1932.

With the single exception of Japan, investments constituted a higher proportion of the total credit extended by the commercial banks of every country included in Table III at the end of 1932 than at the end of 1929. An examination of Appendix IV will show that the countries included in Table III are, on the whole, typical of most countries covered by this memorandum. Apart from Japan, investments fell in relative importance between 1929 and 1932 only in Italy, Lithuania and Mexico. Moreover, in most countries, not only the proportion, but also the absolute amount, of securities held by the commercial banks increased in this three-year period. The credit contraction

Table III.
PERCENTAGE DISTRIBUTION OF TOTAL COMMERCIAL BANK CREDIT
OUTSTANDING IN CERTAIN COUNTRIES, 1929 AND 1932.

	Discounts		Loans and Advances		Investments	
	1929	1932	1929	1932	1929	1932
Austria	12.4	6.2	77.0	81.8	10.6	12.0
Belgium	19.2	21.5	63.8	50.4	17.0	28.1
Finland	34.1	21.5	63.2	73.7	2.7	4.8
Germany	23.3	21.3	70.9	65.8	5.8	12.9
Latvia	39.0	29.3	58.6	62.5	2.4	8.2
Switzerland	11.9	7.3	80.9	83.7	7.2	9.0
England and Wales	14.6	22.8	66.8	46.7	18.5	30.5
U.S.A.	33.0	29.3	39.4	31.6	27.6	39.1
Argentine	42.9	41.5	51.8	51.5	5.3	17.0
Chile	28.4	9.9	64.2	80.6	17.4	19.5
Japan	10.2	9.7	53.0	54.3	36.8	36.0
New Zealand	2.0	1.0	87.6	75.0	10.4	24.0

was therefore largely confined to discounts and advances.

Of the countries included in Table III, it was only in Belgium and England and Wales that the importance of discounts increased between 1929 and 1932; this was entirely due to increased holdings of Treasury bills, a particularly liquid asset for the commercial banks of those countries. Commercial discounts fell sharply here, as in other parts of the world. Of the countries not included in Table III, the relative importance of discounts also increased in those where the commercial banks have taken up increased quantities of Treasury bills — *i.e.*, France, Italy, the Netherlands and Sweden. The relative importance of discounts also rose in Hungary — perhaps for the same reason — and in Ecuador and Venezuela.

Banking Developments in 1930 : The Freezing of Credit.

It is now necessary to examine in detail the development of commercial bank credit in the various periods to which reference has been made. It is convenient to begin with the year 1930, a period, in most countries, of postponed liquidation and the freezing of credit. Of the twenty-four European States included in the present volume, total commercial bank deposits were lower at the end of 1930 than at the end of 1929 in only three — Germany, Bulgaria and Portugal. On the other hand, outside Europe a contraction of deposits was general: an examination of Appendix I will show that, in the course of 1930, total commercial bank

deposits fell in all the British dominions (except South Africa), in Japan, and in six of the ten Latin-American States included. The decline was most marked in the South-American countries. Among the countries in which deposits rose, the increase was most striking in the case of Lithuania, where it exceeded 25 per cent.

The accumulation of deposits in commercial banks is a common feature of the initial stages of most periods of economic depression. The fall in prices and reduced profitability of business enterprise make business-men less inclined to incur the risk of investment and more inclined to keep their capital resources in the form of cash balances. These cash balances are normally held as bank deposits. The extent to which "savings" will accumulate in this form in any particular country depends on a variety of factors which cannot be analysed in detail here. The predominance of raw-material-producing States amongst the countries where commercial bank deposits fell in 1930 is significant; it reflects the very drastic fall in the price of goods on which the economies of these countries are most largely dependent, and the deterioration in their terms of trade.

Cash balances held by business-men and others in time of depression are, from the point of view of those having title to the sums involved, a form of investment; as the return on balances held in the form of time or deposit accounts was greater than that available on current accounts, it is natural that the former should have risen more than the latter. A detailed examination of Appendix II will show that, in the course of 1930, the ratio of

time deposits to current accounts rose in twenty-three of the thirty-three countries for which detailed specification of deposits according to maturity is available. In eleven of these countries — Czechoslovakia, England and Wales, Estonia, Italy, Latvia, Mexico, Peru, Poland, Sweden, the United States of America and Uruguay — both current accounts and time deposits increased, but the latter more than the former. In seven, South Africa, Australia, Brazil, Ecuador, Greece, New Zealand and Switzerland — time deposits rose while current accounts fell; and in five — Canada, Chile, Colombia, Japan and Portugal — both sight and deposit accounts fell, but sight accounts more than time deposits.¹ In Bolivia, both types of deposit fell, but current accounts less than time deposits. In only one country — namely, in Germany — did current accounts rise in 1930 in the face of a decline in time deposits; but the sight-deposit figures shown in Appendices I and II for that country include balances due to German credit institutions; it may well be that, if detailed information regarding the time distribution of individual deposits in German banks were available, they would show a movement similar to that observed in most other countries.

Not only did the amount of time deposits in the commercial banks of twenty-six of the thirty-three countries for which detailed figures are available increase in the course of 1930; there was also an almost universal increase in deposits in savings banks. Table IV shows the amounts outstanding to the credit of depositors in the savings banks of twenty-nine countries at the end of each year since 1929.

The only countries included in Table IV where deposits in savings banks did not increase in the course of 1930 are Australia, Canada, Chile and New Zealand; it will be recalled that deposits in commercial banks also fell in these countries. On the other hand, the rise in deposits in the savings banks of Germany in 1930 was greater than the simultaneous decline in deposits in commercial banks. The general rise in deposits in savings banks is due to factors of the same kind as those mentioned above in connection with the increase in time deposits in commercial banks. Deposits in savings banks largely represent the accumulations

of the lower-income groups; and, as the incomes of these groups were relatively well maintained in the first stages of the depression, it is not surprising that savings-bank deposits should have shown a rising tendency. Certain factors of a special nature also help to explain the increase in 1930, but more particularly in later years — namely, loss of confidence in the commercial banks and the desire on the part of depositors to enjoy the State guarantee frequently given to deposits in savings banks.

It has been stated above that the decline in commercial bank deposits during 1930 was most marked in the Latin-American countries. The decline ranged from 3 per cent in Brazil and Ecuador to over 50 per cent in Venezuela; in the Argentine, Mexico and Uruguay, deposits rose. In Peru, a new currency unit (the sol) was adopted in 1930; this unit had a par value of one-tenth of the old Peruvian pound. As total commercial bank deposits were only seven times higher in soles at the end of 1930 than in pounds at the end of 1929, it is clear that the gold value of bank deposits fell in 1930.

With the exception of Brazil and Ecuador, the commercial banks of all South-American countries which suffered a decline in deposits in 1930 reduced their total credit portfolio less than the fall in deposits. In Venezuela, for example, deposits fell by 52 per cent and total discounts, loans and investments by only 4 per cent; in Chile, deposits fell by 12 per cent and the credit portfolio by only 5 per cent. Moreover, in the Argentine and Uruguay, credit extended by the commercial banks increased more than deposits with them. In most cases, this is explained by a diminution in the cash item and a reduction in balances held with banks abroad, or by an increase in the note circulation or foreign borrowing of the commercial banks. In Mexico, however, aggregate credit extended remained stable in the face of an increase in deposits.

In Canada, total commercial bank credit outstanding fell by 10 per cent in the course of 1930, as compared with an 8 per cent decline in deposits; in the United States of America, the credit portfolio rose slightly while deposits remained substantially unchanged. In Japan, total deposits fell slightly in 1930, while credits were maintained closer to their 1929 level; this is also true of

¹ In eight of the ten countries in which the ratio changed in favour of current accounts — the Argentine, Austria, Denmark, Finland, France, the Netherlands, Norway and Spain — both current and time deposits rose in 1930, but current accounts more than time deposits; in all the above-mentioned countries, except Denmark and the Netherlands, however, the shift to current accounts was so slight that the latter did not constitute more than one-half of one per cent more of total deposits at the end of 1930 than at the end of 1929; these countries can therefore hardly be considered significant exceptions to the general rule.

Table IV.
DEPOSITS IN SAVINGS BANKS OF CERTAIN COUNTRIES, END OF 1929-1933.
(In millions of national currency units.)

Country	Type of Savings Banks	Currency	1929	1930	1931	1932	1933
Austria	Post Office Savings Bank	schilling	85	102	102	122	123
	Other Savings Banks	"	778	910	805	882	878
Belgium	Caisse générale d'épargne	franc	5,438	7,653	9,115	9,813	9,680
	Boerenbond	"	1,275	1,481	1,706	1,637	...
Bulgaria	Post cheque accounts	"	*2,087	*2,225	*2,335	*2,465	...
	Post Office Savings Bank	lev	684	897	1,199	1,346	1,461
Czechoslovakia	Savings Banks	koruna	16,586	18,066	19,800	21,415 ²	20,398 ²
	Co-operative Credit Association and Agricultural District Banks	"	20,151	22,054	23,098	...	...
Denmark	Savings Banks	kroner	2,120	2,202	2,192	2,145	*2,133
Estonia	State Savings Bank	E. kroon	3.4	3.9	4.7	5.5	6.1
Finland	Post Office and ordinary	markka	4,036	4,306	4,377	4,413	*4,617
	Co-operative Banks	"	823	870	852	834	866
France	Caisse nationale d'épargne	franc	11,658	16,233	*20,200	*22,907	*24,133
	Caissees privées	"	20,314	*23,556	*30,282	*34,217	*34,133
Germany	Savings Banks	Reichsmark	9,314	10,752	10,123	*9,917	*10,808
	Genossenschaftsverbände	"	3,024	3,249	2,868	...	...
Greece	Post Office Savings Bank	drachma	386	673	1,084	1,194	1,610 ¹
	National Bank of Greece	"	1,329	1,712	2,017	2,087	2,534 ¹
Hungary	Post Office Savings Bank	pengő	55	73	54	61	75
	Other Savings Banks	"	50	55	45	...	...
Ireland	Post Office ordinary Savings Banks (Trustee)	£	4.3	4.6	5.0	5.5	...
	Savings Certificates	"	5.1	6.6	8.1	8.8	...
Italy	Post Office Savings Bank	lire	11,644	12,905	14,547	16,888	*18,544
	Other Savings Banks	"	13,893	14,585	15,208	15,744	*16,413
Latvia	Post Office Savings Bank	lat	3.6	7.3	7.6	12.6	20.5
	Other Savings Banks	"	7.7	8.9	7.8	...	...
Lithuania	Post Office Savings Bank	litas	2.1	5.9	13.1	19.5	*21.3
	Other Savings Banks	"	43.3	59.4	63.4	*67.5	...
Netherlands	Post Office Savings Bank	gulden	351	375	439	511	*516
	Other Savings Banks	"	381	430	449	446	*460
Norway	Savings Banks	kroner	2,201	2,164	2,091	2,073	*1,675
	Post Office Savings Banks	zloty	173	254	332	445	507
Poland	Other Savings Banks	"	402	535	559	582	566
	Co-operative Credit Association	"	338	392	347	307	...
Roumania	National Savings Bank	leu	198	255	624	809	1,561
	Other Savings Banks	"	1,532	1,738	1,578	...	...
Sweden	Post Office Savings Bank	krona	284	338	382	451	440
	Other Savings Banks	"	2,884	2,961	3,051	...	...
Switzerland	Cantonal Banks	franc	1,817	2,019	2,386	2,628	2,618
	P.O. and other Savings Banks (Trustee)	£	410	423	432	465	497
United Kingdom	National Savings Certificates ³	"	483	500	481	...	...
	Post Office Savings Bank	dinar	107	210	334	443	564
Yugoslavia	State Mortgage Bank	"	455	529	616	725	...
	Other Savings Banks (Municipal)	"	1,025	1,182	1,260	...	...
Canada	Post Office Savings Bank	\$	26	24	23	23	23
	Private Savings Banks	"	67	68	69	67	...
U.S.A.	New York State Savings Bank	"	4,392	4,792	5,255	5,314	5,067
	Postal Savings system	"	164	245	605	901	1,209
Argentina	Post Office Savings Bank	peso	97	100	97	94	95
	Other Savings Banks	"	59	58	56	...	...
Chile	Savings Banks	"	237	229	164	190	278
	P.O. and Trustee Savings Banks	£	58.7	57.4	53.4	52.5	...
New Zealand	Saving Banks and National Savings Certificates	"	220.0	196.8	194.5	197.1	204.9 ¹
	Post Office Savings Bank	yen	2,058	2,349	2,616	2,604	2,808 ¹
Japan	Other Savings Banks ⁴	"	1,421	1,539	1,636	1,687	1,821 ¹

* Provisional figures.

¹ November.

² Including current accounts.

³ March following year.

⁴ Including small amount of current accounts.

New Zealand, while in Australia credits fell slightly more than deposits.

In the majority of non-European States, then, the aggregate discounts, loans and investments of commercial banks were better maintained in 1930 than their deposits. In general, this was the case whether deposits rose or fell; as already observed, declines in deposits were more frequent in these countries than increases. In most European countries, on the other hand, deposits rose in the course of 1930; but frequently loans, etc., rose less than deposits. At the same time, certain other types of liability, and in particular rediscounts and other borrowings, were generally reduced.

An examination of Appendix III will show that, in the great majority of European countries, the total credit portfolio was higher at the end of 1930 than at the end of 1929; in Lithuania, where, as already observed, the depression came relatively late, as much as 23 per cent higher. In only seven of the twenty-four European States included did the total volume of commercial bank credit outstanding contract in the course of 1930, and in four of these (Latvia, Bulgaria, the Netherlands and Roumania) the contraction was about 5 per cent or less.

In the majority of countries which experienced an expansion in the volume of commercial bank credit outstanding in 1930, the expansion was due to an increase in loans and advances and in security holdings which more than compensated a reduction in commercial discounts. Exceptions to this rule are fewer than would appear from a study of Appendix III, as banks' holdings of Treasury bills (which are seldom shown separately) are included with commercial bills under "discounts"; and an examination of the detailed notes given in the individual chapters will reveal that, where total discounts increased in 1930, it was generally due to Treasury bills. Of the seven European countries where total credit outstanding fell in 1930, loans and advances in three — Germany, Finland and Roumania—either increased or remained virtually stationary; security holdings in Latvia, the Netherlands, Finland and Roumania increased; and only in Bulgaria and Portugal did all classes of credit contract.

The loans and advances of the joint-stock banks of England and Wales fell substantially during 1930; as already observed, their deposits were well maintained, and the fall in advances was more than compensated by an increase in the banks' holdings of Treasury bills and long-dated Government securities. Outside Europe, reductions in total credit outstanding — like reductions in total

deposits — were more common. Of the ten non-European countries, however, where the commercial banks' total credit portfolio fell in 1930, holdings of investments — and in particular of Government securities — increased in all except Japan and New Zealand. Moreover, as in the case of Europe, advances were, on the whole, better maintained than commercial discounts; in the United States of America, the Argentine, Brazil, Chile, Peru, Uruguay and Japan, they were increased between 1929 and 1930.

The fact that loans and advances of commercial banks were so well sustained in most countries in 1930 appears somewhat surprising, in view of the sharp downward trend of economic activity in that year. In certain countries — for example, France, Lithuania and the Scandinavian countries — the downward turn of the business cycle did not come until considerably later than in others. Elsewhere, however, the maintenance of loans and advances level generally represents the freezing of credit rather than an expansion of business activity. Industrial borrowers, faced by a rapid fall in prices to which they could not quickly enough adjust their costs, and by a rapid decline in their volume of operations, were frequently unable to meet their bank loans as they fell due. In many countries, the commercial banks were heavily involved in industry through direct participations or current account loans which had been used to provide fixed capital, and to have forced the repayment of such advances might have caused the forced liquidation of the borrowing concern and heavy losses to the banks themselves. To sustain these firms in the difficult period and protect loans already granted, the commercial banks had frequently to grant fresh credits, especially when their relationship with industry was of an intimate character. In the course of 1930, for example, the big Berlin banks increased their current account advances to customers other than banks by over 100 million RM.; an analysis of the cover behind these advances shows that advances covered by securities not quoted on the stock exchange increased by over 200 million RM. The correspondent accounts of the three or four principal Italian banks, which include the bulk of their advances to the industrial and commercial concerns with which they maintain close relations, increased by 750 million lire during 1930. The Viennese banks increased their total loans and advances by 330 million schillings in the course of that year, this increase being chiefly due to the Creditanstalt, which felt itself obliged to come to the assistance of certain firms with which it was closely associated. In Hungary, the commercial

banks' loans and advances on current account were 100 million pengö higher at the end of 1930 than at the end of 1929; their discounts also increased by more than 250 million pengö. This latter increase is largely due to agricultural bills and represents the financing of unsaleable stocks of wheat and other farm products.

The freezing of credit — the decline in the effectiveness with which the existing volume of bank credit is used — is reflected in a reduction of the velocity of turnover of bank deposits. A refined measure of this velocity is available for only a few countries. In the United States of America (outside New York City) the velocity index, corrected for seasonal fluctuations, fell by almost 30 per cent between October 1929 — the month of the sharp break on the New York Stock Exchange — and the end of 1930. In Canada, the percentage of bank debits to deposits declined by about the same amount in that period. A comparison of figures relating to bank clearings with those relating to bank deposits in other countries suggests that there were few countries where the rate of turnover of bank deposits did not decline in 1930.

Although the reduction in the velocity of circulation of bank deposits, like the cancellation of bank deposits through the repayment of loans, has a depressing influence on prices, it differs essentially from the latter in this respect: the repayment of a bank loan represents economic liquidation; it reduces the capitalisation of industry and is a measure of adjustment to the lower level of values and business activity. The freezing of credit, on the other hand, and reduction in the "efficiency" of credit outstanding, reflects a failure either to produce or to liquidate: it maintains the capital charges of industry at a level which no longer corresponds to its earning capacity and hinders cost adjustments. Moreover, it endangers the solvency and stability of the banks by maintaining on their books a volume of obligations against which they do not hold assets of corresponding realisable value.

Banking Developments in 1931: The Financial Crisis.

The development of commercial banking in most countries entered a new phase in 1931; this phase was dominated by the mass movements of international short-term capital from one financial centre to another. The motivating factor in the sudden capital movements of this period was the desire on the part of creditors to ensure the safety

of their capital. Fear of currency depreciation, bank failures and future impediments to withdrawal all combined to bring about a mass attempt to recall credits previously granted. The distrust in the currencies of the countries affected was aggravated by the loss of gold and foreign exchange reserves suffered under the first impact of the capital withdrawals; in many countries, a flight of domestic capital took place at the same time as the withdrawal of foreign credits. These runs naturally precipitated the evils which had been feared. As one country prevented further export of capital — either through agreement with creditors or through official control of foreign exchange transactions, etc. — or was forced to allow its currency to depreciate, attention was directed to other countries; the rapid shifting of capital from one centre after another resulted, by the end of 1931, in the disorganisation of the monetary system of the greater part of the world.

In most countries losing capital, the funds previously borrowed abroad had been advanced for long-term purposes and could not be speedily realised. During the financial crisis, the commercial banks of these countries had recourse to central banks to secure funds to pay depositors. The preceding section has shown that substantial portions of their assets tended to become frozen in the first year of depression; ultimately, these assets were taken over in many countries by the State or by special liquidation institutes. Many of the countries receiving capital were not immune from runs on banks; these were generally caused by a distrust of the banking system, rather than by a distrust of the currency. Here, too, extensive central bank assistance was given to the commercial banks and, where this proved insufficient, Governmental agencies took over illiquid assets.

Once the panic conditions of the financial crisis had subsided, the commercial banks of certain countries — in particular, the creditor countries — enjoyed an increase in the volume of their non-borrowed cash reserves. This generally resulted from the inflow of capital from abroad and — where runs on banks had taken place — from a return flow of domestic deposits; in the case of the United States of America and the United Kingdom, it was due in part to the expansion of central bank credit through purchases of Government securities. But, in default of profitable investment opportunities, the banks of these countries were unwilling or unable to extend commercial credit on the basis of this increase in their cash resources. They aimed at keeping their resources in as liquid a form as possible; to this

end, they continued to contract their industrial loans and discounts and increased their holdings of Government securities. In many countries, moreover, the commercial banks kept much larger reserves of cash than required by convention or by law.

In analysing the connection between the financial crisis of 1931-32 and commercial bank credit, it is therefore necessary to distinguish between the period of crisis itself and the secondary effects of the crisis. The present section is devoted to an examination of the reaction of the commercial banking systems of various countries to the financial crisis proper, while the following section is concerned with setting out some of the repercussions, in the field of commercial banking, of the general lack of confidence generated during the crisis.

It is convenient to date the beginning of the financial crisis with the collapse of the Austrian Creditanstalt in May 1931. In the latter half of 1930, credit withdrawals of some importance had taken place from Germany, but they did not assume the character of a run and were, moreover, more than compensated by an increase in long-term loans to that country. The publication of the 1930 balance-sheet of the Creditanstalt in May 1931 revealed heavy losses and led immediately to large withdrawals by domestic and foreign creditors. The Government attempted to stop the withdrawal of deposits and flight of capital by guaranteeing the bank's foreign liabilities in return for a two years' standstill agreement on the part of foreign creditors. Domestic withdrawals also continued throughout 1931 in spite of the Government guarantee of deposits, and the Creditanstalt was forced to rediscount heavily with the National Bank. Withdrawals also took place from other Austrian banks. It is unofficially estimated that, between May 1931 and the beginning of 1932, the total amount of short-term capital exported from Austria amounted to 700-900 million schillings, of which half is believed to represent foreign withdrawals and half Austrian capital seeking refuge abroad.

The Creditanstalt crisis immediately directed attention to other countries which had been granted large short-term credits by foreign banks. From the beginning of April to the middle of July 1931, when the German crisis came to a head, twenty-eight important German banks (accounting for about 85 per cent of the total short-term foreign indebtedness of all German banks) repaid foreign creditors to the extent of 1,250 million RM. or 22 per cent of their gross short-term indebtedness.

Estimates made (by the Wiggin Committee) in the summer of 1931 indicate that, in the first seven and a-half months of that year, the short-term foreign debts of all German banks were reduced by over 2,000 million RM. After adding to this sum the short-term foreign capital withdrawn from German industries and municipalities and the sale by foreigners of German long-term investments and purchase by Germans of foreign investments, the total amount of capital withdrawn from Germany in this period has been estimated by the Wiggin Committee at 3,500 million RM. (almost \$850 million). Of this amount, 2,000 million RM. was met from the assets of the Reichsbank, 1,000 million RM. from the sale abroad of the foreign assets of German private banks, and the remainder by the sale of other German assets abroad.

As in the case of Austria, the withdrawals by foreign creditors were accompanied by domestic runs on the German banks. The Darmstädter und Nationalbank was particularly exposed, as it had made relatively greater use of foreign short-term credits than the other banks, its relations with industry were particularly close, and it operated with a very small proportion of own funds to outside liabilities. This bank was seriously affected by the failure of the North-German Wool Combing Company and, in the six weeks ending July 13th, 1931, it lost 30 per cent of its deposits. On the date mentioned it closed its doors, and on the following day a three-day banking holiday was declared for all German banks. When the banks re-opened, it was with serious limitations on withdrawals; and, pending negotiations for a standstill agreement, the Reichsbank was given a monopoly of transactions in foreign exchange with the object of preventing a continuance of the capital flight.

The failure of the Danat Bank and the restrictions imposed on the withdrawal of foreign capital from Germany had very serious repercussions abroad. The Danat difficulties started a run on its Austrian affiliate, the Merkurbank. This bank was forced to suspend payments in July 1931, but it resumed business in the following month.

The British short-term financial position was known to be vulnerable. A substantial amount of foreign short-term funds, estimated by the Macmillan Committee at over £400 million at the end of March 1931, were held in London in the form of deposits with the Bank of England, the joint-stock banks and acceptance houses, sterling bills held through these institutions and advances to the discount market; while acceptances on foreign account held by the acceptance houses and

the joint-stock banks were estimated for the same date at about £150 million. Great Britain, though a large creditor on long-term account, was therefore heavily indebted on short-term. The British creditors withdrew capital from Germany and Austria at a considerably slower rate than most other creditors and, as a result of the crises in those countries, a large part of outstanding sterling credits became frozen. The knowledge that this was the case, combined with doubts on the part of foreigners concerning the budgetary position in England, precipitated a run on that country, which resulted in heavy gold losses in the summer of 1931 and the final abandonment of the gold standard (after the loss of £30 million in gold reserves plus £45 million in foreign credits raised with the Federal Reserve Bank of New York and the Banque de France) on September 20th, 1931. As the run on England largely took the form of the sale of foreign-owned Treasury bills and the withdrawal of credits previously granted to the discount market, its full effect is not to be seen in the banking statistics. In the three months ending September 1931, however, total deposits in the ten London clearing banks fell by £70 million.

Until the summer of 1931, the contraction of credit in Italy had not been great. In the last seven months of 1931, however, the principal banks' correspondent creditor accounts — which include sums advanced by foreign banks in respect of which the Italian institutions acted as intermediaries between the former and the Italian borrower — were reduced by 1,100 million lire and their deposit accounts by 200 millions. The banks sold investments to the extent of 325 million lire and — largely through the assistance of semi-public organisations — mobilised industrial holdings and participations amounting to 1,500 millions.

Of the Central-European countries, Hungary was, perhaps, most seriously affected by the calling-in of foreign credits. The total volume of foreign short-term credit outstanding in this country before the financial crisis is not known; but, in the autumn of 1931, after the heavy withdrawals of the summer months, the remaining foreign acceptance credits and short-term loans subsequently covered by standstill agreements still amounted to almost 500 million pengö, while the commercial banks' medium- and long-term debts abroad were roughly 160 and 420 millions respectively. In the summer of 1931, the Hungarian banks were in a highly illiquid position; after the Creditanstalt disclosures, there was a large-scale withdrawal of deposits and foreign credits and selling of pengö. The closing of the

German banks in July precipitated the crisis: the Hungarian Government declared a three-day banking holiday, strictly limited withdrawals of deposits and instituted a system of exchange control by the National Bank. It subsequently issued a decree by virtue of which bank deposits and certain other pengö debts were declared payable in "gold-pengö" of a defined metallic content. (Details are given in the chapter on Hungary.)

The Roumanian banks, too, had to meet heavy withdrawals of foreign credits and domestic deposits in the latter half of 1931. In the course of that year, total deposits were reduced by 23 milliard lei, or 43 per cent. The banks effected these repayments by contracting their loans and advances by 14 milliards, reducing their cash reserves and rediscounting with the National Bank. No official exchange control was introduced until May 1932.

Brief reference may be made to the effect of the financial crisis on certain other European countries. The Polish banks made extensive use of foreign short-term credits, but the commercial banks of that country concentrated on short-term loans and were able to repay 260 million zloty (\$30 million) in the latter half of 1931 and domestic withdrawals of an even greater amount without recourse to the Central Bank for fresh rediscount credits. In Latvia, where the banks were closely connected with German credit institutions, the Central Bank was unwilling to grant the private banks additional rediscount credits, and it was necessary to limit weekly withdrawals at first to 5 and, later, to 2½ per cent of total deposits. These restrictions were lifted by the end of the year, but, in the course of 1931, total deposits of the big Latvian banks were reduced by 56 per cent and total borrowings, which include foreign credits, by 41 per cent. The banks reduced outstanding loans and advances by nearly 50 per cent. The Estonian banks were very seriously affected by the depreciation of sterling. In the last two months of 1931, almost half their outstanding foreign credits were called in and it was necessary to impose a temporary moratorium on withdrawals from certain important banks subject to runs. Exchange control was instituted in November 1931 and the crown maintained at its normal gold parity until June 1933, when it was allowed to depreciate to the level of the Swedish currency. Lithuania was less affected than the other Baltic States. Certain commercial banks, however, and in particular those known to be closely connected with German institutions, suffered serious runs.

In the course of 1931, aggregate deposits of the banks of "Great Lithuania" fell by 43 per cent, but most of the sums withdrawn were re-deposited in the Post Office Savings Bank, and the Central Bank afforded the commercial banks wide rediscount facilities.

Some further brief reference may be made to the standstill agreements already mentioned. Full details of these agreements will be found in the individual chapters on the countries to which they relate. The most complete agreement is that relating to Hungary. Under a series of conventions with the British, American and Swiss creditors, outstanding acceptance and current account credits were prolonged. At first it was agreed that interest and commission should continue to be transferred, but at the end of 1931 a partial, and later an almost complete, transfer moratorium was instituted. Since March 1933, agreed repayments of 5 per cent of the principal and further voluntary repayments, subject to the approval of the National Bank, have been made in pengő.

An agreement between the Austrian Government and the foreign creditors of the Creditanstalt was initialled in January 1933, under which the foreign creditors and the State become joint owners of that Bank. The Bank's foreign assets were taken over by a special liquidating company, part of whose share capital was handed to the foreign creditors along with 5 % bonds to an amount of 212 million schillings on which, however, service is not to be transferred until April 1935. With regard to the foreign credits of the other Austrian banks, a first agreement was reached in August 1931 providing for some capital repayment; the amounts subject to standstill agreement were reduced from \$33.7 million in that month to \$16 million in January 1932, when the agreement expired. A new agreement, subsequently prolonged until January 1934, provided for a cessation of capital repayments.

The first of the German standstill agreements ran for a period of six months from September 1st, 1931. Under its terms, foreign banks agreed to prolong all outstanding acceptance credits and cash advances to, and time deposits with, German banks and industry. Any encashments received from clients on whose account the German banks had taken acceptance credits were to be remitted to the foreign creditor in foreign currency or, if that were found impracticable, deposited in marks at the Reichsbank for the account of the foreign creditor. Reichsmark balances of foreign banks with German banks were to be gradually released for transfer within Germany. The second standstill

agreement covered the period up to February 1933. The chief addition to the first agreement was the provision of machinery whereby unsecured cash advances might be converted into "blocked" investments in Germany; creditors might demand annual repayment of 50 per cent of their unsecured cash advances to banks and 30 per cent of their unsecured cash advances to industry for this purpose. During this year, the Swiss creditors made substantial use of this arrangement, which came to be known as the "Swiss clause". Its scope was extended under the 1933 agreement. The conversion privilege was extended to other classes of debts; acceptance credits to banks might be converted at the rate of 30 per cent per annum. Foreign creditors might not, however, demand repayment in Reichsmarks of more than an annual aggregate of 20 per cent of their total claims on all banks and 15 per cent of their total claims on non-bankers. Investments were permitted in all types of long-term German Reichsmark securities and, in addition, short-term advances and deposits with a minimum duration of one month might be made. In June 1933, an arrangement was reached with the foreign creditors under which all capital repayments under the 1933 agreement were postponed until the end of February 1934.

A new agreement, extending to the end of February 1935, maintains the 1933 arrangement in its essentials. No further capital repayments are required; interest and commission charges are maintained at the rates ruling from July 1933.

According to official statistics and estimates recently published, the short-term foreign debts of Germany subject to standstill agreements were reduced from 6.3 milliard RM. in July 1931 to 2.6 milliards at the end of February 1934. This reduction was accomplished in part by the surplus of exports, in part by the reduction of the Reichsbank's reserves of gold and foreign currencies, in part by conversion into registered marks under Article 10 (the "Swiss clause") of the 1932 and 1933 agreements, and in part by currency depreciation abroad. It is estimated that standstill credits were reduced by 1,250 million RM. between February 1933 and February 1934. Of this amount, 500 million RM. are said to be due to conversion into registered marks (of which one-quarter was used for long-term investments in Germany and the remainder disposed of for "additional exports" or other purposes at a loss ranging from 30 to 15 per cent) and 475 million RM. are said to be due to the depreciation of foreign currencies.

The experience of the United Kingdom during

the financial crisis has already been considered. Reference may now be made to the development in certain other creditor countries — the United States of America, France and Switzerland. During the first fifteen months of the depression, the credit contraction in the United States had been of a relatively moderate nature. Between October 1929 and June 1931, total deposits in all American banks declined by \$3,800 million, or less than 7 per cent. Among the banks' assets, there was a substantial decline in commercial loans and in security loans, but this was partly offset by a heavy increase in investments, which extended to both Government and private bonds. Through these purchases of investments, the banks gave effective support to the capital market, particularly the market for high-grade bonds; and the price of capital, as measured by the yield on such securities, was, on the whole, lower at the middle of 1931 than it had been in the last stages of the boom period.

Before proceeding to analyse the effects of the financial crisis on the American banking system,

it is convenient to summarise briefly the foreign short-term credit position of that country. Reference has been made above to the importance of American short-term loans in financing the industrial development of German and Central-European countries after the post-war currency stabilisations. These loans took the form chiefly of acceptance credits, a form of financing which was developed in the United States of America only during the war. Its development was facilitated by the stability of the dollar and the fact that this paper was eligible for rediscount at the Federal Reserve banks. Until 1927, practically all outstanding bankers' acceptances were drawn in connection with American foreign trade, but after that year the acceptance credit was largely used as a method of financing trade between foreign countries; in some cases it was even based on stocks of goods abroad. The relative importance of the various purposes for which the total volume of dollar acceptances outstanding at recent dates had been drawn will be seen in the following statement:

Table V.

DOLLAR BANKERS' ACCEPTANCES OUTSTANDING, BY CLASSES.

	Based on imports or exports of U.S. goods stored in U.S. and goods shipped between domestic points	Based on goods stored in foreign countries or shipped between foreign points	Total, including acceptances drawn to provide dollar exchange	Total dollar bankers' acceptances held by foreigners
	(1)	(2)	(3)	(4)
	\$ (000,000's)			
31/XII/25.	738	17	774	.
31/XII/27.	1,013	40	1,081	406
31/XII/29.	1,215	441	1,732	865
31/XII/30.	943	561	1,556	702
30/VI/31.	805	494	1,368	.
31/XII/31.	647	296	974	298
30/VI/32.	476	271	747	.
31/XII/32.	473	228	710	113
31/XII/33.	578	182	764	.

Sources: Columns 1-3: Annual Reports of Federal Reserve Board, and *Federal Reserve Bulletin*.
Column 4: U.S. Department of Commerce — "The Balance of International Payments in the United States."

At the end of 1930, acceptance credits granted to foreign countries amounted to \$560 million, or more than a third of the total volume of outstanding dollar bankers' acceptances. The geographical distribution of these acceptance credits is not

known. According to a document submitted by the Reichsbank to the Wiggin Committee on the credit situation in Germany, however, German acceptance liabilities to the United States of America amounted to 1,250 million RM., or nearly

\$300 million at the middle of July 1931; it would therefore appear that well over half of these dollar acceptance credits were granted to Germany.

The American banks did not extend cash credits to nearly the same extent as acceptance credits. For the end of 1930, the official balance of payments statistics show \$300 million outstanding as advances to foreigners; according to the source quoted in the last paragraph, American cash advances to German banks and industry amounted to about \$60 million, or a third of the total. Deposits abroad are likewise of relatively less importance (\$300 million at the end of 1930) and appear chiefly to be maintained for the current needs of international trade.

Until the end of 1931, a large proportion of outstanding dollar acceptances was held by foreigners. The amount so held rose very sharply after 1926, partly in consequence of the application of the gold-exchange standard by a number of central banks. At the end of 1929, dollar acceptances held abroad reached their highest level at \$865 million and amounted to half the total volume of outstanding dollar acceptances. By the end of 1930, this amount had been reduced to \$700 million, of which \$440 million were held by the Federal Reserve banks for foreign correspondents (these bills constituting a contingent liability of the Reserve banks) and the remainder by private banks.

The bulk of American short-term liabilities abroad consisted of deposits in American banks, which amounted to \$1,640 million at the end of 1930. Of this amount, less than \$6 million was held with Reserve banks and the remainder with commercial banks. More than three-quarters of these deposits were held with a few New York City banks; they were accumulated to a considerable extent during the post-war inflationary periods and represented, in the first instance, largely refugee capital seeking safety in the United States of America. Later, when the American banks granted foreign credits in large amounts, they sometimes required the foreign credit-taker to keep on deposit with them a fixed proportion of the credit granted. After the European currency stabilisations, the greater part of the dollar balances of foreign individuals was sold to the central banks or treasuries of their countries, and in this way the large volume of foreigners' deposits in American banks became concentrated to an appreciable extent in relatively few hands.

As early as June 1931, there was some evidence of the impending financial disturbances in the

United States of America; in particular, foreigners reduced their holdings of dollar acceptances and transferred their deposits with commercial banks to Reserve banks. These movements continued throughout the summer of 1931, but it was not until after the British abandonment of the gold standard that they grew serious. By that time, exchange control had been instituted in a great many countries and standstill agreements entered into with others; a very large proportion of the realisable short-term balances of the world were concentrated in the United States of America and, owing in part to the numerous bank failures in that country, foreign creditors withdrew large amounts of capital for conversion into other currencies. The short-term assets of foreigners consisted, as shown above, chiefly of deposits in American banks and of dollar acceptances. Both were radically reduced, the former by \$620 million in the course of 1931 and the latter by \$435 million. The New York City banks were chiefly affected by the withdrawal of deposits; in the last two months of 1931, their net demand and time deposits fell by \$1,000 million. There was a temporary respite in the first few months of 1932, but in May and June of that year there occurred a recrudescence of deposit-withdrawals and acceptance selling by the foreign short-term creditors of the United States of America. In all, it is officially estimated¹ that, in the course of 1931 and 1932, the short-term foreign debt of that country was reduced by \$1,800 million. The repayment of these sums was accomplished in part by the reduction of American short-term assets abroad, which fell by \$750 million. The bulk of this reduction was due to the calling-in of acceptance credits granted to foreigners; cash credits abroad and deposits in foreign banks were also reduced.

Foreign withdrawals were accompanied by domestic runs on banks. Bank failures, which had already occurred with alarming frequency, became even more numerous and important. The worst month during this period was October 1931, in which 522 banks with deposits amounting to \$470 million were forced to suspend payments. In the twelve months ending June 1932, 2,429 banks with deposits aggregating \$1,750 million failed in the United States. The general loss of confidence in the banking system resulted in currency hoarding on a tremendous scale. The total volume of money in circulation was \$875 million higher at the middle of 1932 than at the middle of 1931 and, in view of the sharp drop in business activity and consequently in currency requirements, it may be

¹ U.S. Department of Commerce — "The Balance of International Payments of the United States in 1932."

estimated that total hoarding during this period amounted to at least \$1,300 million.

The drain on the cash reserves of the commercial banking system involved in these factors was partly compensated by an expansion in Federal Reserve credit (through rediscounts and, in the spring of 1932, extensive open-market operations), but the contraction of bank credit during this year was of extraordinary magnitude. In June 1932, aggregate deposits of all banks in the United States of America were \$10,000 million (20 per cent) lower than in June 1931; in this one year, the total volume of bank credit outstanding fell as much as it had risen in the entire period 1925-1929. On the basis of detailed data available for banks members of the Federal Reserve system, it appears that more than two-thirds of this contraction took the form of calling in security loans and open-market loans (loans to brokers, etc.) and the sale of private securities. The effect of this type of credit restriction was to put a very heavy strain on security markets, which were already suffering from foreign selling. The price of bonds, which, as already observed, had been well maintained until June 1931, fell rapidly. Domestic bonds as a whole (Dow-Jones index) were almost 50 per cent lower in June 1932 than in June 1931, and second-grade railway bonds were 66 per cent lower. In June 1932, domestic industrial bonds were quoted on an 11% yield basis, high-grade railway bonds (the best-maintained of all classes of private security) on a 6% basis, and second-grade rails on a 19% basis. The financial crisis in the United States of America thus caused a complete demoralisation of the capital market.

The United Kingdom and the United States of America, though large creditors on long-term account, were, at the time of the financial crisis, net debtors on short-term account. France, on the other hand, was a large creditor on short-term. This creditor position was built up during the period of currency depreciation after the war. In the period of *de facto* stabilisation, the Banque de France acquired large balances abroad — in the form chiefly of sterling and dollar bills — and with the legal stabilisation of the franc these were maintained as supplementary cash reserves. In the years 1924-1926, when the currency was depreciating, the French commercial banks kept the greater part of their capital and reserve funds in the form of

balances abroad; in 1927-1929, they also kept abroad large parts of their liquid resources, to take advantage of the higher interest rates there prevailing.

In the course of 1930, there was some tendency for the foreign balances of private capitalists in France to be sold to the Banque de France and the commercial banks. Repatriation of capital took place on a very large scale in 1931. Part of the sums called in had been loaned directly to Germany and other borrowing countries; thus, in two months preceding the German bank holiday, for example, French banks withdrew short-term loans amounting to 72 million RM. (\$17 million) from Germany, and in the course of 1931 they withdrew credits amounting to 38 million zloty (over \$4 million) from Poland. But by far the largest credits had been extended to England and the United States of America, and repatriation took the form of the sale of sterling and dollar bills and withdrawal of bank deposits for conversion into francs. At the same time, there was considerable repatriation of foreign investments by private capitalists. The amounts involved are not known; in the course of 1931, the correspondent debtors' account of the four principal deposit banks fell by 5 milliard francs, and this would appear to be chiefly due to the calling-in of foreign loans. It is estimated¹ that, in all, the repatriation of French foreign short-term investments in 1931 (including those of industrialists and private individuals as well as banks) amounted to 10 milliard francs (\$400 million). In addition, foreigners transferred funds to France in large amounts, seeking safety there; refugee capital coming into France in 1931 is estimated¹ at 5 milliard francs (\$200 million).

The chief effect of this inward movement of capital into France (apart from increasing the gold reserves of the Banque de France, which rose by 27.2 milliard francs between the end of 1929 and the end of 1931) was greatly to increase the cash reserves of the deposit banks. The cash in hand and balances with the Banque de France of the four large deposit banks increased by 8.6 milliard francs in the course of 1931, and constituted one-third of their total deposits at the end of that year. It is not possible to say how much of this increase in cash took the form of direct holdings of gold by the banks, but the amount is probably not inconsiderable.² Throughout this year, the banks

¹ *Revue d'Économie politique*, May-June 1932.

² In 1931, the net imports of gold into France exceeded the increase in the gold stocks of the Banque de France by 3.6 milliard francs and in 1932 by a further 6.5 milliards. Part of these discrepancies may be due to the earmarking of gold for foreign account at the Banque de France and to the reduction in gold held under earmark for the Banque de France abroad; part is undoubtedly due to gold hoarding.

contracted all their credit items, in spite of a substantial increase in their current account deposits.

Like France, Switzerland repatriated capital in large amounts in the course of 1931. From Germany alone, over 200 million RM. (\$50 million) were withdrawn between the beginning of April and the middle of July 1931. The amounts withdrawn from other countries are not known, nor is the amount of foreign capital seeking refuge in Switzerland.¹ In the accounts of the commercial banks, this inward movement of capital in 1931 is reflected in a fairly steady movement of deposits (increased foreign deposits almost compensating the reduction caused by domestic hoarding and credit contraction) and in a very sharp rise in the banks' cash holdings. For the Swiss banks as a whole, the latter increased by more than 800 million francs (or almost 200 per cent) in the course of 1931. It is not possible to say what part of this increase in cash took the form of gold holdings, but the amounts are known to be substantial.²

In spite of this influx of capital, the latter part of 1931 was also a period of financial crisis in Switzerland. Confidence in the private banks was affected by the failure of the Banque de Genève in the summer of 1931, and currency hoarding took place on a considerable scale. The total volume of notes in circulation was 700 million francs higher at the end of 1931 than at the beginning of June, and the time deposits of the big banks were reduced by 800 million francs in the course of that year. There was a very marked shift in deposits from these institutions to the cantonal and savings banks, which enjoy a public guarantee. The big banks contracted all forms of credit during this year.

It is not necessary to trace in detail the incidence of the financial crisis of 1931 on the commercial banking systems of other countries. This is done in the individual chapters. An examination of Appendix I will show that, of the forty countries covered by this memorandum, total commercial bank deposits were higher at the end of 1931 than at the end of 1930 in only three — Australia, Brazil and Venezuela. In all these countries, a marked depreciation of the currency occurred in the course of 1931; for Australia and Brazil, the depreciation (in gold value) amounted to about 40 per cent, and for Venezuela to over 15 per cent. In the case of all the other sixteen countries which suffered

currency depreciation in 1931, however, total deposits in terms of national currency fell in the course of the year. Among these countries, the fall in deposits was particularly sharp (40 per cent) in Mexico. The commercial banks of this country faced heavy runs in the summer of 1931. In three European countries there was a contraction of 30 per cent or over — namely, in Latvia (57 per cent), Roumania (46 per cent) and Germany (30 per cent).

The tendency for the relative importance of time deposits to be increased was by no means as universal in 1931 as it had been in the previous year. In France, Germany, Italy, Switzerland and several other States, time accounts fell considerably more than current accounts in 1931. This movement, where it occurred, is evidently symptomatic of a distrust in the banks and the desire on the part of depositors to keep their balances in the most liquid form possible. Distrust in the commercial banks and the desire to enjoy a State guarantee are reflected in Table IV above, which shows a sharp rise in savings bank deposits, particularly postal-savings accounts, in many countries in 1931.

Banking Developments in 1931-32 : Secondary Repercussions of the Financial Crisis.

The pressure for repayment of deposits and foreign credits during the financial crisis forced the banks, so far as they were able, to call in outstanding credits. Where these were frozen, they were frequently taken over by the State or some form of amortisation corporation and so disappeared from the banks' accounts. In 1932, the banks of many countries were still forced to reduce their loans and advances owing to the withdrawal of deposits and foreign credits. Frequently, the banks' most solvent customers suffered, as they were best able to repay the advances they had taken. The pressure for repayment put a great strain on markets of every description; not only did gold prices of commodities continue to fall, but the sale of securities by those holding them with bank credit (and — in the United States of America, at any rate — by the banks themselves) pressed down their price and forced up the yield of long-term capital. Every further step in forced liquidation reduced the value of the commercial banks' assets and made

¹ The Statistical Balance of the Swiss National Bank states that the increase in the deposits of the banks during 1930, amounting to 1 milliard francs, was largely due to foreign capital seeking refuge in Switzerland, and that this movement continued in 1931. See *Das Schweizerische Bankwesen im Jahre 1931*, page 14.

² See chapter on Switzerland.

them less able and less willing to extend credit ; on the other hand, it accentuated the disequilibria in the price structure and reduced profit margins and therefore the creditworthiness of prospective borrowers.

Even in countries where there was no pressure for repayment of deposits in 1931 and 1932, the commercial banks frequently continued to contract their industrial and commercial advances. Their main preoccupation was to hold their assets in the most liquid form possible ; to this end they increased their cash ratios and held higher proportions of their assets in the form of Government securities and Treasury bills.

The following table shows the ratio of cash and items of a cash nature to total deposits in certain representative countries at the end of 1930, 1931 and 1932. Appendix V gives similar figures for all countries covered by this volume.

Table VII.

PERCENTAGE RATIO OF CASH AND SIMILAR ITEMS TO
TOTAL DEPOSITS IN CERTAIN COUNTRIES,
END OF 1930, 1931 AND 1932.

	1930	1931	1932
Argentine Republic	15.0	16.6	21.4
Belgium	11.5	13.7	20.5
Brazil	23.6	23.4	28.6
Canada	16.7	15.0	15.3
Chile	15.8	22.8	31.8
Denmark	5.7	5.3	9.1
England and Wales	12.5	12.2	11.5
France	18.8	29.8	25.9
Germany	2.7	3.4	3.4
Hungary	9.3	9.7	9.6
Italy ¹	8.4	8.5	9.0
Japan	9.3	8.6	8.7
Lithuania	7.8	7.6	6.9
Netherlands	7.2	9.7	19.0
New Zealand ²	13.6	12.4	7.5
Sweden	3.7	3.8	5.1
Switzerland	3.1	8.9	8.9
U.S.A. ³	16.4	15.0	14.5

The increase in the relative importance of cash and similar items during 1931 was particularly marked in France and Switzerland. As already observed, large amounts of capital flowed into both these countries ; the commercial banks maintained

most of the increased resources thus accruing to them in the form of cash. The increase in the cash reserves of the French deposit banks has already been referred to ; those of the Swiss commercial banks increased from 450 million Swiss francs to nearly 1,300 millions. The cash reserves of the Dutch and Belgian banks and the ratio of their cash to deposits also increased appreciably in 1931. In no other European country was there an increase in the absolute amount of cash held by the banks. The slight increase in cash ratios shown in Table VII for Germany, Hungary and Italy is due to a very sharp fall in deposits ; and in the first two countries, as well as in Sweden, a much larger part of the cash held by the commercial banks in 1931 had been secured by borrowing at the central bank than in the previous year.

An examination of Appendix V will show that increases in the cash ratio were more general in Latin America during 1931 than elsewhere ; indeed, the only Latin-American countries which showed an appreciable decline in this ratio were Mexico, where the banks had to meet heavy runs in 1931, and Venezuela, where the ratio of cash, etc., to deposits *plus* note circulation showed only a slight decline. In Canada, the United States of America, South Africa, Australia, New Zealand and Japan, the relative importance of the cash item fell in 1931 ; in British India there was a slight increase.

In the course of 1932, deposits increased in all Latin-American countries except Peru and Uruguay, and in these countries the decline was negligible ; there was a universal increase in the volume of cash reserves held by banks, which raised the ratio of cash to deposits in all these countries except Bolivia.

In certain countries of Northern Europe, the increase in cash ratios during 1932 was very marked. Thus, in the Netherlands, the ratio of cash and similar items to total deposits rose from 9.7 per cent at the end of 1931 to 19 per cent at the end of 1932. Capital continued to flow to Holland during this year. The gold holdings of the Nederlandsche Bank, which had already increased by 460 million gulden in 1931 (of which 160 millions were due to the conversion of the foreign assets reserves of the Central Bank) rose by a further 150 million gulden. In all the Scandinavian States there was an increase in the relative importance of cash, which was most striking in the case of the Danish banks. The Belgian banks raised the ratio

¹ Principal banks.

² End of June following year.

³ Member banks.

of their cash, etc., to total deposits from 13.7 per cent at the end of 1931 to 20.5 per cent at the end of 1932. Bulgaria and Italy are the only other European countries where the cash ratio increased in 1932, and here the increase was inconsiderable. Switzerland maintained the high figure reached in 1931; there was some decline in France; ratios declined in the Baltic States and were fairly stable in most other countries. In New Zealand and Australia, there was a marked decline; the commercial banks held a much higher proportion of their assets in the form of Treasury bills than previously and allowed their cash holdings to diminish.

In spite of the fact that the ratio of cash and other items of a cash nature to total deposits was lower for member banks in the United States of

America at the end of 1932 than in previous years, those banks held legal reserves in excess of requirements amounting to \$525 million, and, in addition, \$425 million of cash in vault, which are not counted as legal reserves. In that country, the commercial banks' search for liquidity is even more reflected in the distribution of their earning assets than in the accumulation of excess cash reserves. This is also true of the British joint-stock banks (whose cash reserve ratio showed but little fluctuation in 1931 and 1932) and of the commercial banks of many other countries. Table VIII below shows the percentage changes in the principal items of the credit portfolio of the commercial banks of certain representative countries in 1931 and 1932.

Table VIII.

PERCENTAGE CHANGES IN DISCOUNTS, LOANS AND INVESTMENTS AND TOTAL CREDIT PORTFOLIO OF COMMERCIAL BANKS OF CERTAIN COUNTRIES, 1931 AND 1932.

	Discounts		Loans and advances		Investments				Total credit portfolio	
	1931	1932	1931	1932	Government securities ^a		Other ^b		1931	1932
					1931	1932	1931	1932		
Argentina	+ 1	-19	- 9	- 4	+ 11	+ 1			- 4	-10
Belgium	- 3	-18	-25	-20	+ 1	- 2			-15	-15
Brazil	- 3	+24	- 2	+ 5	+ 13	+ 3			- 2	+12
Canada	"	"	-10	-13	+ 18	+ 15	- 4	-18	- 7	- 5
Chile	-57	-20	-10	+ 2	+129	-21	-23	+14	-21	- 1
Denmark	+ 0	-18	- 2	-10	-22	+ 13	- 1	- 2	- 4	- 9
England and Wales	-26	+66	- 3	-14	+ 0	+ 67	+ 0	+15	-12	+14
France	-15	+21	-19	-25	+ 9	- 8			-16	+ 3
Germany	-27	+ 6	-22	-16	+734	+ 46	+25	-13	-18	-10
Hungary	- 6	-10	-13	-15	- 2	+122			- 9	- 8
Italy ¹	+14	- 7	-27	- 2	-36	+ 9			- 9	- 4
Japan	- 8	+ 7	+ 0	- 1	- 3	+ 4			- 2	+ 1
Lithuania	-25	-22	- 1	-15	+ 0	- 3			- 8	-15
Netherlands	-19	- 2	- 9	-22	+ 8	-12			-10	-16
New Zealand ²	-22	-14	- 5	- 8	+ 98	+ 58	+ 0	+ 0	+ 3	+ 2
Sweden	- 7	+16	+ 0	-11	-11	+ 4			- 3	- 4
Switzerland	-32	-16	- 1	+ 0	+ 4	+ 0			- 5	- 2
U.S.A. ³	"	"	-19	-21	+ 29	+ 23	-12	- 4	-12	-10

¹ Principal banks.

² Figures for 1931 relate to June 1931-June 1932; those for 1932 relate to June 1932-June 1933.

³ Member banks.

^a Included in loans and advances.

^b Where no figures are shown for "other" investments, they are included in "Government securities".

The total credit portfolio of the commercial banks, as measured by aggregate discounts, loans and investments, fell in 1931 in all countries covered by this volume (as an examination of Appendix III will show), except New Zealand,

Australia, South Africa, Uruguay and Venezuela. Declines were less general in 1932; among the South-American countries, they occurred only in the Argentine, Colombia and, to a very slight extent, in Chile; aggregate commercial bank

credit, as here defined, increased slightly in South Africa, Australia, New Zealand and Japan. Elsewhere the decline in the banks' aggregate earning assets was generally less striking than in the previous year (Belgium, Denmark and Lithuania, as well as the Argentine, are significant exceptions), and an appreciable increase occurred in the United Kingdom and France.

This rise in the total credit portfolio of the French and British banks in 1932 was by no means due to an expansion in commercial credit. On the contrary, Table VIII shows that the advances by the British joint-stock banks fell much more sharply in 1932 than in the previous year. The rapid growth of deposits which took place during 1932 went parallel with purchases of Treasury bills and long-dated Government securities; the former are included in Table VIII under discounts, which rose by 66 per cent in 1932, and the increase in the banks' holdings of Government securities was of the same magnitude. Even though, therefore, the cash ratio of the British banks remained substantially unchanged in 1932, they greatly increased their liquidity by calling in commercial credits and buying State obligations. The same is largely true of the French banks. They allowed some decline in their cash reserves to take place in 1932, but they contracted their advances even more sharply than before and greatly increased their holdings of *Bons de la Défense nationale* (included under discounts in Table VIII).

It has been shown above that the commercial banks of many countries of Northern Europe increased their cash ratios considerably in 1932; their attempt to achieve liquidity is also reflected in the sharp declines which took place in their credits to industry along with the maintenance or increase in their holdings of Government securities, etc. Thus, in Belgium, commercial discounts fell by 16 per cent in 1932 and advances even more, while security holdings were fairly stable. In the Netherlands, loans to industry were reduced by 22 per cent in 1932, as compared with 9 per cent in 1931, while discounts, which include Treasury bills, fell by only 2 per cent. In Sweden, advances, after remaining stable in 1931, fell by more than 10 per cent in 1932. The commercial banks' bill portfolio rose by 16 per cent, representing chiefly purchases of Treasury bills, and security holdings were also increased. The Danish banks reduced their commercial discounts by 18 per cent and their loans and advances by 10 per cent; at the same time, they bought Government bonds.

The same phenomenon occurred in many countries outside Europe. The American banks

enjoyed a large increase in their cash resources in 1932 as a result of the extensive open-market operations carried out by the Federal Reserve banks in the first half of that year; they were also assisted by loans from the Reconstruction Finance Corporation. They accumulated large excess cash reserves, as already noted, and greatly increased their holdings of Government securities. Their commercial discounts and advances, on the other hand, fell by 20 per cent in 1932, or more than in the previous year; part of this decline may represent the handing-over of assets to the Reconstruction Finance Corporation as collateral for advances, but the bulk undoubtedly represents a genuine contraction of bank credit. At the end of 1932, the loans of the member banks of the Federal Reserve system were \$11,000 million lower than at the end of 1929; their holdings of Government securities were \$2,700 million higher. In Canada, the current loans and discounts of the chartered banks fell by 13 per cent in 1932, as compared with 10 per cent in 1931; their holdings of Government securities increased by 15 per cent. In New Zealand, both discounts (which are of slight relative importance) and loans fell between June 1932 and June 1933, the latter more sharply than in the previous year; on the other hand, the banks bought large quantities of Treasury bills, and the total volume of bank credit outstanding increased. In spite, therefore, of the fall in the cash ratio to which reference has already been made, the trading banks enhanced their liquidity considerably; the same is true of Australia.

It has been stated above that Bolivia was the only Latin-American country where the cash ratio did not increase in 1932. The total volume of commercial bank credit outstanding fell by 10 per cent in the Argentine and 20 per cent in Colombia, and rose by 10 per cent in Brazil and 20 per cent in Peru; elsewhere the fluctuations were small. Investments were well maintained in the Argentine and increased by almost 20 per cent in Colombia; the decline in both these countries was chiefly due to commercial discounts. Investments also increased in Brazil and Peru, but not so rapidly as discounts; loans and advances also increased in these countries, but in both cases constituted a smaller proportion of total earning assets at the end of 1932 than at the end of the previous year.

In Germany, the decline in loans and advances in 1931 and 1932 represents less the calling-in of credits than their writing-off, which was partly achieved through Government assistance. The German banks made a large proportionate increase in their holdings of Government bonds in 1931

and 1932, but at the end of the latter year such securities still constituted less than 5 per cent of their total credit portfolio. The same applies to Italy, where large amounts of frozen assets held by commercial banks were taken over by a special liquidation institute, and to Austria and certain other countries. On this point, reference may be made to the individual chapters and to the section of this introduction dealing with Government assistance to commercial banks.

Banking Developments in 1933: The End of Contraction.

At the time of writing, detailed annual statistics are not yet available for 1933. The more significant trends in commercial banking during that year may, however, be examined in the light of the monthly returns of the more important commercial banks in a number of countries.¹

The outstanding event during 1933 was the American banking crisis in the spring of that year. This crisis is analysed in some detail in the chapter on the United States of America and it is not necessary to give more than a rapid sketch of it here. The background of the crisis is to be sought in the unit banking system prevalent in the United States. The very large number of commercial banks (24,000 at the middle of 1929), the majority of which operate in small localities, militates against the diversification of risk and exposes the system as a whole to the spread of shock originating in a particular quarter. During the three years 1930, 1931 and 1932, over 5,000 banks with deposits of \$4,250 million suspended payments. Failures were particularly numerous during the financial panic of 1931-32, but they tended to decline in number and importance in the latter half of 1932, largely as a result, it would appear, of the remedial measures taken to overcome the financial panic. The most important of these measures were the establishment of the Reconstruction Finance Corporation (which in the course of 1932 made loans to 5,600 banks and trust companies amounting to \$850 million) and the open-market operations carried out by the Federal Reserve system in the spring of 1932. The chief result of these operations was to expand the cash reserves of the member banks, in spite of gold exports and some increase in money circulation in the first half of 1932, and to enable them to reduce their indebtedness to the Federal Reserve banks. During the latter part of 1932, member banks continued to reduce their indebtedness and to accumulate excess reserves, which exceeded \$500 million at the beginning of 1933

The crisis of 1933 started in the middle of February, when important banks in the State of Michigan were subjected to runs. A banking holiday was proclaimed in this State; as runs spread to other States, it became necessary to generalise the moratorium, and on March 4th a national banking holiday was proclaimed. Between the middle of February and March 4th, the total volume of money in circulation in the United States of America increased by \$1,600 million — a measure of the volume of hoarding during these three weeks. Federal Reserve bank credit outstanding increased by an almost equal amount; member banks rediscounted \$1,150 million of new bills with the Reserve banks, and the latter also bought acceptances freely. The deflation of commercial bank credit was extremely drastic during this period; in the month of February alone, the total loans and investments of reporting member banks in 101 leading cities fell by \$900 million.

The re-opening of the banks was rapidly effected. By the end of March 1933, 12,800 of the 18,000 banks in operation before the crisis had been licensed to carry on business on an unrestricted basis and, by the end of 1933, this number had been increased to over 15,000; these banks accounted for more than 95 per cent of deposits of all banks prior to the crisis. The development of commercial bank credit during 1933 may be estimated on the basis of the following table, which relates to reporting member banks in ninety leading cities:

End of:	March	June	Sept.	Dec.
Loans on securities	3,644	3,748	3,687	3,628
All other loans	4,688	4,704	4,853	4,774
Investments in Government securities	4,583	5,254	5,056	5,267
Other investments	3,086	2,959	2,933	2,997
Total loans and investments	16,001	16,665	16,529	16,666
Net demand deposits	9,745	10,741	10,505	10,866
Time deposits	4,330	4,406	4,501	4,339
Velocity of circulation of demand deposits (outside New York City; 1919 - 1925 = 100)	72 ²	78	78	72

¹ Monthly or quarterly statistics of commercial bank deposits in over thirty countries are published in the *Monthly Bulletin of Statistics of the League of Nations*, to which reference should be made.

² February.

There was some expansion in bank credit as measured by total loans and investments during the second quarter of 1933; part of the apparent increase in the figures given in the above table for total loans and investments and for demand and time deposits was, however, no doubt due to the progressive licensing of banks still closed at the end of March. Among the credit items, the increase was largely confined to banks' holdings of Government securities, though loans on securities also rose at the same time as security prices and stock-exchange activity. It is striking, however, that the increase in production and speculation characteristic of this period appears to have been financed less by an expansion in bank credit than by a more effective use of existing credit, as reflected in the increase in the velocity of circulation of bank deposits. This index rose to 90 in July, but it has fallen almost continuously since then, and by December it was back to the low level of February. In the third quarter of 1933 there was a tendency towards a contraction of credit, although "all other" loans rose during these months, as a result chiefly of increased holdings of acceptances. Commercial loans to customers showed little net change over this nine-month period. Security loans fell somewhat in the final quarter of the year, as did "all other" loans; the increase in banks' holdings of Government securities reflect Treasury financing and the continued desire on the part of the banks to maintain assets in a liquid form. The desire for liquidity is even more strikingly demonstrated in the continuous accumulation of excess cash reserves. Early in November these excess reserves amounted to \$850 million. This was largely the result of the purchase of \$600 million of Government securities in the open market by the Federal Reserve banks between the middle of May and the beginning of November. Although excess cash reserves were somewhat lower at the end of 1933, they again increased in the first months of 1934 and the record figure of more than \$1,200 million in March.

The British banking experience of 1933 may be compared with that in 1932 from the figures given at the top of the next column, which summarise the position of ten London clearing banks (representing about 95 per cent of the total resources of all British joint-stock banks) in December 1931, 1932 and 1933.

Total deposits were somewhat lower at the end of 1933 than at the end of 1932; there was, however, a definite shift from deposit to current accounts.

	Dec. 1931	Dec. 1932	Dec. 1933
	£ (000,000's)		
Coin, bank notes and balances with Bank of England.	184	206	213
Money at call and short notice	121	128	120
Commercial and Treasury bills discounted.	246	408	311
Investments	296	475	562
Advances	903	778	738
Current, deposit and other accounts.	1,737	1,983	1,941
Acceptances and endorsements	102	89	116

The former fell by £63 million in the course of 1933, while current accounts increased by over £20 million.¹ Current accounts constituted 53 per cent of total deposits of the London clearing banks in December 1933, as compared with less than 51 per cent in December 1932. This change is partly to be explained by the low level of deposit rates and partly by the revival of trade. The clearing banks continued to increase their cash holdings, and the ratio of the latter to total deposits was 11 per cent in December 1933, compared to 10.4 per cent in December 1932. Call loans, however, were lower. The reduction in the bill portfolio in 1933 is largely due to Treasury bills, on which the rate was extremely low during the year. On the other hand, the banks bought Government securities in even greater volume than during the previous year and, at the end of 1933, total investments reached a record high figure. Advances continued to decline, though less sharply than in 1932. This decline was no doubt due in part to the unfreezing of credit incidental to trade revival. At £738 million, total advances stood at a lower level in December 1933 than at any time since 1923. The only item in the British bank accounts which appears to reflect the improvement in British trade which occurred in 1933 is acceptances and endorsements outstanding, which rose to the level they were at early in 1931, before the financial crisis. But the greater part of this increase is evidently due to endorsements, and, as many banks include open foreign exchange contracts under this head, the increase may be due to more active foreign exchange business. The improvement in trade is best seen in the figures for bank clearings shown below.

¹ The figures refer to the London Clearing Banks. See *Monthly Bulletin of Statistics of the League of Nations*, January 1934.

	1929	1930	1931	1932	1933
	£ (000,000's)				
Town clearings	39,935	38,783	31,816	27,834	27,714
Metropolitan clearings	1,882	1,812	1,668	1,610	1,657
Country clearings	3,079	2,964	2,752	2,668	2,767
Total	44,896	43,559	36,236	32,112	32,138

Town clearings are generally taken as indicative of financial and speculative activity, metropolitan clearings as indicative of London retail trade and country clearings as indicative of the general trade of the country. It will be seen that all classes of clearings fell continuously from 1929 to 1932, the first being 33 per cent lower in 1932 than in 1929, the second 15 per cent lower and the third 10 per cent lower. The decline was arrested in 1933; during that year, town clearings fell only fractionally and metropolitan and country clearings were both somewhat higher (2.8 and 3.6 per cent respectively) than in the previous year. A comparison of the latter half of 1933 with the corresponding period of 1932 shows a more striking improvement for both metropolitan and country clearings — the former being more than 4 per cent and the latter more than 6 per cent higher in 1933.

The recent development in France may be analysed on the basis of statistics relating to the four large deposit banks.

	October 1931	October 1932	October 1933
France (000,000's)			
Cash on hand with Bank of France, etc.	11,551	11,776	7,853
Bill portfolio, including Treasury bills	18,861	19,638	20,097
Advances and contangoes	1,189	1,074	1,274
Debtors on current account and correspondents	10,200	8,352	7,715
Sight deposits and current accounts	36,971	36,197	32,810
Time deposits	1,370	1,342	976
Acceptances	573	334	257

Between October 1932 and October 1933, sight and time deposits were reduced by 3.7 milliard francs and the banks' cash holdings fell by about the same amount. The funds so withdrawn were largely used to invest in public and semi-public issues or to purchase gold for hoarding; deposits in the Caisse Nationale and in the private savings banks increased only at their normal rate during this period, and private deposits in the Banque

de France fell slightly. The bill portfolio rose somewhat and advances and contangoes were also increased. On the other hand, the deposit banks' debtors on current account continued to decline, though much less sharply than in the preceding year.

The turnover of bank credit in France is reflected in the following figures, which show total amounts cleared through Paris clearing-houses during each year since 1929 :

	France (000,000's)
1929	512,464
1930	555,996
1931	460,524
1932	332,394
1933	378,544

Total clearings rose somewhat in 1930, but fell sharply in 1931 and 1932, being 40 per cent lower in the latter years than in 1930. They rose somewhat in 1933, but in December of that year were slightly lower than the corresponding month of 1932.

The following figures show the principal accounts of the big Berlin banks near the end of each of the past three years :

	Nov. 1931	Nov. 1932	Oct. 1933
(R.M. (000,000's))			
Cash on hand and balances with Reichsbank	183	154	138
Bill portfolio :			
(a) Treasury bills	358	470	578
(b) Commercial bills	1,073	1,161	1,106
Loans on current account :			
(a) To banks	462	328	279
(b) To others	4,029	3,408	3,105
Other loans and advances :			
(a) Reimbursement credits	1,188	1,030	631
(b) Contangoes and lombard loans	159	34	26
Deposits	5,342	5,019	4,596
" Loro " correspondent accounts	1,328	1,145	684
Rediscounts	1,516	868	930

The above figures show that the contraction of commercial bank credit in Germany continued throughout 1933, but at a slower rate, on the whole, than in the previous year. The current account loans of the big Berlin banks, which constitute the bulk of their advances to industry, fell considerably less than in 1932, when very large sums were written off. These banks continued to buy Treasury bills, and their commercial bill portfolio was only slightly reduced. Their reimbursement credits, on the other hand, fell very markedly, in line with "loro" correspondent accounts under liabilities; the latter represent acceptance credits taken (largely abroad) by German banks on behalf of clients. Deposits in the

large banks fell more than in the previous year and reached their lowest level since 1926. Savings bank deposits increased by 1 milliard RM., so that there was no net loss of deposits to the banking system as a whole.

The following statement shows the total volume of Reichsbank giro-transfers for each year since 1929 :

	RM. (000,000's)
1929	750,654
1930	704,587
1931	622,139
1932	526,388
1933	503,577

Table IX.

PERCENTAGE CHANGE IN COMMERCIAL BANK DEPOSITS IN CERTAIN COUNTRIES, END OF 1932-1933.

Current accounts and sight deposits	Other deposits	Total deposits
Union of South Africa ¹	Mexico ⁵	Ecuador ¹
+91	+44	+67
Ecuador ¹	Italy ⁴	Union of South Africa ¹
+91	+18	+46
Peru ²	Latvia ²	Mexico ⁵
+43	+17	+38
Mexico ⁵	Peru ²	Peru ²
+37	+15	+28
New Zealand ¹	New Zealand	Chile ¹
+29	+11	+18
Chile ¹	Portugal ²	New Zealand
+26	+9	+17
Colombia ³	Japan ¹	Colombia ³
+26	+8	+11
Finland ¹	Denmark ¹	Portugal ²
+19	+6	+11
Denmark ¹	Chile ¹	Latvia ²
+15	+3	+9
Portugal ²	Finland ¹	Denmark ¹
+13	+3	+8
Japan ¹	Greece ²	Japan ¹
+9	+2	+8
Argentine ²	Australia ²	Finland ¹
+8	+1	+6
Sweden	Sweden	Greece ²
+8	+1	+3
Latvia ²	Ecuador ¹	Australia ²
+7	± 0	+2
Canada ¹	Hungary ¹	Hungary ¹
+6	± 0	+2
Lithuania ²	Uruguay ¹	Sweden
+6	± 0	+2
Australia ²	Canada ¹	Canada ¹
+4	-2	± 0
Hungary ¹	Lithuania ²	Lithuania ²
+4	-3	± 0
Greece ²	Argentine ²	Argentine ²
+3	-5	-1
Brazil ²	Czechoslovakia ⁵	Italy ⁴
+2	-6	-1
United Kingdom	Estonia ¹	Estonia ¹
+2	-6	-2
Estonia ¹	Norway ¹	United Kingdom
± 0	-6	-2
Norway ¹	United Kingdom	Brazil ²
-2	-7	-5
U.S.A. ⁴	Colombia ³	Czechoslovakia ⁵
-2	-7	-5
Poland ¹	Germany ²	Norway ¹
-4	-8	-5
Switzerland ²	Switzerland ²	U.S.A. ⁴
-4	-9	-7
Czechoslovakia ⁵	Union of South Africa ¹	Switzerland ²
-5	-9	-7
Italy ⁴	Poland ¹	Germany ²
-5	-14	-9
France ²	U.S.A. ⁴	Poland ¹
-9	-14	-9
Germany ²	Brazil ²	France ²
-10	-18	-10
Uruguay ¹	France ²	Uruguay ¹
-21	-27	-12

¹ November 1932-November 1933.

² October 1932-October 1933.

³ September 1932-September 1933.

⁴ August 1932-August 1933.

⁵ June 1932-June 1933.

Total giro-transfers at the Reichsbank have fallen steadily since 1929 and in 1933 were almost 33 per cent lower than in that year. It will be observed, however, that the decline during 1933 (4 per cent) was less than in any of the preceding years.

Table IX above enables a rough estimate to be made of the general world development of commercial bank credit during 1933. The table shows the percentage change between the most recent month in 1933 for which data are available and the corresponding month of 1932 in current accounts, other deposits and total deposits in thirty-one countries for which this information is published in the League of Nations *Monthly Bulletin of Statistics*.

In sixteen of the thirty-one countries in Table IX total deposits rose in 1933; in two they showed no net movement; and in thirteen they fell. Special local conditions have influenced the evolution in certain countries and it would be dangerous to make any generalisation on the basis of the above figures. It is a striking fact, however, that the economy of all States which experienced a rise of more than 10 per cent in total commercial bank deposits in 1933 is largely based on the production of raw materials. The prices of many of these products, in terms of national currencies, rose in 1933, and the consequent improvement in the terms of trade may be reflected in the deposit figures. South Africa, for example, where the rise in current accounts was particularly marked, enjoyed higher prices (in terms of South-African pounds) for wool and gold, her chief export articles, and her surplus of exports increased in 1933. But the chief reason for the rise in bank deposits in this country is the fact that practically all the capital exported before the suspension of the gold standard at the end of 1932 was repatriated during 1933. It is noteworthy that almost the whole of the rise in deposits during 1933 — £25 million — was used by the banks to increase their cash holdings in the form of deposits with the South-African Reserve Bank; they continued to contract their loans and advances.

In Ecuador and Peru, there was a substantial increase in the monetary circulation during 1933. Prices rose sharply in the latter country and the exchange value of the sol declined. The average monthly surplus of exports increased from 7.8 to 12.9 million soles between 1932 and 1933. In Chile, the rapid increase in note circulation which had taken place in 1932 was checked to some extent in the latter part of 1933; the exchange rate, however, remained high and there was a

distinct improvement in the trade position. Economic conditions in Mexico continued depressed in 1933. A very large part of the increase in deposits accruing to the ordinary banks was held by them either in the form of balances with the Banco de Mexico or cash in hand.

In Brazil and Uruguay — States producing raw materials in which total deposits fell — both imports and exports rose in 1933, but the former more than the latter. Thus, in Brazil, the surplus of exports fell from a monthly average of 85 million milreis in 1932 to a monthly average of 55 millions in 1933. In Uruguay, it fell from a monthly average of 420,000 pesos in 1932 to a monthly average of only 110,000 pesos in the first nine months of 1933.

Apart from Uruguay, commercial bank deposits fell most in France, Poland, Germany and Switzerland, countries where the gold standard was maintained and the pressure of deflation continued in 1933. The fall in deposits in the United States of America is largely accounted for in the fact that not all the banks closed during the banking crisis were subsequently licensed to re-open; as shown above, there was some net increase in deposits in licensed banks between the end of March and the end of 1933.

In twelve of the sixteen countries in which total deposits increased there was a rise in both current accounts and time deposits. In ten of these — namely, in Peru, New Zealand, Chile, Finland, Denmark, Portugal, Japan, Sweden, Australia and Greece — current accounts rose more than time deposits, and in only two — Mexico and Latvia — did time deposits rise more than current accounts. In Ecuador and Hungary there was an increase in current accounts and no net change in time deposits, and in South Africa and Colombia there was a rise in current accounts and a fall in time deposits.

In Canada and Lithuania, where total deposits remained stable during 1933, an increase in current accounts was offset by a fall in deposit accounts. Of the thirteen countries in which total deposits fell, the decline in four was entirely due to time accounts: in the Argentine, Brazil and the United Kingdom, current accounts rose, and in Estonia they remained stable, while time deposits fell. In Uruguay, on the other hand, the fall was entirely due to current accounts, as time deposits showed no net movement. In Norway, the United States of America, Poland, Switzerland, Czechoslovakia, France and Germany, both current accounts and time deposits fell; in all these countries except Germany, current accounts fell less than time deposits. Italy is the only country which shows

an increase in time deposits and a fall in current accounts.

In twenty-six of the thirty-one countries included in Table VI, the ratio of current accounts to time deposits shifted in favour of current accounts in 1933, and in only five — Germany, Italy, Mexico, Latvia and Uruguay — did it shift in favour of time deposits. These figures indicate that there was, in general, a more active use of deposits — as well as, in many countries, a rise in their absolute amount — in 1933 than in the preceding year.

Money Rates during the Depression.

The statistics available do not permit a comprehensive comparative analysis to be made of the changes in the rates charged on different types of loans by the commercial banks of the various countries covered by this volume. Information relating to the open-market rates on short-term commercial paper is, however, available for the majority of the European countries and the United States of America, and the movement of central bank rates of discount regularly reported for a larger number of countries in different parts of the world may be considered representative of the trend of short-term interest rates in general.

Changes in central bank discount rates during the period July 1929—February 1934 are shown for twenty-six countries in the diagram on page 34. The countries have been arranged in eight groups mainly according to the relative heights of their central bank rates throughout this period.

The significance of these rates differs from country to country, in accordance with differences in the structure of money markets and in the degree of control exercised by the central bank over these markets. Their significance as regulators of interest rates in general varies, moreover, from period to period; in particular, when the effective demand for capital for purposes of investment is slack and the amount of "idle" funds tends to increase, open-market rates of interest may fall well below central bank rates. In spite of these qualifications, however, the general level and the movements of the rates for various countries display certain features of considerable interest. It will be observed that all countries in the bottom groups of the diagram — those with the lowest average bank rates — are creditor countries, while the countries included in the groups with relatively higher average bank rates are all debtor countries. The reasons for this fact are obvious and need not be entered upon here.

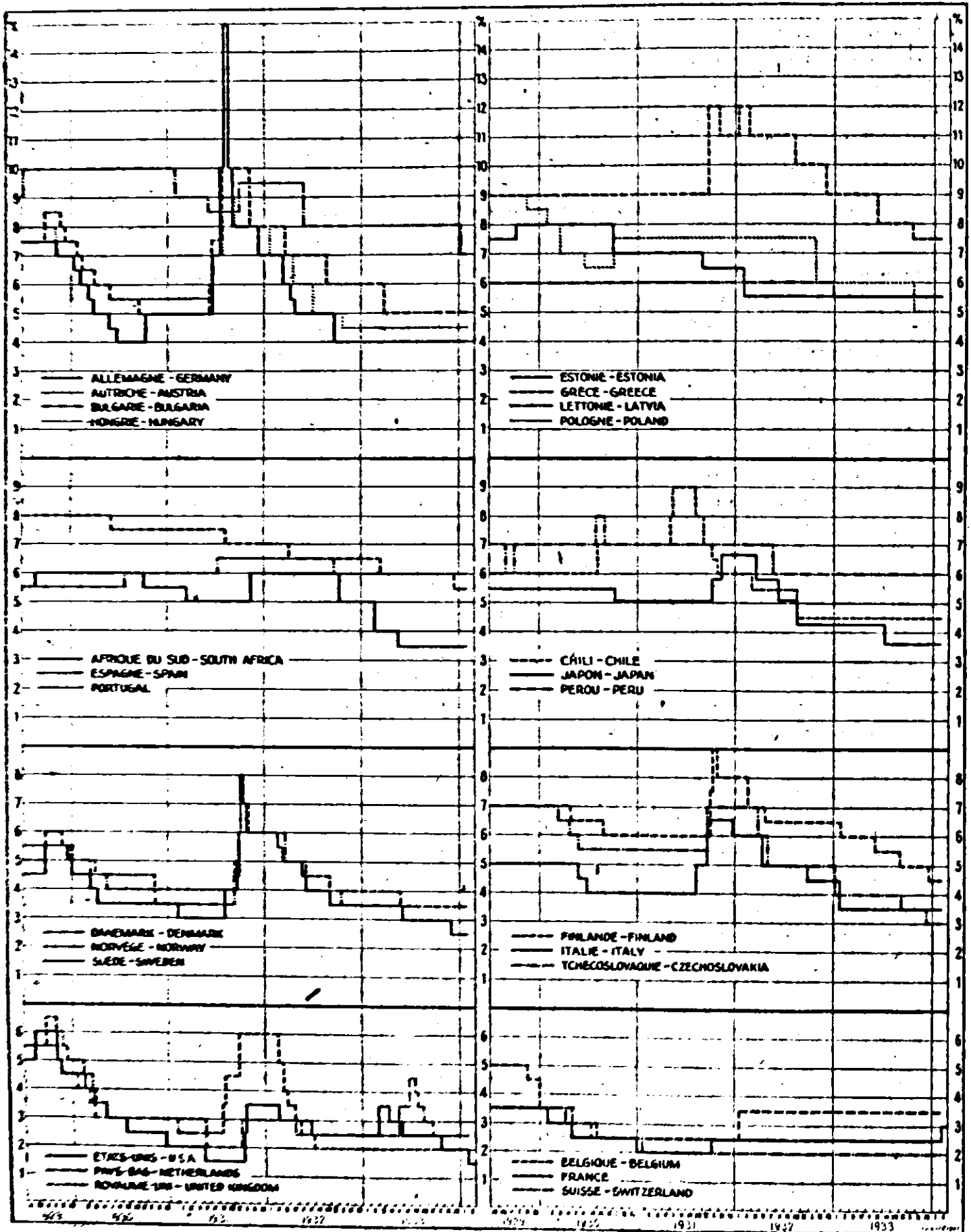
The increase in the rediscount rate of the Federal

Such indications as are available regarding changes in banks' assets during 1933 suggest that — in Europe and North America, at any rate — they continued to enlarge their holdings of Government securities at the expense of commercial loans. The commercial banks of many countries also increased their cash holdings and they were, in most cases, in a position to expand considerably the volume of commercial credit outstanding without resort to central banks or other institutions for additional cash reserves.

Reserve Bank of New York from 5 to 6 per cent in August 1929 was immediately followed by a rise in the South-African rate, and, in the following month, the Bank of England raised its rate from 5½ to 6½ per cent. At the same time, rates were increased in all the Scandinavian countries and in Austria and Estonia. The break of the New York stock-market in October 1929 and the rapid fall in security prices and brokers' loans released a large volume of short-term money, foreign as well as American, previously tied up in security speculation. The effect on money rates was immediate; by the end of 1929, the New York rate had been reduced to 4½ per cent, the Bank of England rate to 5 per cent and, as the diagram shows, reductions had been effected in most other countries.

With few exceptions, rates continued to fall throughout 1930. The stagnation in trade and decline in commodity prices, as well as the slump in stock-exchange activity, led to an accumulation of funds which could not be profitably invested at long-term. By the beginning of 1931, the central bank rediscount rates had been reduced to 2-3 per cent in all the countries included in the bottom groups of the diagram; rates were also very low in the Scandinavian countries. The only countries where bank rates were raised during 1930 are Chile, Peru, Spain, Germany and Poland. In the first two countries, the sharp fall in the prices of export products resulted in a loss of gold and foreign currency reserves, and discount rates were raised in consequence. In September and October 1930, considerable amounts of foreign short-term capital were withdrawn from Germany; the Reichsbank lost gold and foreign exchange amounting to over 700 million RM. Early in October, it raised its rate from 4 per cent (to which it had been reduced, by stages, from 7½ per cent in November 1929) to 5 per cent; the Bank of Poland immediately raised its rate from 6½ to 7½ per cent.

MOVEMENT OF CENTRAL BANK RATES OF DISCOUNT, JULY 1929 - FEBRUARY 1934.



In many countries rates continued to decline during the first part of 1931; the New York rediscount rate was reduced to the record low level of $1\frac{1}{2}$ per cent early in May; the French, Dutch and Swiss rates were reduced to 2 per cent and the Bank of England rate to $2\frac{1}{2}$ per cent. The Swedish rate was also lowered; only in Chile, where political disturbances occurred, was there an increase — from 7 to 9 per cent.

Market rates of discount, as shown in Table X below,¹ display a trend similar to that of central bank rates. Short-term money rates fell in all countries in 1930 and (with the exception of Germany, where the relative stringency resulting from the withdrawal of capital still persisted) in the first part of 1931. During the first months of 1931, money was particularly cheap in Switzerland, the United States of America, the Netherlands and France — creditor countries in which foreign capital was already seeking refuge. In the majority of countries included in Table X, market rates of discount were 2-3 per cent lower in the first period of 1931 than during 1929.

This monetary ease came abruptly to an end as a result of the international financial panic precipitated by the Creditanstalt disclosures in May 1931. Large recourse was had to central banks for funds with which to meet the sudden demands; reference has already been made in an earlier section to the extensive assistance in the form of rediscount and other credits granted by central banks to commercial banks during the financial crisis, and further details are given in the individual chapters. The price of credit rose very sharply in most parts of the world. In Austria, bank rate was increased from 5 to 6 per cent early in June, then to 8 per cent, and to 10 per cent in July. In Germany, the rate was raised from 5 to 7 per cent in June, to 10 per cent at the culmination of the crisis in July, and 15 per cent just before the re-opening of the banks. The Bank of England rate was raised from $2\frac{1}{2}$ per cent to $4\frac{1}{2}$ per cent in the latter part of July; it was maintained at $4\frac{1}{2}$ per cent until after the suspension of the gold standard in September, when it was raised to 6 per cent. Rates in the other countries included in the bottom groups of the diagram remained unchanged until the end of September and beginning of October, when most of them were raised by 1 per cent. Bank rates were also increased in South Africa, Chile and Japan and in all European countries shown except Belgium, Latvia and Spain.

In Belgium, the rate was maintained at $2\frac{1}{2}$ per cent throughout 1931, but raised to 3 per cent at the beginning of 1932. The Latvian rate remained unchanged at 6 per cent from 1928 until the beginning of 1933, when it was reduced to $5\frac{1}{2}$ per cent. In this country, however, the central bank applied a policy of direct restriction of credit in the latter part of 1931. Spain, which did not return to the gold standard after the war, appears to have been less affected by the financial crisis of 1931 than most European countries.

In sympathy with the general movement of central bank rates, market rates of discount also rose sharply in most countries in the latter part of 1931 (see Table X). As compared with the rates prevailing earlier in that year, the increase was particularly marked in Germany and the United Kingdom; it was least in Belgium, France, the Netherlands and Switzerland.

Late in 1931, central bank rates of discount were reduced from their crisis levels in Germany and Austria; reductions were also effected in Hungary, Finland and Greece. In the course of 1932 and 1933 there was a rapid and universal transition from dear to cheap money, which is most strikingly illustrated in the reduction in the Bank of England rate from 6 per cent in February to 2 per cent in June 1932.

The universality of the fall in money rates in 1932 and 1933 is worthy of particular stress. The countries included in the middle group of the diagram, which had not shared in the monetary ease of 1930 and the first part of 1931, were all able to lower their bank rates during these years. The reduction is very striking in the case of Japan, where the bank rate was reduced by stages from over 6.6 per cent in March 1932 to 4.4 per cent in September, and to 3.65 per cent in July 1933. In pursuance of the cheap-money policy of the Japanese authorities since the abandonment of the gold standard at the end of 1931, interest rates at the Post Office Savings Banks, the Bank of Japan and the deposit banks of Osaka and Tokyo have been reduced, and the Bank of Japan has engaged in extensive open-market operations. In Greece, the bank rate was reduced from 12 to 7 per cent. Indeed, the only countries where bank rates were raised at all between February 1932 and January 1934 are the United States of America and the Netherlands, and in both cases the increases were due to local phenomena of a transitory nature. In the United States, the New York rate was raised from $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent during the banking

¹ This table comprises those countries for which information on market rates of discount is regularly published in the *Monthly Bulletin of Statistics of the League of Nations*.

Table X.
MARKET RATES OF DISCOUNT IN CERTAIN COUNTRIES.

Country	Type of paper	1929 average	1930 average	1931			1932 average	1933 average	January 1934
				Average for first period (a)	Month of lowest average rate	Average for second period (b)			
United States	Bankers' acceptances 90 days . .	5.03	2.46	1.19	VIII	2.35	1.26	0.6	0.5
	Commercial paper 4-6 months . .	5.84	3.58	2.32	VIII	3.36	2.84	1.71	1.38
United Kingdom	Bankers' drafts 90 days	5.27	2.61	2.39	VI	4.82	1.84	0.69	1.02
Netherlands	Private discount	4.82	2.06	1.23	IX	1.96	0.85	1.11	0.5
Switzerland	3 months' bills	3.31	2.01	1.05	III	1.56	1.52	1.5	1.5
France	Commercial paper 45-90 days . .	3.46	2.32	1.50	VI	1.65	1.28	1.83	2.38
Belgium	Commercial paper 1-3 months . .	4.3	2.78	2.25	VI	2.39	3.12	2.42	
Sweden	Commercial paper 3 months . . .	4.74	3.72	3.10	VI	5.08	4.39	3.17	2.5
Denmark	Bankers' discount rate	5.13	4.19	3.50	VIII	5.66	4.5	3.17	2.5
Czechoslovakia	Private discount ; 3 months and shorter bills	5.01	4.46	4	VII	5.85	5.15	3.57	3.5
Italy	Private discount ; commercial bills 4 months	6.38	6	5.30	VIII	6.44	5.88	3.88	3.25
Germany	Private discount ; 56-90 days' bills	6.87	4.43	4.75	V	7.39	4.95	3.88	3.88
Japan	Commercial paper 60 days	5.11	4.93	4.38	IX	4.87	5.38	4.67	4.38
Austria	Private discount 60-92 days' bills	7.14	4.91	3.98	III	Since July 1931 : no transactions.			
Hungary ¹	Commercial paper up to 3 months	5.37-10.25	5.5-10	5.5-7	V	5.75-10.5	4.38-10	4.38-7.5	
Bulgaria ¹	Private discount	11-15	11-16	9-12	VIII	10-14	9.5-14	8-11	8-11
Poland	Rates of the Ass. of Private Banks ; 4-5 months' bills . . .	12.22	11.46	10.95	VII	10.96	10.67	9.38	9.3

¹ Range of rates.

(a) Period extending from January to month indicated in next column.
(b) Remainder of year.

INTRODUCTION

crisis of March 1933 ; by May the rate had been again reduced to 2½ per cent. Moreover, the Federal Reserve banks bought Government securities to a value of \$600 million between May and October, and the money market was so saturated with funds that the reduction of the bank rate to 2 per cent in October and 1½ per cent at the end of January 1934 represented

nothing more than adjustments to prevailing market rates. In the Netherlands, the discount rate was raised from 2½ to 4½ per cent during the speculation against the florin in the summer of 1933, but when this speculation subsided the rate was soon restored to 2½ per cent.

Table XI below provides a summary of the trend of discount rates in recent years.

Table XI.
CENTRAL BANK DISCOUNT RATES.

Central Bank of	Average rate 1925/1929	Average rate 1933	Rate prevailing February 1st, 1934	Date on which rate in column (3) was established	Most recent period since 1925 on which a lower rate prevailed
	(1)	(2)	(3)	(4)	(5)
United States (N.Y.)	4.14	2.56	1.5	1.II.1934	—
United Kingdom	4.84	2	2	30.VI.1932	—
Switzerland	3.58	2	2	22.I.1931	—
France	5.07	2.5	2.5	9.X.1931	2 % ; 2.I.1931-8.X.1931
Netherlands	4.15	2.87	2.5	19.IX.1933	2 % ; 18.V.1931-28.IX.1931
Sweden	4.51	3.17	2.5	1.XII.1933	—
Denmark	5.37	3.7	2.5	23.VIII.1932	—
Italy	6.64	3.85	3	4.IX.1933	—
Belgium	5.35	3.5	3.5	14.I.1932	2.5 % ; 31.VII.1930-13.I.1932
Norway	5.36	3.7	3.5	24.V.1933	—
Czechoslovakia	5.55	3.57	3.5	25.I.1933	—
South Africa	5.57	3.82	3.5	15.V.1933	—
Japan	6.30	4.02	3.65	3.VII.1933	—
Germany	7.16	4	4	22.IX.1932	—
Finland	7.43	5.58	4.5	5.IX.1933	—
Hungary	7.05	4.5	4.5	17.X.1932	—
Chile	6.83 ¹	4.5	4.5	23.VIII.1932	—
Austria	7.66	5.23	5	24.III.1933	—
Poland	9.35	5.82	5	26.X.1933	—
Estonia	8.53	5.5	5.5	28.I.1932	—
Latvia	7.45	5.5	5.5	1.I.1933	—
Portugal	8.32	6.07	5.5	13.III.1933	—
Peru	6.22	6	6	21.V.1932	—
Spain	5.12	6	6	26.X.1932	5.5 % ; 18.XII.1928-17.VII.1930
Roumania	6.44	6.26	6	5.IV.1933	—
Bulgaria	9.85	8	7	25.V.1932	—
Greece	9.70	8	7	14.X.1933	—
Yugoslavia	6	7.50	7.5	18.VII.1931	5.5 % ; 1.V.1930-26.VI.1931

¹ Average 1926-1929.

The countries are arranged in the inverted order of the height of central bank discount rates on February 1st, 1934. An examination of the last column will show that — besides Spain¹ and Yugoslavia² — France, Belgium and the Netherlands are the only countries where a lower bank rate than that in force on February 1st, 1934, has prevailed at any time in recent years. The movements of the Dutch and Belgian bank rates have already been commented upon above. The discount rate of the Banque de France was reduced to the record low level of 2 per cent at the beginning of 1931; in October of that year, at the same time as the New York rate, it was raised to 2½ per cent and remained unchanged until February 8th, 1934, when it was increased to 3 per cent. A glance at Table X will show that money rates were considerably higher in France in January 1934

than the average of any year since 1929. This stiffening of rates was already marked during the last months of 1933; it was largely due to budgetary difficulties and to the repatriation of American capital and export of gold to that country.

The movements of market rates of discount as shown in Table X must not be regarded as typical of the fluctuations in the rates charged by commercial banks on loans to customers. The latter are generally much more "sticky"; they move less frequently and within a much narrower range than the open-market rates. Data are published regularly in the *Federal Reserve Bulletin* giving average rates charged on loans by commercial banks in various sections of the United States of America, and, in the following statement, their movements during the past five years are compared with those of central bank and open-market rates.

Average	Average discount rate (of Federal Reserve Bank of New York) ¹	Average rate on 90 days' bankers' acceptances	Average rate on bank loans and advances ²		
			New York City	Eight other northern and eastern cities	Twenty-seven southern and western cities
	%	%	%	%	%
1929	5.16	5.03	5.88	6.04	6.14
1930	3.04	2.46	4.67	5.07	5.72
1931	2.12	1.58	4.22	4.61	5.19
1932	2.81	1.26	4.47	5.05	5.62
1933	2.56	0.6	4.02	4.83	5.56

¹ Average of rates on commercial loans and demand and time loans on securities.

The average rate on ninety-day bankers' acceptances was 4.4 per cent lower in 1933 than in 1929, while the average rate charged by commercial banks on loans to customers was only 0.6-1.8 per cent lower. It will be observed that the decline in loan rates was greatest in New York City, the chief money-market of the United States of America, where the surplus funds of the country were largely concentrated, and least in the agricultural west and south, with the industrial east and north in an intermediate position. In southern and western cities, the average rate still remained higher during 1933 than in 1931; in other parts of the United States, the banks raised their rates late in 1931 and during the first half of 1932, but by 1933 they had been reduced below the 1931 level.

Long-term Interest Rates.

The fall in long-term interest rates during the past years has not been nearly so marked as the fall in money rates; indeed, long-term rates have risen in certain countries. Table XII below shows the average percentage yield of bonds in certain countries by years since 1929. During 1930 and the first part of 1931, long-term interest rates tended to decline in all European countries included in the table, except Poland and Roumania. The decline was greatest in France, Belgium, Sweden and Switzerland, but in no case did long-term rates fall as much as market rates of discount. In the Argentine and Japan, the average yield on Government bonds rose in 1930.

¹ In Spain, the bank rate remained unchanged at 5 per cent for several years up to the end of 1928, when it was raised to 5½ per cent. That rate remained in force until the middle of 1930, when it was increased to 6 per cent; a year later it was further increased to 6½ per cent, and lowered again to 6 per cent in October 1932.

² In Yugoslavia, the rate was reduced from 6 per cent, at which it had remained fixed since the establishment of the Bank in 1921, to 5½ per cent at the beginning of May 1930. At the beginning of the financial crisis, in June 1931, it was raised to 6½ and, a month later, to 7½ per cent. The latter rate remained in force until February 9th, 1934, when it was reduced to 7 per cent.

Table XII.
ACTUAL PERCENTAGE YIELD OF BONDS.
DOMESTIC QUOTATIONS.

Country	Issue	1929 average	1930 average	1931			1932 average	1933 average
				Average of first period (a)	Month of lowest average yield	Average of second period (b)		
United Kingdom . . .	Consols, 2½ %	4.60	4.48	4.28	VI	4.50	3.76	3.38
United States of America	3 Treasury Bonds	3.65	3.40	3.35	VI	3.57	3.74	3.48
	15 Indust. Bonds	5.06	4.95	4.99	III	5.63	7.46	6.93
Switzerland	Fed. Railways, 3½ %	4.38	4.07	3.70	VIII	3.95	3.62	3.84
Sweden	7 Govt. Bonds	4.56	4.18	4.04	VI	4.40	4.32	4.02
	Industrial Bonds	5.06	4.95	4.87	VI	5.19	5.33	4.75
Italy	Rente, 3.5 %	5.14	5.21	4.91	VIII	4.88	4.77	4.35
France	Rente perpét. 3 %	3.99	3.48	3.41	IV	3.52	3.85	4.39
	Average rate of capita- lisation of new private bonds	5.86	5.01	4.73	II	4.96	5.49	6.67
Belgium	Rente Belge 3 %	4.54	4.00	3.72	IV	4.12	4.48	4.54
Canada	Province of Ontario Treas. Bonds	4.90	4.71	4.47	VI	4.80	5.21	4.68
Netherlands	Average yield of 4½ % (1916) and 6 % (1922) Govt. Bonds	5.16	5.11	5.11	VI	5.20	4.98	4.75
Japan	Average yield of public bonds	5.07	5.41	5.23	VI	5.64	5.50	4.78
Czechoslovakia	Govt. Bonds	5.76	5.68	5.56	VII	5.97	6.50	6.06
Austria	Mortgage Bonds 7 %	7.25	7.23	7.10	II	7.41	7.79 ²	.
Germany	6 % Mortgage Bonds	7.40	7.15	7.05	IV	.	8.38 ³	7.15
Argentina	Mortgage cédulas 6 %	6.06	6.16	6.14	III	6.49	6.65 ⁴	7.20 ⁶
Poland	\$ Loan 1919/20, 6 %	7.22	7.84	8.41	VII	9.80	10.86	10.82
	Miscellaneous Govt. Bonds	9.57	10.58	11.63	III	13.61	16.48	15.34
Roumania	4 Govt. Bonds	8.87	9.74	9.95	IV	11.02	16.32	16.78
Hungary	Forced Loan 1924, 5 %	8.76	8.18	8.46	IV	8.81 ¹	22.51 ⁵	17.74 ⁶

¹ V.-VII.1931.² L.-XI.1932.³ IV.-XII.1932.⁴ I.-IX.1932.⁵ IV.-XII.1932.⁶ I.-VIII.1933.

(a) } See Table X.

(b) }

A comparison of the columns of Tables X and XII indicating the month in 1931 in which money and interest rates reached their lowest point shows that, in the great majority of countries long-term rates began to rise before short-term rates. The rise was, however, not in most cases so sharp for long-term rates; it was greatest in Poland and Roumania, where the price of Government bonds fell almost continuously from 1929 to 1932.

The year 1932 witnessed a remarkable reduction in the yield on Government bonds in the United Kingdom; 2½ % Consols, which were on a 4½ % basis in the latter part of 1931, gave an average yield of 3¾ per cent during the year. The Bank

of England, through its discount and open-market policy, assisted in the conversion operations of 1932; the joint-stock banks used £172 million of the additional resources, amounting to £246 million, placed in their hands through the open-market operations of the Bank to purchase Government securities and the remainder to purchase Treasury bills. In most other countries — Italy, the Netherlands, Sweden and Switzerland are exceptions — the long-term rate of interest, as measured by the yield on Government securities, tended to rise during this year. Budgetary deficits were common and most States found it necessary to increase their debt at an abnormal

rate. There was an almost general improvement, however, in the latter half of 1932; this improvement coincided with the large purchases of Government securities by commercial banks to which reference has already been made. It is worthy of note that, in the United States of America, the yield on industrial bonds remained very high throughout 1932. The margin between the yield on these bonds and the yield on Government securities was 3.7 per cent in that year, as compared with 1.4 per cent in 1929 — a reflection of the depressed state of the private capital market.

In 1933, long-term interest rates fell in all countries included in Table XII except the Argentine, France, Belgium, Switzerland and Roumania. In France, the persistence of budgetary deficits coincided with a slowing-up of the accumulation of deposits in the Caisse nationale and Caisses ordinaires d'épargne, which constitute an important element in the market for Government

stocks. The rate of capitalisation of new issues of private bonds also rose sharply in France in 1933, while in the United States of America and Sweden it declined. The average yield on Government bonds in 1933 was particularly low (less than $3\frac{1}{2}$ per cent) in the United Kingdom and the United States of America, and particularly high (over 15 per cent) in Hungary, Roumania and Poland.

The above paragraphs have shown that in many countries there was a fairly steady decline in discount and interest rates from 1929 to 1933, with an interruption during the financial crisis. Short-money rates fell much more than long-term rates, and industrial bonds reacted more slowly than Government bonds. The experience of the United Kingdom, where the cheap-money policy was most continuous and successful, is summarised in the following statement :

	Average bank rate	Average 3 months' bill rate	Average rate paid by all Government borrowers	Average rate on new issues of industrial debentures	Average rate on new issues of preference shares
	%	%	%	%	%
1929	5.50	5.27	5.07	6.10	6.58
1930	3.42	2.61	5.43	5.96	6.00
1931	3.93	3.55	5.60	6.33	6.50
1932	3.00	1.84	3.72	5.44	6.32
1933	2.00	0.69	3.14	4.58	5.28

Source: *Economist*, February 3rd, 1934.

In 1932 and 1933, short-term money rates broke away from their customary level of $\frac{1}{4}$ to $\frac{1}{2}$ per cent below bank rate. The rate on Government borrowing improved most noticeably during 1932 and the improvement continued in 1933. The yield on new issues of industrial debentures also declined quite sharply in 1932, and the improvement

in 1933 was equally marked. Preference shares did not benefit appreciably until the latter year, when the average rate on new issues fell by slightly more than 1 per cent. Average rates on new issues of both industrial debentures and preference shares were about $1\frac{1}{2}$ per cent lower in 1933 than in 1929.

Commercial Bank Profits during the Depression.

The conditions which have been described in the preceding sections of this introduction could not fail to reduce the profitability of commercial banking during the past few years. The contraction in the total volume of credit outstanding naturally involved a reduction in the banks' gross income. Moreover, this contraction was generally greatest for commercial loans and advances, on which

average earnings are higher than on such types of asset as Government securities and Treasury bills, which were better maintained. With the fall in prices and the depressed condition of industry, the value of certain assets fell heavily, and the banks were obliged to devote a large proportion of their gross profits to writing down the book value of such assets, and frequently to make inroads on

reserve funds and capital for this purpose. In most countries, banks met serious difficulties in reducing their ordinary expenses in proportion to the decline in their earnings.

The difficulties encountered in securing complete profit-and-loss statistics for commercial banks and in adapting them to a common form were set out in the last edition of this memorandum.¹ Although the absolute figures shown in the profit-and-loss summaries given for the individual countries are seldom strictly comparable,² certain broad conclusions may be drawn from the changes which have taken place during the period under review in the ratios of the published expense and depreciation accounts to gross profits, and in the ratios of published gross profits and of net profits³ to banking capital.⁴ These ratios are summarised in Tables XIII and XIV below.

The joint-stock banks of the United Kingdom, the French deposit banks and the banks of Australia and New Zealand do not disclose their expense and depreciation accounts ; they are therefore omitted from Table XIII, and only the ratio between their *net* profits and banking capital is shown in Table XIV. An examination of the former table shows that, in many countries, expenses have absorbed an increasing share of gross profits in recent years. The rise in the relative importance of expenses is most striking in the case of the Austrian banks in 1931 and 1932.⁵ In Latvia, Italy and France (investment banks), the ratio of expenses to gross profits also rose very sharply in 1931 and 1932. In the four countries mentioned and in Germany, expenses constituted more than two-thirds of gross profits in 1932. In most other countries, the increase in the relative importance of expenses was smaller and less regular in recent years than in the first four mentioned, and the banks of Denmark and Sweden were able to reduce their expenses as much as, or more than in proportion to, the decline in their gross profits in both 1931 and 1932.

Perhaps the most striking feature of Table XIII

is the increase in the importance of the depreciation accounts in recent years. The amounts written off the assets of the Viennese banks, including the Creditanstalt, in 1931 and 1932 exceeded their gross profits eight-fold. In Germany, Norway and Czechoslovakia, off-writings exceeded gross profits in 1931. In Sweden, where the commercial banking position was still comparatively favourable in 1931, they exceeded gross profits in 1932 when certain banks were heavily affected by the failure of the Kreuger concern. The banks of most other countries effected their principal amortisations in 1931. The favourable ratios shown for France (investment banks only) and Italy in 1931 and 1932 are more apparent than real. The commercial banks of Italy were able to sell most of their frozen assets at their nominal value to official liquidation institutes ; and in France the Treasury likewise assumed a large part of the losses suffered by one of the large banks here considered. Certain French deposit banks (which are not included in this table) were seriously affected by the financial crisis of 1931. In certain other countries, notably in Germany and Austria, the writing-down of bank assets was also largely achieved through the financial assistance of the State. Details are given in the individual chapters and in the next section of this introduction.

The commercial banks of the majority of countries included in Table XIII suffered a net loss in 1931 and/or 1932. The importance of these losses is best seen in Table XIV, which shows gross and net profit or loss as a percentage of banking capital in each year. In Germany, the net loss of the big Berlin banks in 1931 wiped out their entire capital, reserve funds and accumulated profits, and a further net loss, amounting to 15 per cent of banking capital, was made in 1932. In Austria, over a third of the own funds of the banks other than the Creditanstalt was lost in 1931, and in 1932 losses exceeded aggregate capital, reserves, etc.⁶ The capital of the Czechoslovak, Danish, Dutch, Finnish, French and Norwegian

¹ See *Memorandum on Commercial Banks, 1913-1929*, pages 55, 56.

² Reference should be made in all cases to the detailed notes in individual chapters showing the composition of the various items.

³ Net profits are taken in each case as the difference between gross profits and the total of expenses (including taxes), staff allocations and depreciation accounts.

⁴ Banking capital is taken as the total of paid-up share capital, published reserves and balances carried forward.

⁵ In 1930, the Viennese banks — in particular, the Creditanstalt, which effected certain administrative economies at the time of the absorption of the Boden Creditanstalt — were able to reduce the ratio of expenses to gross profits, but this ratio rose very sharply in 1931 and 1932. Of the gross profits of the four principal Viennese banks, including the Creditanstalt, 60 per cent were absorbed by expenses in 1930 and 80 per cent in 1931-32. The agreement between the Austrian Government and the foreign creditors provided for a reduction in the expenses of the Creditanstalt, which were reduced in 1932 considerably more than the expenses of the other Viennese banks ; it will be seen that the expenses of the latter absorbed practically the whole of gross profits in 1932.

⁶ For information relating to the losses of the Creditanstalt, see chapter on Austria.

INTRODUCTION

Table XIII.

RELATION BETWEEN GROSS PROFITS,
EXPENSES AND NET PROFITS
OF COMMERCIAL BANKS
OF CERTAIN COUNTRIES.

Country	(a) Expenses (b) Depreciation accounts (c) Net Profit or Loss (L)	as percentage of Gross Profits.				
		1925	1929	1930	1931	1932
Austria	(a) 73.7 (b) 0.3 (c) 20.0	71.3 0.5 19.1	60.6 0.2 21.3	75.8 150.9 L140.1	97.7 308.1 L421.3	
Czechoslovakia	(a) 70.8 (b) 3.4 (c) 24.1	71.3 2.6 24.7	75.1 2.8 20.3	86.1 108.5 L95.0	...	
Denmark	(a) 38.6 (b) 209.9 (c) L149.0	43.9 18.2 36.9	43.1 22.4 33.4	43.1 65.9 L10.1	38.8 21.6 38.1	
Estonia	(a) 55.3 (b) 15.8 (c) 28.9	55.8 27.9 16.3	54.3 34.3 11.4	56.3 34.4 9.4	...	
Finland	(a) 54.6 (b) 8.2 (c) 37.1	48.5 14.0 37.3	51.1 16.1 32.6	47.5 63.3 L11.3	52.2 27.4 20.4	
France (Deposit Banks)	(a) . (b) . (c) .	. . . . .	. . . . .	. . . . .	. . . . .
France (Investment Banks)	(a) 49.2 (b) 4.2 (c) 45.4	47.6 4.3 47.1	49.8 4.5 43.8	. . . . .	69.6 5.5 21.5
France (Dep. and Invest. Banks)	(a) . (b) . (c) .	. . . . .	. . . . .	. . . . .	. . . . .
Germany	(a) 82.6 (b) 1.6 (c) 13.0	82.1 0.4 13.5	77.8 0.6 8.9	81.5 191.8 L177.7	79.7 40.9 L25.6	
Greece	(a) . (b) . (c) .	. . . . .	. . . . .	. . . . .	. . . . .
Italy	(a) 64.2 (b) 1.3 (c) 32.7	63.7 1.3 34.4	70.9 1.3 27.0	74.4 1.4 23.6	78.9 1.4 19.2	
Latvia	(a) 61.2 (b) 13.6 (c) 25.2	60.2 17.2 22.6	60.2 40.9 L11.1	76.2 77.8 L54.0	91.1 48.6 L40.5	
Netherlands	(a) 49.3 (b) 20.3 (c) 28.5	46.1 21.3 29.9	48.7 21.4 27.5	54.8 45.7 L3.1	51.6 32.6 13.3	
Norway (Free Banks)	(a) 42.0 (b) 70.8 (c) L12.8	49.8 20.6 29.6	49.2 20.4 30.4	53.3 142.4 L95.7	52.6 28.9 18.5	
Poland	(a) 94.2 (b) 43.8 (c) L38.0	85.2 7.6 7.2	59.7 30.0 10.3	...	...
Sweden	(a) 47.5 (b) 23.3 (c) 28.9	46.4 12.3 40.5	49.6 24.7 25.1	44.5 36.4 18.8	43.5 146.0 L89.6	
Switzerland	(a) 49.9 (b) 11.3 (c) 38.8	48.1 6.5 45.4	49.6 6.0 44.1	49.6 25.4 24.7	51.3 36.5 11.9	
England and Wales	(a) . (b) . (c) .	. . . . .	. . . . .	. . . . .	. . . . .
Scotland	(a) . (b) . (c) .	. . . . .	. . . . .	. . . . .	. . . . .
Ireland	(a) . (b) . (c) .	. . . . .	. . . . .	. . . . .	. . . . .
U.S.A. (National Banks)	(a) 53.0 (b) 18.2 (c) 28.8	51.2 17.7 31.1	52.7 22.0 25.3	55.7 38.4 5.9	54.2 61.5 L17.7	
Australia and New Zealand	(a) . (b) . (c) .	. . . . .	. . . . .	. . . . .	. . . . .

Table XIV.

YIELD OF BANKING CAPITAL
IN CERTAIN COUNTRIES.

Country	(a) Gross Profits (b) Net Profit or Loss (L)	as percentage of Capital and Re- serves plus amounts brought forward.				
		1925	1929	1930	1931	1932
Austria	(a) 41.0 (b) 8.2	28.0 5.4	23.6 5.0	24.5 L34.4	22.6 L136.0	
Czechoslovakia	(a) 34.6 (b) 8.3	27.2 6.7	25.0 5.1	24.8 L23.6	...	
Denmark	(a) 24.5 (b) L36.4	17.4 6.4	17.9 6.0	19.2 L1.9	20.1 7.7	
Estonia	(a) 42.7 (b) 12.4	40.8 8.1	40.5 4.6	44.1 4.1	...	
Finland	(a) 32.9 (b) 12.2	28.9 10.8	26.4 8.6	23.2 L2.6	23.4 4.8	
France (Deposit Banks)	(a) . (b) 10.1	. 8.8	. 8.4	. L7.0	. 6.3	
France (Investment Banks)	(a) 18.6 (b) 8.4	23.1 10.9	23.3 10.2	. . .	14.1 3.0	
France (Dep. and Invest. Banks)	(a) . (b) 9.6	. 9.3	. 8.8	. L5.3	. 5.5	
Germany	(a) 57.8 (b) 7.5	51.8 7.0	50.4 4.5	66.4 L118.1	58.6 L15.0	
Greece	(a) . (b) . (c) .	. . . . .	. . . . .	. . . . .	. . . . .
Italy	(a) 29.1 (b) 9.5	25.1 8.7	23.3 6.3	19.4 4.6	17.8 3.4	
Latvia	(a) 37.5 (b) 9.5	27.6 6.2	27.0 L0.3	18.6 L10.1	11.8 L4.8	
Netherlands	(a) 17.1 (b) 4.9	20.3 6.1	14.0 4.8	16.0 L0.5	16.1 2.1	
Norway (Free Banks)	(a) 16.2 (b) L2.1	16.2 4.8	16.4 5.0	20.1 L19.3	15.2 3.4	
Poland	(a) 52.3 (b) L19.9	44.3 3.2	45.3 4.6	...	...
Sweden	(a) 17.6 (b) 5.1	18.6 7.5	17.9 4.5	19.4 3.6	19.1 L17.1	
Switzerland	(a) 16.2 (b) 6.3	15.0 6.8	14.8 6.5	14.6 3.6	13.1 1.6	
England and Wales	(a) . (b) 8.5	. 8.2	. 7.3	. 7.9	. 6.9	
Scotland	(a) . (b) 7.5	. 7.7	. 7.4	. 7.2	. 7.2	
Ireland	(a) . (b) 9.9	. 8.6	. 8.5	. 8.7	. 7.7	
U.S.A. (National Banks)	(a) 31.2 (b) 9.0	31.2 9.7	29.2 7.4	28.1 1.7	27.9 L4.9	
Australia and New Zealand	(a) . (b) 7.5	. 6.8	. 5.5	. 3.6	. 2.7	

¹ 1930-1932, excluding the Creditanstalt. The complete figures including this institution for Table XIII were:

1930: (a) 60.4%, (b) 143.5%, (c) L116.8%.

1931-32: (a) 80.5%, (b) 807.3%, (c) L218.6%.

The Creditanstalt has not published separate profit-and-loss accounts for the two years 1931 and 1932.

banks was also impaired by losses in 1931. The Latvian banks suffered a net loss in each year since 1930, and Sweden (for reasons indicated above) and the United States of America in 1932.

The yield of banking capital appears to have been better maintained in the British Isles than elsewhere. In England and Wales, it was reduced from 8.2 per cent in 1929 to 6.9 per cent in 1932 ;

in Scotland and Ireland, the reduction was even smaller.

The reduced profitability of banking is naturally reflected in the prices of bank shares. It is of interest to compare their trend in recent years with that of industrial shares ; this comparison is made in Table XV below.

Table XV.

INDICES OF PRICES OF BANK SHARES AND INDUSTRIAL SHARES
IN CERTAIN COUNTRIES, 1930-1933.
(1929=100.)

	VI. 1930	XII. 1930	VI 1931	XII. 1931	VI. 1932	XII. 1932	VI. 1933	XII. 1933
Belgium	Banks	66	55	47	36	30	35	35
	Industrial	72	55	52	35	29	36	29
Canada	Banks	85	80	72	69	45	50	47
	Industrial	62	45	34	28	18	22	39
Denmark	Banks	93	96	92	75	70	78	101
	Industrial	92	90	88	81	71	74	90
France	Banks	89	76	73	46	47	54	50
	Industrial	85	66	62	41	44	47	43
Germany	Banks	88	74	66	1	35	35	37
	Industrial	86	62	53	1	36	47	56
Netherlands	Banks	94	83	82	56	47	57	66
	Industrial	73	51	43	30	21	30	33
U.K. ²	Banks ³	92	97	89	68	82	96	104
	Industrial	75	64	56	49	45	57	70
U.S.A.	Banks ⁴	67	43	38	21	14	23	15
	Industrial	77	55	47	29	18	24	43
Sweden	Banks	104	101	93	70	50	53	58
	Industrial	90	80	73	48	31	35	39
Switzerland	Banks	98	96	97	61	49	61	60
	Industrial	89	75	77	50	45	54	66

¹ No quotation.

² 31.XII.1928 = 100.

³ Banks and discount companies.

⁴ New York bank shares.

State Intervention in Commercial Banking.

The years since 1929 have witnessed in most parts of the world a notable extension of the rôle of the State in the field of banking. This extension has taken several forms : direct financial assistance has been granted by Governments to banks to enable them to write off losses and improve their liquidity ; legislation has been passed setting aside or changing past contracts ; legislation has been passed directly controlling the activities of commercial banks ; and, finally, new central banking institutions have been set up in several countries.

Direct Government Assistance to Commercial Banks.

The granting of direct Government assistance to commercial banks has been a particularly marked feature of the recent banking evolution in Central-European States. Reference has been made above to the fact that — in view of the immobilisation of their assets in the course of the depression — the commercial banks in several of these countries had extensive recourse to the central banks in connection with the financial crisis of 1931. Ultimately, the State took over from the central banks or directly from the commercial banks assets which could not be liquidated. In *Austria*, for example, the Government contributed substantial amounts to cover the losses of the Creditanstalt and provide that institution with new capital. By an arrangement reached in January 1933, the State became, along with the foreign creditors, the joint owner of the Creditanstalt. It took over from the Austrian National Bank all finance bills (571 million schillings) discounted for the Creditanstalt in the summer of 1931, and gave its own bonds in exchange. The Austrian Government also assisted in the re-organisation of the other Viennese banks through contributions to the Gesellschaft für Revision und Treuhändige Verwaltung ; this trust company purchased frozen bank assets and took up new capital stock issued by banks.

The part played by the *German* State in the banking re-organisation of that country is described in detail in the chapter on Germany. The Government contributed over 400 million RM. to the institutions amalgamating into the new Dresdner Bank in order to enable them to write off bad assets. In exchange for its contributions, it received shares in the reconstructed bank of a nominal value of 152 million RM. The Reich also

contributed considerable funds to the reconstructed Commerz- und Privat-Bank. Additional funds were supplied to that bank by the Golddiskont Bank (a subsidiary of the Reichsbank), which further contributed a great proportion of the fresh capital required by the Deutsche Bank. The Reich and the Länder helped in common in the reconstruction of various provincial institutions.

As a result of these measures, the Reich held, directly or indirectly, at the beginning of 1934, (according to a statement by the President of the Reichsbank), over 70 per cent of the capital of all German banks with a share capital exceeding 10 million RM. Of the big Berlin banks, the Berliner Handelsgesellschaft alone remained entirely privately owned.

In *Roumania*, the State used resources obtained as a result of the Stabilisation Law of 1929 to relieve the National Bank of frozen assets and to support directly banks and other enterprises. In addition, it relieved by other means a Roumanian banking group of its share-holdings in a large petrol concern. In *Estonia*, help was given by the Government to the joint-stock banks through the National Mortgage Bank, and in *Poland* the Treasury granted certain assistance to financial institutions through the intermediary of the National Economic Bank.

In *Italy*, the commercial banks were enabled to realise their frozen industrial advances through a special liquidation institute, the Società Finanziaria Industriale Italiana. This institute secures its funds by borrowing from the Istituto Mobiliare Italiano, which is authorised to issue State-guaranteed debentures. At the end of 1932, the Government established the Istituto per la Reconstructione Industriale to aid in the long-term financing of industry and in the unfreezing of credit. For the latter purpose, an annual Government subsidy is granted and the Institute is authorised to issue bonds ; these funds are used to purchase frozen assets from commercial banks and other credit institutes.

In Western and Northern Europe, too, the State has granted important assistance to commercial banks. In *France*, for example, the Treasury advanced large sums in 1931-32 to prevent the failure of the Banque d'Alsace et Lorraine and the Banque Nationale de Crédit. The total financial assistance extended by the State in this connection amounted to almost 3.2 milliard francs. In *Switzerland*, the Federal Government established

in the summer of 1932 a Caisse des Prêts, with a guarantee fund of 100 million francs, to make advances to banks against illiquid assets. In 1933, it took up share capital of 100 million francs (of which 25 per cent paid up immediately) in the Banque Populaire Suisse and made substantial contributions to other banks to enable them to write off assets. In Sweden, the Treasury came to the assistance, in 1932, of the Skandinaviska Kreditaktiebolaget and certain other institutions affected by the Kreuger failure.

Direct State intervention has been a very striking feature of the banking history of the *United States of America* during the past few years. Assistance has been granted chiefly through the instrumentality of the Reconstruction Finance Corporation, a Governmental institute established in February 1932. The Corporation has a capital of \$500 million subscribed by the Treasury and, in addition, it is authorised to issue bonds unconditionally guaranteed by the United States Government up to an amount of almost \$4,000 million. Between the date of its establishment and the end of 1933, the Corporation made cash advances aggregating some \$4,500 million. Of its total loans and subscriptions, about \$2,000 million remained outstanding at the end of 1933. In the course of 1932, it made loans of \$850 million to 5,600 banking institutions, including 535 closed banks in the hands of receivers, and in 1933 it made further loans to banks amounting to \$1,000 million. Of its loans to banks, some \$700 million were outstanding at the end of 1933.

In the last quarter of 1933, the Reconstruction Finance Corporation adopted the policy of buying preferred stock and capital notes in commercial banks. By the end of 1933, the Reconstruction Finance Corporation had authorised purchases of preferred stock amounting to \$825 million in over 4,500 American banking institutions. Many of the banks selling the Corporation their preferred stock had no need for the additional funds thus secured ; to them the Corporation offered — until the middle of January 1934 — its own short-term debentures bearing interest at 2-3 per cent.

Legislation affecting Past Contracts.

State intervention in commercial banking during the past few years has also taken the form of the enactment of laws setting aside or altering past contracts. The declaration of banking moratoria dispensed the banks of many countries of their obligation to repay depositors without suffering

the legal consequences of such default. Reference may be made to the individual chapters for details regarding these moratoria ; in Germany and Hungary, a three-days banking holiday was declared in July 1931, and withdrawals were subsequently limited to fixed proportions of deposits ; similar restrictions were imposed in certain other European and in some Latin-American States ; in the United States of America, partial or complete banking holidays were declared in all the forty-eight States during the crisis of February-March 1933 and culminated in the declaration of a national banking moratorium on March 4th, 1933.

Exchange restrictions, standstill agreements and transfer moratoria have all resulted in the temporary waiving of certain contractual obligations of commercial banks ; in certain cases other obligations have been substituted — e.g., banks have been required to surrender to the central monetary authority their gold and *devisen* holdings at fixed prices, to pay specified sums into blocked accounts with the central banks, etc. It is not possible to review here all the measures taken to protect currencies, but special reference may be made to certain laws which directly changed the content and tenor of commercial banks' contracts with their depositors.

After the stabilisation of the drachma in 1929, the commercial banks of Greece continued the practice of accepting deposits and making loans expressed in foreign currencies. Greece abandoned the gold standard on April 24th, 1932 ; on July 29th, 1932, a law was passed under which domestic debts of all kinds, including bank deposits, contracted in terms of foreign exchange before the abandonment of gold were converted to a drachma basis at the rate of 100 drachmæ = \$1.¹

The commercial banks of Brazil had also habitually accepted deposits expressed in foreign currencies ; a decree issued in that country on April 25th, 1932, provided that all current account deposits in foreign currencies made in national banking establishments should be immediately converted into domestic currency at the prevailing rates of exchange.

The Hungarian Gold-Pengö Law, passed in the summer of 1931, was, in a sense, the opposite of the two laws last mentioned ; it attached a gold clause to bank deposits made in the national currency. The law was designed to put a stop to runs on banks resulting from fear of depreciation of the pengö. It defined the gold content of the pengö, in which

¹ The par rate was 77 drachmæ and the rate at the end of July 1932 about 150 drachmæ to the dollar.

bank deposits became payable, but provided that until further notice one paper pengö should be regarded as equivalent to one gold pengö.

Past contracts have been affected not only by measures taken for the protection of national currencies, but also by legislative measures taken for the relief of debtors. It is not necessary in this connection to refer to the voluntary and forced conversions of Government loans which have taken place in certain countries, and have affected the position of commercial banks and other holders of Government stock. Brief reference need only be made to two or three examples of legislation affecting private debtors. This legislation has been common in the agricultural States, which suffered most severely from the fall in prices. In Hungary, for example, various temporary measures were passed in the summer of 1931 and subsequently to prevent the foreclosure of agricultural debtors for default, and to reduce interest rates, etc. In October 1933, a decree was passed regulating for a period of two years beginning January 1st, 1934, the position of internal agricultural debts, short- and long-term, and permanently relieving certain categories of the most heavily encumbered small owners of a portion of their debt. The bulk of the charges resulting from the application of this law will be met by the State; for this purpose, the statutes of the National Bank have been altered to enable it to lend 100 million pengö to the Government, to be repaid within the next ten years.

A Law on Conversion of Debts passed in Roumania in April 1932 provided that debtors could not be forced into liquidation for non-payment of debt; the capital of certain classes of debt was to be reduced and the State undertook to make good losses suffered by the Rural Credit Society, the Central Co-operative Bank, commercial banks, etc., through the application of this law. The law was partly suspended in October 1932. Many banks, particularly the smaller institutions, have taken advantage of the new Law on Judicial Liquidation of Commercial Debts, passed in October 1932, which provided for the compulsory composition of debts in certain circumstances if a minimum of 40 per cent was offered to creditors.

In Bulgaria, a Law on Relief to Debtors and Rehabilitation of Credit was passed on December 31st, 1933. This law, which is applicable to debts contracted before 1931, gives relief to agriculturists, tradesmen and artisans, provided their assets are not less than 50 per cent of their liabilities, and to persons of liberal professions, workers, etc., without limitation. Banks are not subject to the provisions

of the measure. An official Caisse d'amortissement is to take over certain debts and to pay creditors with its own bonds, guaranteed by the State. The State is to make certain contributions to the Agricultural Bank and to the Central Co-operative Bank (People's Banks) to enable them to grant direct relief to their debtors; no such provision is made for the commercial banks.

Legislation controlling Commercial Banks.

The detailed chapters which follow summarise most of the important legislation controlling the business of commercial banks which has been passed since the last issue of this memorandum. Far-reaching changes have been introduced in certain European countries. In *Bulgaria*, the commercial banks were not subjected to any special regulations, apart from the law on companies, until the enactment of the Law for the Protection of Depositors at the beginning of 1931. This law lays down minimum capital requirements of joint-stock banks, provides that their sight deposits shall not exceed their unimpaired paid-up capital and reserve funds and fixes minimum ratios of cash and commercial paper to be held against deposits. The *Czechoslovak* Banking Law of April 24th, 1932, changes and supplements in important respects the law of 1924. It is chiefly concerned with widening the scope of the Special and General Guarantee Funds, the first of which is to help the banks cover losses suffered "as a result of special post-war conditions", and the second to protect depositors against loss. Under the new law, the Government may force the banks to change their interest rates where these "do not correspond to the economic conditions of the country". Minimum capital requirements are raised and the responsibilities of directors increased. The *Finnish* Banking Law of March 17th, 1933, replaces the laws of 1886 and 1901. It lays down minimum cash ratios and limits the banks' participation in industry. Banks are expressly prohibited from issuing bearer bonds. A Supplementary Law on Bank Inspection passed on the same date strengthens the official supervision of joint-stock banks and provides for more detailed information to be given in the obligatory returns submitted regularly by the banks to the banking inspectorate.

Of other recent banking legislation, special reference may be made to the modifications of the *Swedish* banking law which were passed in June 1933 and became effective in February 1934. New restrictions are imposed on the granting of credits destined for speculative purposes; banks are

forbidden to hold their own shares. The new law also strengthens the supervisory powers of the State. In *Switzerland*, a banking law was introduced in March 1933, but has not been finally enacted at the time of writing. It provides for the annual audit of all bank balance-sheets by specially designated bodies; for more detailed balance-sheets; for a control by the National Bank of banks' loans abroad and foreign capital issues of an amount exceeding 10 million francs; for the special protection of savings deposits and for the establishment of a Federal Supervisory Commission for Banks. A special Commission of Enquiry has been considering the question of the reform of the *German* banking system for some time, but it has not yet submitted its report and no legislation has been introduced.

Several Latin-American States have revised their banking laws in recent years. A very comprehensive banking law was introduced in *Peru* in May 1931. This law provides for the establishment of an Inspectorate of Banks, to which the banks are required to submit regular returns on a specified form. It lays down rules for the establishment of joint-stock banks, imposes on them minimum capital and cash reserve requirements and in general regulates the business of banking. In *Chile*, a law of March 1932 limited severely the amount of credit which might be granted by banks to directors and employees. The Banco de *Mexico* was required, by a law passed in April 1932, to give up its ordinary commercial banking business and confine itself to central banking activities; the commercial banks must buy shares in the Banco de Mexico or maintain sight deposits with it to a specified proportion of their own deposit liabilities. In June 1932, a further law was passed regulating the organisation and business of Mexican "credit institutions" and extending the powers of supervision and control exercised by the National Banking Commission.

In the *United States of America*, many important changes were introduced in the Glass Banking Act of June 1933. This measure is primarily designed to restrict the use of commercial bank credit for speculative purposes and to ensure depositors against loss through bank failures, etc. Towards the first end, member banks are required to divorce their security affiliates; and restrictions are placed on the granting of security loans to brokers and others. The deposits of banks buying stock in the Federal Deposit Insurance Corporation are ensured, after July 1st, 1934, in proportions ranging from 50 to 100 per cent, according to the size of the

deposit. After July 1st, 1936, all stock-holding banks must be members of the Federal Reserve System. Other sections of the law extend somewhat the authority of national banks to open branches and prohibit member banks from paying interest on demand deposits and from waiving requirement of notice before payment of time and savings accounts.

Growth of Central Banking.

During the past few years, new central banks have been projected or established, and existing institutions have been strengthened in their central banking functions, in several countries. This development has been particularly marked in Latin America and in the British Dominions. In *Mexico*, *Bolivia* and *Brazil*, banks which formerly carried on both central and commercial banking business have increasingly concentrated on the former. In the *Argentine*, the rediscount operations of both the Banco de la Nacion Argentina, a State institution carrying on chiefly commercial banking business, and the official Caja de Conversion, which is primarily responsible for the note-issue, have been developed in recent years. Proposals have been made for the establishment of a central bank to take over all the central banking functions performed by these two institutions.

In *Australia*, the central banking functions of the Commonwealth Bank have been increasingly developed in recent years. Since 1931, this bank has centralised foreign exchange operations, and has assisted in a programme of credit expansion for State purposes by discounting Treasury bills. Moreover, the ordinary banks have held an increasing proportion of their cash reserves in the form of deposits with the Commonwealth Bank and notes issued by that institution.

In *New Zealand*, an Act of Parliament was passed in November 1933, providing for the establishment of a Reserve Bank. The commercial banks are to lose their right of note issue, and have been required to turn over to the new Reserve Bank their gold holdings at their nominal price. The Reserve Bank is to begin functioning on August 1st, 1934. On February 16th, 1934, the Reserve Bank Bill of *India* was passed by Council-in-State; the Imperial Bank is to be relieved of its central banking functions when the new institution is established. In *Canada*, the Royal (Macmillan) Commission on Finance and Industry, which reported in the latter part of 1933, recommended the establishment of a central bank. A Bill to this end was introduced in Parliament in February 1934.

APPENDICES.

(Observations regarding the composition of the various items, given in the corresponding tables of the last edition of this memorandum, are omitted for reasons of space. Reference should be made to those observations in the previous edition and to the detailed notes given in the individual chapters.)

Appendix I. — PERCENTAGE MOVEMENTS OF DEPOSITS. (1929 = 100)

a Current accounts and sight deposits; b Other deposits; c Total deposits.											
Country	1925	1929	1930	1931	1932	Country	1925	1929	1930	1931	1932
EUROPE :											
Austria	a 90	100	122	.	54	Portugal	a 74	100	81	96	.
	b 29	100	120	.	34		b 68	100	88	62	.
	c 79	100	121	.	51		c 70	100	85	78	.
Belgium	a 53	100	.	94	82	Roumania	a . . . . . .	.	.	.	.
	b 56	100	.	81	71		b . . . . . .	.	.	.	.
	c 54	100	102	91	70		c 55	100	104	59	.
Bulgaria	a . . . . . .	.	.	.	.	Spain	a 72	100	108	.	.
	b . . . . . .	.	.	.	.		b 55	100	107	.	.
	c *60	100	85	64	56		c 65	100	108	.	.
Czechoslovakia	a 90	100	103	85	.	Sweden	a 106	100	103	93	95
	b 82	100	111	102	.		b 99	100	105	104	104
	c 86	100	107	93	.		c 100	100	104	102	102
Denmark	a 107	100	111	99	97	Switzerland	a 73	100	61	65	64
	b 106	100	104	98	94		b 71	100	125	119	116
	c 106	100	106	98	95		c 72	100	108	104	102
Estonia	a *55	100	108	92	87	United Kingdom and Irish Free State :					
	b *42	100	113	103	70	England & Wales	a 100	100	104	90	104
	c *50	100	110	96	81	(10 London Clearing banks)	b 83	100	104	104	118
Finland	a 87	100	105	110	108		c 92	100	104	97	110
	b 70	100	102	96	93	England and Wales (All banks)	e 95	100	103	95	108
	c 73	100	103	99	96	Scotland	e 96	100	102	97	110
France	a 64	100	104	106	104	Ireland	c 104	100	101	101	111
(Deposit banks)	b 27	100	112	89	80	Yugoslavia	a . . . . . .	.	.	.	.
	c 61	100	105	105	102		b . . . . . .	.	.	.	.
France	a 93	100	109	79	87		c 83	100	107	89	.
(Investment banks)	b 60	100	83	58	49	NORTH AMERICA :					
	c 79	100	98	70	71	Canada	a 78	100	84	85	66
France	a 66	100	105	104	102		b 89	100	96	89	91
(Deposit and In- vestment banks)	b 40	100	100	77	68		c 86	100	92	88	83
	c 63	100	104	101	99	U.S.A. *	a 71	100	100	89	69
Germany	a ¹	100	102	90	81	(All banks)	b 110	100	102	97	74
(All banks)	b ¹	100	87	53	54		c 88	100	101	92	71
"	c ¹	100	93	67	64	U.S.A. *	a 91	100	103	96	76
"	c ²	100	90	64	58	(National banks)	b 80	100	105	103	87
"	c ³ 51	100	91	64	.		c 86	100	104	99	81
Germany	a ⁴	100	97	78	71	LATIN AMERICA :					
(Big Berlin banks)	b ⁴	100	83	51	55	Argentina	a 99	100	104	83	91
"	c ⁴	100	89	62	61		b 81	100	101	93	90
"	c ⁵ 41	100	87	58	54		c 87	100	102	90	90
Greece	a	100	99	79	73	Bolivia	a 116	100	79	73	185
	b	100	134	144	141		b 102	100	74	73	67
	c	100	113	104	100		c 109	100	77	73	128
Hungary	a . . . . . .	.	.	.	.	Brazil	a 69	100	82	100	136
	b . . . . . .	.	.	.	.		b 51	100	118	101	87
	c 40	100	105	85	77		c 62	100	97	101	115
Italy	a ⁶ *94	100	100	88	.	Chile	a *141	100	85	78	117
(All banks)	b *93	100	103	85	.		b *71	100	90	66	58
"	c *93	100	101	87	.		c *99	100	88	71	82
"	a ⁷ *80	100	94	83	.	Colombia *	a 53	100	66	53	63
"	b *93	100	103	85	.		b 43	100	94	115	103
"	c *90	100	101	84	.		c 50	100	74	72	75
Italy	a ⁸ 86	100	105	94	91	Ecuador	a	100	91	52	102
(Principal banks)	b 78	100	99	89	92		b	100	111	68	56
Latvia	a 45	100	103	43	44		c	100	97	57	89
	b 68	100	108	62	43	Mexico	a 77	100	104	58	77
	c 47	100	103	44	44		b 27	100	140	101	63
Lithuania	a . . . . . .	.	.	.	.		c 67	100	112	67	74
	b . . . . . .	.	.	.	.	Peru *	a 81	100	61	57	61
	c 57	100	126	104	101		b 107	100	78	63	58
Netherlands	a 107	100	112	92	96		c 94	100	69	60	59
	b 80	100	106	91	70	Uruguay	a 64	100	103	93	94
	c 93	100	109	92	82		b 61	100	108	99	95
Norway	a 73	100	103	91	81		c 63	100	106	96	95
	b 124	100	102	94	84	Venezuela	a . . . . . .	.	.	.	.
	c 118	100	102	94	84		b . . . . . .	.	.	.	.
Poland	a 48	100	101	70	60		c 72	100	48	67	70
	b 14	100	116	64	58	ASIA :					
	c 31	100	109	67	59	India	a . . . . . .	.	.	.	.
							b . . . . . .	.	.	.	.
							c 100	100	103	97	.

* 1926

* 1926

Country	1925	1929	1930	1931	1932	Country	1925	1929	1930	1931	1932
ASIA (continued):											
Japan	a. 106	100	91	82	86	New Zealand ¹¹	a. 119	100	78	72	81
(Clearing-House	b. 83	100	99	97	101		b. 70	100	104	104	108
Member banks)	c. 89	100	97	93	98		c. 89	100	94	75	98
SOUTH AFRICA and OCEANIA:											
Union of South	a. 109	100	91	81	76	Australasia ¹²	a. .	.	.	.	.
Africa ¹³	b. 89	100	118	106	103		b. .	.	.	.	.
	c. 99	100	105	93	90		c. 90	100	95	98	100
Union of South	a. 87	100	95	79	95						
Africa ¹⁴	b. 68	100	111	90	104						
	c. 78	100	103	84	100						
Australia ¹⁵	a. 124	100	90	97	99						
	b. 83	100	101	107	105						
	c. 96	100	97	104	103						

¹ November returns; deposits and balances due to German banks.
² November returns; deposits only.
³ December figures; deposits only.
⁴ Deposits and balances due to German banks.
⁵ Current accounts include correspondents.
⁶ Deposits only.
⁷ End of June each year.
⁸ Figures for 1925 and 1929 have been converted into soles.
⁹ Deposits within the Union only.
¹⁰ Including deposits with branches outside the Union.
¹¹ End of June following year. Deposits within the Dominion only.
¹² End of June following year. Including deposits with branches outside the Dominions.

Appendix II. — COMPOSITION OF DEPOSITS.

Country	1925	1929	1930	1931	1932	as percentage of total deposits.					
						a	b	a	b	a	b
EUROPE:											
Austria	a. 93.3	82.0	82.2	.	88.0	Canada	a. 27.7	30.4	27.7	29.5	24.0
	b. 6.7	18.0	17.8	.	12.0		b. 72.3	69.6	72.3	70.5	76.0
Belgium	a. 71.3	72.5	.	75.3	75.4	U.S.A. ¹	a. .	56.6	55.1	54.5	54.7
	b. 28.7	27.5	.	24.7	24.6		b. .	43.4	44.9	45.5	45.3
Czechoslovakia	a. 54.2	52.1	50.2	47.7	.	U.S.A. ²	a. 59.5	56.3	55.9	54.7	52.9
	b. 45.8	47.9	49.8	52.3	.		b. 40.5	43.7	44.1	45.3	47.1
Denmark	a. 27.8	27.7	29.1	27.8	28.2	LATIN AMERICA:					
	b. 72.2	72.3	70.9	72.2	71.8	Argentina	a. 35.3	30.9	31.3	28.4	31.3
Estonia	a. *69.3	63.2	61.9	60.6	67.9	b. 64.7	69.1	68.7	71.6	68.7	
	b. *30.7	36.8	38.1	39.4	32.1	Bolivia	a. 55.4	52.2	53.6	52.2	75.1
Finland	a. 23.7	19.9	20.2	22.2	22.5	b. 44.6	47.8	46.4	47.8	24.9	
	b. 76.3	80.1	79.8	77.8	77.5	Brazil	a. 66.1	58.8	49.8	58.5	69.2
France	a. 96.7	92.7	92.2	93.8	94.2	b. 33.9	41.2	50.2	41.5	30.8	
(Deposit banks)	b. 3.3	7.3	7.8	6.2	5.8	Chile	a. *57.3	40.2	38.8	44.2	57.6
France (Invest-	a. 67.7	57.4	64.0	64.7	70.5	b. *42.7	59.8	62.2	55.8	42.4	
ment banks)	b. 32.3	42.6	36.0	35.3	29.5	Colombia ³	a. 73.3	69.0	60.8	50.8	57.5
France	a. 93.0	89.1	89.5	91.7	92.5	b. 26.7	31.0	39.2	49.2	42.5	
(Deposit and In-	b. 7.0	10.9	10.5	8.3	7.5	Ecuador	a. .	71.3	67.0	65.3	81.9
vestment banks)						b. .	28.7	33.0	34.7	18.1	
Germany ⁴	a. .	37.1	40.7	50.3	46.7	Mexico	a. 92.0	80.4	75.2	70.2	83.4
(All banks)	b. .	62.9	59.3	49.7	53.3	b. 8.0	19.6	24.8	29.8	16.6	
Germany ⁵	a. .	41.8	45.8	52.3	48.2	Peru	a. 44.1	51.2	45.0	48.8	52.4
(Big Berlin banks)	b. .	58.2	54.2	47.7	51.8	b. 55.9	48.8	55.0	51.2	47.6	
Greece	a. .	61.2	53.9	46.6	45.1	Uruguay	a. 48.7	47.4	46.1	46.0	47.1
	b. .	38.8	46.1	53.4	54.9	b. 51.3	52.6	53.9	54.0	52.9	
Italy	a. *73.0	72.8	72.1	73.5	.	ASIA:					
(All banks)	b. *27.0	27.2	27.9	26.5	.	Japan	a. 27.1	22.7	21.3	19.9	19.9
Italy	a. *20.3	22.8	21.2	22.6	.	(Clearing-House	b. 72.9	77.3	78.7	80.1	80.1
(All banks)	b. *79.7	77.2	78.8	77.4	.	Member banks)					
Latvia	a. 91.3	94.0	93.7	91.6	94.2	SOUTH AFRICA and OCEANIA:					
	b. 8.7	6.0	6.3	8.4	5.8	Union of South	a. 55.4	50.3	43.9	43.6	42.8
Netherlands	a. 54.0	46.8	48.3	47.1	54.5	Africa ⁶	b. 44.6	49.7	56.1	56.4	57.2
	b. 46.0	53.2	51.7	52.9	45.5	Union of South	a. 55.6	49.5	45.6	46.4	47.2
Norway	a. 7.2	11.7	11.8	11.4	11.3	Africa ⁷	b. 44.4	50.5	54.4	53.6	52.8
	b. 92.8	88.3	88.2	88.6	88.7	New Zealand ⁸	a. 52.5	39.5	32.0	31.1	32.9
Poland	a. 76.9	49.2	45.9	51.4	49.8	b. 47.5	60.5	67.1	68.9	67.1	
	b. 23.1	50.8	54.1	48.6	50.2	Australia ⁹	a. 42.8	30.5	30.9	31.1	32.1
Portugal	a. 48.2	46.1	44.0	57.1	.	b. 57.2	60.5	60.1	68.9	67.9	
	b. 51.8	53.9	56.0	42.9	.						
Spain	a. 66.6	60.6	60.7	.	.						
	b. 33.4	39.4	39.3	.	.						
Sweden	a. 20.0	18.9	18.8	17.2	17.6						
	b. 80.0	81.1	81.2	82.8	82.4						
Switzerland	a. 27.9	27.5	15.5	17.2	17.4						
	b. 72.1	72.5	84.5	82.8	82.6						
United Kingdom and Irish Free State:											
England & Wales	a. 58.7	54.0	53.9	50.6	50.7						
(10 London	b. 41.3	46.0	46.1	49.4	49.3						
Clearing banks)											

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

Appendix III. — PERCENTAGE MOVEMENTS OF CREDITS AND INVESTMENTS.
(1929 = 100)

		c Total discounts, loans and advances. d Government securities.					e Other investments and participations. f Total.						
Country		1925	1929	1930	1931	1932	Country		1925	1929	1930	1931	1932
EUROPE :													
Austria	a.	64	100	85	.	38	Greece	a.	.	100	69	58	42
	b.	82	100	117	.	59		b.	.	100	150	142	141
	c.	80	100	113	.	55		c.	.	100	122	113	108
	d.	95	100	150	.	63		d.	.	100	123	123	123
	f.	81	100	115	.	56		f.	.	100	122	115	115
Belgium	a.	48	100	104	101	83	Hungary	a.	35	100	109	103	93
	b.	40	100	98	74	59		b.	37	100	105	91	78
	c.	42	100	99	80	64		c.	36	100	107	97	85
	d.	74	100	125	126	123		d.	85	100	98	96	213
	f.	47	100	104	88	74		f.	38	100	107	97	89
Bulgaria	a.	*49	100	75	54	45	Italy (All banks) ³	a.	*98	100	104	102	.
	b.	*71	100	89	67	53		b.	*78	100	97	73	.
	c.	.	.	.	.	.		c.	*88	100	101	87	.
	d.	.	.	.	.	.		d.	.	100	103	75	.
	f.	-62	100	83	61	50		f.	*83	100	101	85	.
Czechoslovakia	a.	89	100	103	79	.	Italy (All banks) ⁴	a.	*98	100	104	102	.
	b.	86	100	99	83	.		b.	*57	100	90	53	.
	c.	86	100	100	83	.		c.	*87	100	100	88	.
	d.	60	100	110	112	.		d.	.	100	103	75	.
	f.	83	100	101	87	.		f.	*81	100	101	85	.
Denmark	a.	114	100	106	107	87	Italy (Principal banks) ⁵	a.	104	100	107	122	114
	b.	108	100	99	98	88		b.	79	100	104	76	74
	c.	109	100	101	100	88		c.	92	100	106	100	95
	d.	96	100	96	77	86		d.	70	100	101	65	71
	f.	102	100	116	104	102		f.	89	100	105	95	92
Estonia	a.	*42	100	91	76	69	Italy (Principal banks) ⁶	a.	104	100	107	122	114
	b.	*65	100	115	98	86		b.	77	100	84	54	42
	c.	*54	100	104	88	78		c.	99	100	103	109	100
	d.	*71	100	143	121	136		d.	70	100	101	65	71
	f.	*55	100	105	88	79		f.	94	100	103	101	95
Finland	a.	58	100	82	71	55	Latvia	a.	47	100	91	41	29
	b.	73	100	104	103	102		b.	58	100	94	51	42
	c.	68	100	96	92	86		c.	54	100	93	47	37
	d.	38	100	106	122	128		d.	42	100	125	125	131
	f.	104	100	122	129	160		f.	53	100	94	49	39
France (Deposit banks)	a.	66	100	95	81	98	Lithuania	a.	50	100	164	123	96
	b.	45	100	115	97	73		b.	62	100	113	112	96
	c.	59	100	102	86	89		c.	59	100	127	115	96
	d.	88	100	117	132	101		d.	35	100	97	97	94
	f.	59	100	102	86	89		f.	55	100	123	113	96
France (Investment banks)	a.	80	100	97	82	96	Netherlands	a.	95	100	101	82	81
	b.	65	100	78	46	33		b.	90	100	91	82	65
	c.	71	100	85	59	56		c.	91	100	94	82	69
	d.	55	100	109	118	115		d.	130	100	135	146	128
	f.	68	100	89	69	66		f.	95	100	97	88	74
France (Deposit and investment banks)	a.	67	100	95	81	98	Norway	a.	123	100	104	100	96
	b.	48	100	109	88	66		b.	141	100	100	100	94
	c.	60	100	100	84	86		c.	135	100	101	100	95
	d.	63	100	111	121	112		d.	114	100	98	86	76
	f.	60	100	100	84	87		f.	131	100	101	97	92
Germany ¹ (All banks)	a.	.	100	85	62	66	Poland	a.	23	100	92	56	44
	b.	.	100	102	79	66		b.	37	100	110	80	69
	c.	.	100	97	75	66		c.	30	100	102	69	57
	d.	.	100	141	119	102		d.	52	100	102	87	83
	f.	.	100	94	117	102		f.	32	100	102	70	59
Germany ² (All banks)	a.	52	100	90	61	.	Portugal	a.	70	100	66	55	.
	b.	45	100	97	66	.		b.	76	100	96	86	.
	c.	47	100	95	65	.		c.	72	100	79	68	.
	d.	47	100	98	129	.		d.	59	100	93	79	.
	f.	47	100	95	69	.		f.	71	100	80	69	.
Germany (Big Berlin banks)	a.	43	100	85	49	57	Roumania	a.	49	100	98	81	.
	b.	37	100	96	65	58		b.	60	100	100	72	.
	c.	39	100	93	60	57		c.	54	100	99	77	.
	d.	7	100	127	373	440		d.	67	100	96	99	.
	f.	40	100	93	61	60		f.	55	100	99	78	.

¹ 1926

² 1926

119
174

Country	1925	1929	1930	1931	1932	Country	1925	1929	1930	1931	1932			
Spain	a.	74	100	102	.	Colombia *	a.	35	100	84	69	41		
	b.	75	100	105	.		b.	49	100	86	89	75		
	c.	75	100	104	.		c.	41	100	85	78	57		
	d.	61	100	113	.		d.	57	100	108	121	145		
	e.	47	100	105	.		e.	43	100	87	83	66		
	f.	66	100	106	.		f.	43	100	109	73	84		
Sweden	a.	86	100	110	102	118	Ecuador	a.	.	100	109	73	84	
	b.	104	100	106	106	95		b.	.	100	91	73	73	
	c.	100	100	107	105	100		c.	.	100	95	73	76	
	d.	88	100	117	104	108		d.	.	100	100	100	100	
	e.	99	100	108	105	101		e.	.	100	103	79	77	
	f.	70	100	105	72	60		f.	.	100	96	74	76	
Switzerland	a.	73	100	103	101	101	Mexico	a.	59	100	104	45	51	
	b.	72	100	103	97	96		b.	172	100	97	104	88	
	c.	72	100	103	97	96		c.	125	100	100	79	73	
	d.	74	100	116	121	121		d.	204	100	97	60	68	
	e.	74	100	116	121	121		e.	135	100	100	77	72	
	f.	73	100	104	99	97		f.	104	100	70	48	66	
United Kingdom and Irish Free State:	a.	101	100	141	104	174	Peru *	a.	82	100	76	80	82	
	b.	91	100	94	91	78		b.	92	100	73	66	75	
	c.	93	100	102	93	64		c.	75	100	89	4	9	
	d.	111	100	119	119	197		d.	89	100	76	63	70	
	e.	111	100	102	102	118		e.	17	100	74	39	—	
	f.	96	100	105	97	111		f.	76	100	107	101	103	
England and Wales	a.	97	100	100	133	140	Uruguay	a.	75	100	107	100	101	
	b.	83	100	94	79	70		b.	94	100	522	456	389	
	c.	85	100	95	86	80		c.	75	100	111	104	104	
	d.	117	100	116	119	163		d.	39	100	119	126	109	
	e.	79	100	130	139	165		e.	61	100	92	101	104	
	f.	95	100	103	99	109		f.	58	100	96	105	105	
Scotland	a.	159	100	531	533	592	Venezuela	a.	97	100	103	93	128	
	b.	102	100	75	75	69		b.	61	100	96	103	106	
	c.	105	100	98	98	96		c.	179	100	95	87	94	
	d.	102	100	104	100	115		d.	97	100	102	102	101	
	e.	104	100	101	99	105		e.	110	100	101	100	100	
	f.	61	100	107	101	.		f.	60	100	96	93	96	
Yugoslavia	a.	98	100	117	102	.	ASIA :	a.	92	100	99	97	99	
	b.	83	100	113	102	.		SOUTH AFRICA and OCEANIA :	a.	85	100	74	58	57
	c.	83	100	113	102	.			b.	72	100	92	100	86
	d.	71	100	127	117	.			c.	75	100	87	89	79
	e.	83	100	114	103	.			d.	83	100	151	154	209
	f.	83	100	114	103	.			e.	167	100	67	83	133
NORTH AMERICA :	a.	Union of South Africa ⁷		f.	77	100	91	93	87
	b.	.	.	.	.	.		a.	103	100	82	55	62
	c.	71	100	81	73	64		b.	59	100	89	86	81	
	d.	125	100	137	162	186		c.	71	100	87	78	76	
	e.	97	100	118	113	93		d.	59	100	182	129	223	
	f.	79	100	90	86	82		e.	108	100	75	67	108	
Canada	a.	.	.	.	.	.	Union of South Africa ⁸	f.	69	180	103	86	101
	b.	.	.	.	.	.		a.	.	.	.	.	.
	c.	81	100	97	82	62		b.	.	.	.	.	.
	d.	87	100	97	145	51		c.	80	100	92	87	89	
	e.	89	100	108	97	75		d.	87	100	111	226	274	
	f.	83	100	99	91	73		e.	81	100	93	97	102	
U.S.A. *	a.	.	.	.	.	.	Australia *	a.	142	100	75	58	50
	b.	.	.	.	.	.		b.	89	100	99	94	87
	c.	86	100	101	89	69		c.	90	100	99	94	86	
	d.	88	100	100	119	123		d.	93	100	82	163	257	
	e.	84	100	108	111	91		e.	129	100	57	57	57	
	f.	86	100	101	97	81		f.	91	100	97	100	102	
LATIN AMERICA :	a.	.	.	.	.	.	New Zealand *	a.	.	.	.	.	.
	b.	.	.	.	.	.		b.	.	.	.	.	.
	c.	99	100	101	102	93		c.	81	100	95	90	89	
	d.	78	100	109	99	95		d.	114	100	101	147	179	
	e.	87	100	105	100	94		e.	84	100	96	96	90	
	f.	66	100	112	125	126		f.	.	.	.	.	.
Argentina	a.	68	100	91	91	54	Australasia ¹⁰	a.	.	.	.	.	.
	b.	182	100	98	87	89		b.	.	.	.	.	.
	c.	145	100	95	88	78		c.	81	100	95	90	89	
	d.	127	100	118	148	446		d.	114	100	101	147	179	
	e.	141	100	100	101	157		e.	84	100	96	96	90	
	f.	77	100	85	83	102		f.	.	.	.	.	.
Bolivia	a.	52	100	103	101	105	ASIA :	a.	179	100	95	87	94	
	b.	63	100	95	92	104		b.	97	100	102	102	101	
	c.	63	100	95	92	104		c.	110	100	101	100	100	
	d.	126	100	138	157	161		d.	60	100	96	93	96	
	e.	66	100	96	95	106		e.	92	100	99	97	99	
	f.	*75	100	76	32	26		f.	92	100	99	97	99	
Brazil	a.	*97	100	103	93	94	SOUTH AFRICA and OCEANIA :	a.	85	100	74	58	57	
	b.	*91	100	95	74	73		b.	72	100	92	100	86	
	c.	*81	100	88	200	156		c.	75	100	87	89	79	
	d.	*85	100	102	78	88		d.	83	100	151	154	209	
	e.	*95	100	95	76	75		e.	167	100	67	83	133	
	f.	.	.	.	.	.		f.	77	100	91	93	87
Chile	a.	74	100	102	.	.	Union of South Africa ⁸	a.	103	100	82	55	62	
	b.	75	100	105	.	.		b.	59	100	89	86	81	
	c.	75	100	104	.	.		c.	71	100	87	78	76	
	d.	61	100	113	.	.		d.	59	100	182	129	223	
	e.	47	100	105	.	.		e.	108	100	75	67	108	
	f.	66	100	106	.	.		f.	69	180	103	86	101	

¹ November returns.
² December figures.
³ Loans include correspondents.
⁴ Loans excluding correspondents.
⁵ End of June each year.
⁶ Figures for 1925 and 1929 have been converted into sales.
⁷ Accounts of offices within the Union only.
⁸ Including accounts of branches outside the Union.
⁹ End of June following year. Accounts of domestic offices only.
¹⁰ End of June following year. Including accounts of branches outside the Dominions.

Appendix IV. — COMPOSITION OF CREDITS.

Country	a. Deposits b. Loans and advances					c. Government securities d. Other investments and participations					as percentage of total of these items.				
	1925	1929	1930	1931	1932	Country	1925	1929	1930	1931	1932				
EUROPE :															
Austria	a.	9.7	12.4	9.2	.	6.2	Latvia	a.	34.5	39.0	37.9	32.3	29.3		
	b.	77.9	77.0	78.8	.	81.8		b.	63.6	58.6	58.8	61.5	62.5		
	c.	12.4	10.6	12.0	.	12.0		c.	1.9	2.4	3.3	6.2	8.2		
	d.							d.							
Belgium	a.	10.6	10.2	10.2	22.2	21.5	Lithuania	a.	21.7	23.8	31.7	25.9	23.9		
	b.	53.8	63.8	60.3	53.4	50.4		b.	69.2	61.7	56.9	61.6	61.9		
	c.	26.6	17.0	20.5	24.4	28.1		c.	9.1	14.5	11.4	12.5	14.2		
	d.							d.							
Bulgaria	a.	*35.2	43.7	39.7	32.7	32.2	Netherlands	a.	25.7	25.6	26.6	24.0	27.8		
	b.	*64.8	56.3	60.3	61.3	60.5		b.	62.2	65.6	61.3	61.5	57.1		
	c.	.	.	.	0.1	0.5		c.	12.1	8.8	12.1	14.5	15.1		
	d.	.	.	.	0.5	6.8		d.							
Czechoslovakia	a.	10.8	10.1	10.2	9.1	.	Norway	a.	24.0	25.6	26.3	26.2	26.8		
	b.	79.1	76.0	74.7	73.0	.		b.	58.1	54.0	53.2	55.5	55.1		
	c.	10.1	13.9	15.1	17.9	.		c.	17.9	6.0	5.8	5.3	5.0		
	d.							d.	14.4	14.4	14.7	13.0	13.1		
Denmark	a.	17.5	16.5	16.9	17.7	15.9	Poland	a.	31.8	43.7	39.6	35.3	32.5		
	b.	60.0	59.6	57.2	58.6	58.0		b.	59.6	51.1	55.2	58.2	60.1		
	c.	3.8	4.2	3.9	3.2	4.0		c.	8.6	5.2	5.2	6.5	7.4		
	d.	18.7	19.7	22.0	20.5	22.1		d.							
Estonia	a.	*34.7	45.7	39.9	39.4	39.9	Portugal	a.	52.1	53.1	44.0	42.5	.		
	b.	*63.5	53.0	58.2	58.7	57.7		b.	41.0	38.6	40.3	48.0	.		
	c.	*1.8	1.3	1.9	1.9	2.4		c.	6.9	8.3	9.7	9.5	.		
	d.							d.							
Finland	a.	28.8	34.1	28.9	26.2	21.5	Roumania	a.	38.3	43.8	43.4	45.3	.		
	b.	67.4	63.2	67.8	70.1	73.7		b.	51.2	47.5	48.1	43.7	.		
	c.	0.2	0.3	0.3	0.4	0.5		c.	10.5	8.7	8.5	11.0	.		
	d.	3.6	2.4	3.0	3.3	4.3		d.							
France (Deposit banks)	a.	72.5	64.5	60.0	60.2	70.8	Spain	a.	26.1	22.9	22.0	.	.		
	b.	26.5	34.8	39.2	38.8	28.4		b.	35.6	31.4	30.9	.	.		
	c.	1.0	0.7	0.8	1.0	0.8		c.	24.7	26.8	28.5	.	.		
	d.							d.	13.6	18.9	18.6	.	.		
France (Investment banks)	a.	36.5	30.9	33.7	36.8	44.9	Sweden	a.	19.6	22.5	22.9	21.9	26.4		
	b.	50.2	52.6	46.0	34.9	26.4		b.	72.8	69.0	67.9	69.7	64.5		
	c.	13.3	16.3	20.3	28.3	28.7		c.	7.6	8.5	9.2	8.4	9.1		
	d.							d.							
France (Deposit and Investment banks)	a.	67.6	60.5	57.2	57.9	68.5	Switzerland	a.	11.4	11.9	12.0	8.6	7.3		
	b.	29.7	36.9	39.9	38.4	28.2		b.	81.3	80.9	80.0	82.6	83.7		
	c.	2.7	2.6	2.9	3.7	3.3		c.	7.3	7.2	8.0	8.8	9.0		
	d.							d.							
Germany ¹ (All banks)	a.	.	23.3	20.3	18.2	21.3	United Kingdom and Irish Free State :								
	b.	.	70.9	74.0	70.6	65.8	England and Wales	a.	15.4	14.6	19.7	15.7	22.8		
	c.	.	0.2	0.3	3.0	4.9		b.	63.1	66.8	59.9	62.3	46.7		
	d.	.	5.6	5.4	8.2	8.0		c.	17.5	15.1	17.1	18.4	26.9		
						d.		4.0	3.4	3.3	3.6	3.6			
Germany ² (All banks)	a.	28.3	25.6	24.2	22.7	.	Scotland	a.	9.3	9.1	8.8	12.3	11.7		
	b.	64.8	67.5	68.7	64.5	.		b.	48.7	55.7	51.0	44.5	35.7		
	c.	6.9	6.9	7.1	12.8	.		c.	39.5	32.2	36.4	39.0	48.1		
	d.							d.	2.5	3.0	3.8	4.2	4.5		
Germany (Big Berlin banks)	a.	30.5	27.8	25.3	22.0	26.4	Ireland	a.	4.1	2.7	14.1	14.5	15.2		
	b.	69.0	67.7	70.2	71.2	65.5		b.	49.7	50.4	37.5	38.2	33.4		
	c.	0.0	0.1	0.2	0.8	1.0		c.	46.2	46.9	48.4	47.3	51.4		
	d.	6.5	4.4	4.3	6.0	7.1		d.							
Greece	a.	.	27.8	15.5	14.0	10.7	Yugoslavia	a.	26.7	36.2	33.9	35.8	.		
	b.	.	54.0	66.2	66.5	70.7		b.	67.3	56.8	58.3	56.2	.		
	c.	.	18.2	18.3	19.5	18.6		c.	6.0	7.0	7.8	8.0	.		
	d.							d.							
Hungary	a.	43.7	46.7	47.9	49.8	48.9	NORTH AMERICA :								
	b.	49.3	50.2	49.2	47.1	43.6	Canada	a.	74.4	83.3	74.9	70.1	64.7		
	c.	7.0	3.1	2.9	3.1	7.5		b.	22.6	14.3	21.9	26.7	32.5		
	d.							c.	3.0	2.4	3.2	3.2	2.8		
						d.									
Italy (All banks) ³	a.	*48.9	41.5	42.7	49.6	.	U.S.A. ⁴ (All banks)	a.	70.8	33.0	35.0	31.1	29.3		
	b.	*40.3	43.1	41.5	36.9	.		b.	39.4	36.1	36.1	34.0	31.6		
	c.	*10.8	15.4	15.8	13.5	.		c.	10.9	10.4	10.2	16.6	21.5		
	d.							d.	18.3	17.2	18.7	18.3	17.6		
Italy (All banks) ⁵	a.	*68.7	56.3	58.2	67.5	.	U.S.A. ⁵ (National banks)	a.	68.9	35.3	32.5	30.2	28.2		
	b.	*16.1	22.7	20.2	14.1	.		b.	33.7	35.9	33.0	33.0	30.6		
	c.	*15.2	21.0	21.6	18.4	.		c.	17.0	16.6	16.3	20.4	25.1		
	d.							d.	14.1	14.4	15.3	16.4	16.1		
Italy (Principal banks) ⁶	a.	52.6	45.0	45.9	57.7	56.0	LATIN AMERICA :								
	b.	37.7	42.7	42.2	33.9	34.5	Argentina	a.	49.4	42.9	40.9	42.9	41.5		
	c.	9.7	12.3	11.9	8.4	9.5		b.	46.6	51.8	53.5	50.6	51.5		
	d.							c.	4.0	5.3	5.6	6.5	7.0		
						d.									
Italy (Principal banks) ⁷	a.	73.4	66.1	69.1	79.8	79.5	Bolivia	a.	12.0	25.1	22.7	22.7	8.6		
	b.	13.0	15.8	13.0	8.5	7.0		b.	68.6	53.3	51.9	45.7	30.1		
	c.	13.6	18.1	17.9	11.7	13.5		c.	19.4	21.6	25.4	21.6	61.3		
	d.							d.							

Country	1925	1929	1930	1931	1932	Country	1925	1929	1930	1931	1932
Brazil	a. 51.7 b. 41.3 c. 7.0 d. 3.7	44.4 51.9 3.7	30.3 55.4 5.3	38.8 55.1 6.1	42.9 51.5 5.6	ASIA :	19.9	10.2	9.9	9.2	9.7
Chile	a. *22.6 b. *66.0 c. *5.6 d. *5.8	28.4 64.2 0.9 6.5	22.6 69.7 0.8 6.9	12.2 78.7 2.4 6.7	9.9 80.6 1.9 7.6	Japan	a. 56.0 b. 53.0 c. 54.5 d. 24.1	53.0	54.5	55.5	54.3
Colombia *	a. 40.2 b. 45.7 c. 14.1 d. 10.7	48.9 40.4 10.7	47.2 39.6 13.2	41.0 43.4 15.6	30.7 45.9 23.4	(Clearing-House Member banks)	24.1	36.8	35.6	35.3	36.0
Ecuador	a. . b. . c. . d. .	21.9 68.1 0.2 9.8	24.8 64.5 0.2 10.5	21.7 67.6 0.2 10.5	24.3 65.6 0.2 9.9	SOUTH AFRICA and OCEANIA :	26.4	23.8	19.3	14.7	15.6
Mexico	a. 15.8 b. 65.4 c. 18.8 d. 12.4	36.3 51.3 12.4	37.8 50.0 12.2	21.2 69.2 9.6	25.5 62.9 11.6	Union of South Africa *	a. 26.4 b. 64.4 c. 6.8 d. 2.4	23.8 68.8 6.3 1.1	19.3 69.3 10.6 0.8	14.7 73.8 10.5 1.0	15.6 67.6 15.1 1.7
Peru	a. 43.2 b. 42.7 c. 14.1 d. 16.7	37.0 46.3 16.7	34.0 46.4 19.6	28.0 59.2 11.7	34.6 53.7 9.5	Union of South Africa †	a. 33.0 b. 50.8 c. 14.2 d. 2.0	22.2 59.8 16.8 1.2	17.7 51.8 29.6 0.9	14.1 59.8 25.1 1.0	13.7 47.9 37.1 1.3
Uruguay	a. 0.3 b. 98.5 c. 0.3 d. 0.9	1.2 97.9 0.3 0.6	0.8 94.9 4.3	0.5 95.5 4.0	— 96.6 3.4	Australia *	a. 92.6 b. 93.2 c. 8.2 d. 16.0	93.2	91.8	84.0	81.6
Venezuela	a. 6.9 b. 80.9 c. 12.2 d. 7.7	11.0 81.3 7.7	13.6 78.1 8.3	13.4 79.7 6.9	11.3 79.4 9.3	New Zealand †	a. 3.1 b. 85.8 c. 9.5 d. 1.6	2.0 87.6 9.3 1.1	1.5 89.9 7.9 0.7	1.2 83.0 15.1 0.7	1.0 75.0 23.4 0.6
						Australasia *	a. 85.0 b. 88.8 c. 11.8 d. 17.1	88.8	88.2	82.9	79.8

† November returns.
 * December figures.
 † Loans include correspondents.
 † Loans excluding correspondents.
 † End of June each year.
 † Accounts of offices within the Union only.
 † Including accounts of branches outside the Union.
 † End of June following year. Accounts of domestic offices only.
 † End of June following year. Including accounts of branches outside the Dominions.

* 1926

Appendix V. — CASH RATIOS.

Country	1925	1929	1930	1931	1932	Country	1925	1929	1930	1931	1932	
EUROPE :						France	a. . b. 19.9 c. 18.5 d. 18.5	. 17.7 15.8	. 21.0 18.8	. 32.5 29.8	. 28.1 25.9	
Austria	a. 3.6 b. 3.6 c. 3.4 d. 3.4	4.4 4.4 3.6 3.6	3.5 3.5 2.8 2.8	. . . .	2.5 2.5 2.3 2.3	(Deposit and Investment banks)	18.5	15.8	18.8	29.8	25.9
Belgium	a. . b. 12.0 c. . d. 8.6	. 17.2 . 12.5	. . . 11.5	. 18.2 . 13.7	. 27.2 . 20.5	Germany	a. . b. . c. . d. .	. 5.7 . 2.1	. 5.8 . 2.3	. 5.9 . 2.9	. 6.0 . 2.8	
Bulgaria	a. . b. . c. . d. *14.2	. . . 10.3	. . . 14.8	. 15.9 . 21.8	. 18.4 . 22.6	(All banks) †	. . . 2.4	. . . 2.7	. . . 3.4	. . . 3.4	. . . 3.4	
Czechoslovakia	a. 18.9 b. 29.4 c. 10.3 d. 9.7	20.7 31.5 10.8 16.4	18.4 31.7 9.2 15.9	. 23.3 . 11.1	. . . .	Germany	a. . b. . c. . d. 6.9	. . . 4.6	. . . 5.1	. . . 5.8	
Denmark	a. 14.0 b. 17.9 c. 3.9 d. 5.0	14.0 18.5 3.9 5.1	15.0 19.7 4.4 5.7	14.1 18.9 3.9 5.3	26.4 32.3 7.4 9.1	(All banks) †	. . . 4.2	. 10.0 . 4.8	. 10.4 . 4.8	. 12.1 . 6.3	. 8.5 . 4.1	
Estonia	a. *11.0 b. *11.9 c. *7.6 d. *8.2	7.5 12.8 4.8 8.1	6.8 13.8 4.2 8.5	7.3 14.0 4.4 9.1	5.8 13.6 3.9 9.3	Germany	a. . b. . c. . d. 6.7	. . . 4.6	. . . 5.4	. . . 7.4	. . . 5.1	
Finland	a. 18.4 b. 22.5 c. 4.4 d. 5.3	16.0 20.6 3.2 4.1	14.3 17.7 2.9 3.6	14.2 16.8 3.1 3.7	13.3 15.3 3.0 3.4	(Big Berlin banks) †	. . . 4.2	. 10.0 . 4.8	. 10.4 . 4.8	. 12.1 . 6.3	. 8.5 . 4.1	
France	a. 17.6 b. 17.0 c. 17.0 d. 17.0	16.3 15.1 17.7 29.9	19.1 29.9 26.8	31.9 29.9 26.8	27.4 26.8	Germany	a. . b. . c. . d. 7.0	. . . 10.7	. . . 9.3	. . . 9.7	. . . 9.7	. . . 9.6
(Deposit banks)	a. 16.1 b. 42.5 c. 14.7 d. 38.8	14.7 38.0 8.4 21.8	13.8 45.8 8.8 29.3	24.4 43.2 15.8 28.0	24.6 30.5 17.3 27.8	(All banks) †	*13.5 *9.8	12.9 9.4	11.3 8.1	13.0 9.5	
France	a. 14.7 b. 42.5 c. 14.7 d. 38.8	38.0 8.4 21.8	45.8 8.8 29.3	43.2 15.8 28.0	30.5 17.3 27.8	Italy	a. . b. *13.5 c. . d. *9.8	5.2 12.9 3.8 9.4	5.5 11.3 3.9 8.1	5.5 13.0 4.1 9.5	
(Investment banks)	a. 14.7 b. 42.5 c. 14.7 d. 38.8	38.0 8.4 21.8	45.8 8.8 29.3	43.2 15.8 28.0	30.5 17.3 27.8							

* 1926

* 1926

Country	1923	1929	1930	1931	1932	Country	1923	1929	1930	1931	1932			
Italy (All banks) ^a	a	47.5	52.7	52.8	.	U.S.A. (National banks) ^a	a	17.2	15.3	15.9	17.3	18.3		
	b	122.9	116.8	108.4	123.6		b	28.9	22.6	27.6	35.2	23.5		
	c	10.8	11.1	11.1	11.9		c	10.3	8.6	8.9	9.4	9.7		
	d	29.0	26.6	22.9	27.9		d	17.2	12.7	15.4	19.2	12.4		
Italy (Principal banks) ^a	a	.	.	.	.	Argentina	a	51.0	38.6	37.0	50.9	57.6	
	b	.	.	.	b		61.6	46.2	47.7	58.6	68.4			
	c	.	.	.	c		18.0	11.9	11.6	14.5	18.0			
	d	8.7	10.4	8.4	8.5		9.0	d	21.8	14.3	15.0	16.6	21.4	
Italy (Principal banks) ^a	a	.	.	.	.	Bolivia	a	76.3	79.5	43.0	57.8	29.6	
	b	.	.	.	b		76.3	79.5	43.0	57.8	29.6			
	c	.	.	.	c		42.3	41.5	23.1	30.2	22.3			
	d	50.6	55.5	47.4	48.0		47.4	d	42.3	41.5	23.1	30.2	22.3	
Latvia	a	16.0	18.4	12.4	19.5	19.1	Brazil	a	36.9	44.5	40.8	35.2	39.0	
	b	19.4	14.7	14.9	21.1	20.2		b	42.9	50.3	47.4	39.9	41.4	
	c	14.6	11.7	11.6	17.9	17.9		c	24.4	26.2	20.3	20.6	27.0	
	d	17.7	13.8	14.0	19.3	19.0		d	28.4	29.6	23.6	23.4	28.6	
Lithuania	a	.	.	.	.	Chile	a	34.7	32.4	30.1	44.7	50.3	
	b	.	.	.	b		37.2	44.9	40.7	51.5	55.2			
	c	.	.	.	c		19.9	13.0	11.7	19.8	29.0			
	d	12.2	7.5	7.8	7.6		6.9	d	21.3	18.0	15.8	22.8	31.8	
Netherlands	a	14.9	14.7	14.9	20.7	34.9	Colombia ^a	a	34.2	25.8	27.6	34.1	41.8	
	b	8.0	6.9	7.2	9.7	19.0		b	34.2	25.8	27.6	34.1	41.8	
	c	61.7	45.5	43.9	40.2	54.0		c	25.1	17.8	16.8	17.3	24.1	
	d	61.9	46.0	44.4	40.6	54.4		d	25.1	17.8	16.8	17.3	24.1	
Norway	a	4.4	5.3	5.2	4.6	6.1	Ecuador	a	.	36.2	38.9	31.0	54.2	
	b	4.5	5.4	5.2	4.6	6.1		b	.	38.3	43.0	34.1	55.8	
	c	10.2	19.8	17.8	20.3	20.5		c	.	25.8	25.8	20.2	44.4	
	d	18.8	25.0	23.2	24.0	24.2		d	.	27.3	28.8	22.3	45.7	
Poland	a	7.8	9.7	8.2	10.4	10.2	Mexico	a	38.2	31.0	39.2	29.4	45.9	
	b	14.4	12.3	10.6	12.3	12.1		b	40.2	35.8	42.9	32.8	50.3	
	c	.	.	.	.	.		c	35.2	24.9	29.5	20.6	38.3
	d	.	.	.	.	.		d	37.0	28.7	32.3	23.0	41.9
Portugal	a	40.3	33.7	37.3	45.3	.	Peru	a	33.8	30.7	34.2	34.5	33.1	
	b	19.4	15.5	16.4	25.9	.		b	33.8	30.7	34.4	35.2	33.8	
	c	.	.	.	.	.		c	14.9	15.7	15.4	16.8	17.3
	d	.	.	.	.	.		d	14.9	15.7	15.5	17.2	17.7
Romania	a	17.5	12.9	15.0	10.1	.	Uruguay	a	138.6	106.9	102.2	111.1	119.9	
	b	.	.	.	.	.		b	148.4	118.8	112.8	128.2	139.8
	c	.	.	.	.	.		c	67.5	50.7	47.1	51.1	56.5
	d	22.5	26.4	25.3	.	.		d	72.2	56.3	51.9	59.0	65.9	
Spain	a	40.8	47.6	44.0	.	.	Venezuela	a	.	.	.	.	.
	b	15.0	16.0	15.3	.	.		b	.	.	.	.	.
	c	27.1	28.8	26.0	.	.		c	94.4	86.0	136.9	103.4	108.5	
	d	12.3	12.8	13.1	14.4	21.3		d	96.6	88.8	143.1	112.2	113.4	
Sweden	a	18.0	19.4	19.8	22.1	28.8	ASIA :	a	.	.	.	.	.
	b	2.5	2.4	2.4	2.5	3.7	India	b	.	.	.	.	.
	c	3.6	3.7	3.7	3.8	5.1		c	.	.	.	.	.
	d	10.1	9.8	20.0	52.2	51.1		d	17.8	15.4	13.2	13.6	.	
a	2.8	2.7	3.1	8.9	8.9	Japan (Clearing-House Member banks) ^a		a	35.9	49.8	43.5	43.0	43.7	
b	.	.	.	.	.		b	9.7	11.3	0.3	8.6	8.7	
c	.	.	.	.	.		c	.	.	.	.	.
d	.	.	.	.	.		d	.	.	.	.	.
United Kingdom and Irish Free State : England and Wales (10 London Clearing banks)	a	22.7	23.8	23.2	24.2	22.6	SOUTH AFRICA and OCEANIA :	a	27.0	23.3	22.6	22.0	18.4	
	b	13.3	12.9	12.5	12.2	11.5		Union of South Africa ^a	b	37.3	31.5	34.2	30.5	30.6
	c			c	15.0	11.5	10.3	10.6	8.7
	d	24.5	25.2	23.9	22.9	21.7			d	20.7	15.6	15.6	14.1	14.4
a	.	.	.	.	.	Australia ^a	a		44.2	41.9	65.6	57.2	46.4
b	.	.	.	.	.		b	46.3	44.0	67.2	58.7	48.0	
c	.	.	.	.	.		c	18.9	13.9	20.2	17.8	14.9	
d	25.0	24.8	24.9	24.8	24.6		d	19.8	14.6	20.7	18.3	15.4		
Scotland	a	.	.	.	.	.	New Zealand ^a	a	29.3	29.7	38.7	37.5	27.5
	b	.	.	.	.	.		b	31.9	32.8	41.4	39.9	28.0
	c	.	.	.	.	.		c	15.4	11.7	12.7	11.7	9.0
	d	13.1	12.6	11.7	13.1	15.0		d	16.7	12.9	13.6	12.4	7.5	
Ireland	a	.	.	.	.	.	Australasia ^a	a	.	.	.	.	.
	b	.	.	.	.	.		b	.	.	.	.	.
	c	.	.	.	.	.		c	26.9	20.9	22.0	22.8	21.0
	d	5.9	5.6	5.4	5.4	.		d	40.0	30.4	28.4	32.0	27.3	
Yugoslavia	a	.	.	.	.	.	NORTH AMERICA :	a	52.0	35.4	39.5	34.7	46.6
	b		Canada	b	74.8	56.4	60.2	51.0	63.8
	c			c	14.4	10.8	11.0	10.2	11.2
	d	20.7	17.2	16.7	15.0	15.3			d	20.7	17.2	16.7	15.0	15.3
a	20.5	16.0	17.1	19.0	19.8	U.S.A. (All banks) ^a	a		20.5	16.0	17.1	19.0	19.8	
b	33.1	23.0	29.0	28.0	25.6		b	33.1	23.0	29.0	28.0	25.6		
c	9.4	9.1	9.5	10.4	10.8		c	9.4	9.1	9.5	10.4	10.8		
d	15.2	13.0	16.2	15.3	14.0		d	15.2	13.0	16.2	15.3	14.0		

^a November returns. Deposits include balances due to German banks.
^b November returns. Deposits excluding balances due to German banks.
^c December figures. Deposits excluding balances due to German banks.
^d Deposits include balances due to German banks.
^e Current accounts include inland correspondents.
^f Deposits excluding correspondents.
^g End of June each year.
^h Including accounts with branches outside the Union.
ⁱ End of June following year. Accounts of domestic offices only.
^j End of June following year. Including accounts of branches outside the Dominions.

AUSTRIA.

Introductory Note.

The banks operating in Austria can be roughly classified as follows : commercial banks proper (*Aktiencreditbanken*), mortgage banks (*Hypotheken-, Boden-Credit- or Pfandbrief-Anstalten, Landesbanken*), savings banks (*Sparkassen*), and agricultural and trade credit associations. But, as in most Central European countries, there is no clear division of functions between the different types of banks. Thus, the mortgage institutions and, indeed, the savings banks to some extent engage in current commercial banking business, making loans on securities and discounting bills and dividend warrants. Many of the commercial banks (among them the *Creditanstalt*) undertake mortgage business and almost all banks compete for savings deposits. The commercial banking system consists of (a) the big Viennese banks enumerated below, (b) certain other Viennese institutions, such as the

Credit-Institut für öffentliche Unternehmungen, the *Arbeiterbank* and the *Kompassbank*, which specialise in particular forms of credit, and (c) a number of small provincial banks. The banks under (a), which are alone dealt with here, are representative of Austrian commercial banking as a whole, the more so as the provincial commercial banks and mortgage institutions are to a large extent in their control. The names of the banks included in the summary tables and the amount of their capital and reserves and of their deposits at the end of 1925, 1930 and 1932 are shown below. For the sake of comparison, deposits of the Vienna branch of the *Zentral-europäische Länderbank* are also given. The *Länderbank* is a French institution, the capital and reserves of which are held in Paris. It carries out three-quarters of its total business from its Vienna office.

	Schillings (000,000's)					
	1925		1930		1932	
	Capital and Reserves	Deposits	Capital and Reserves	Deposits	Capital and Reserves	Deposits
<i>Creditanstalt</i>	70	530	178	1,359	142	363
<i>Boden Credit-Anstalt</i>	50	315	Amalgamated with <i>Creditanstalt</i> 1929			
<i>Nieder-Oesterreichische Escompte-Gesellschaft</i>	61	308	96	477	32	373
<i>Wiener Bankverein</i>	60	271	83	446	31	334
<i>Unionbank</i>	36	152	Amalgamated with <i>Boden Credit-Anstalt</i> 1927			
<i>Verkehrsbank</i>	14	89				
<i>Merkurbank</i>	16	111	25	112	16	66
<i>Länderbank</i>	—	186	—	326	—	273

The characteristics of Austrian commercial banking may be summarised as follows : First, as has just been mentioned, it is centralised and concentrated. All of the Viennese banks, with the exception of the *Escompte-Gesellschaft*, have branches in the provinces; but they extend their influence over the country mainly through the local banks with which they are affiliated or in which they have a controlling interest. The number of big Viennese banks was reduced by amalgamations from seven to four (or from eight to five, if the *Länderbank* be included) between 1925 and 1929.

Secondly, although the degree of their interest in and the nature of their relations with industry vary considerably, the Viennese banks are industrial banks *par excellence*. They control directly or

indirectly the great bulk of the industry of the country and their relations with industry are, in general, closer even than in Germany. They are in a real sense the intermediary between saver and industry, for private investment in other than public issues is little practised and a normal form of gilt-edged investment is the savings account or the *Kassenschein*. They not only hold themselves a substantial amount of industrial shares, but supply industry with short-term credits which have tended in fact to run on indefinitely and to be used partly at least for investment purposes. The fact that certain principal banks have become more and more indebted in order to support their weaker industrial concerns has been a factor of vital importance in recent years.

Thirdly, a legacy of their pre-war greatness, the

Viennese banks extend their sphere of interest far beyond the present frontiers of Austria and, up to the period of the banking crisis, have been the principal channel through which capital has flowed from Western Europe and America to Eastern and South-Eastern Europe.

All but a fraction of the capital of the Viennese banks is now held either abroad or directly or indirectly by the Government and the National Bank. The wiping out of the original capital of the three biggest Viennese banks has eliminated the small holder of bank shares.

The expenses of the Viennese banks have been for many years unduly heavy and these high expenses a contributory cause of the high price of credit and the abnormal spread between the lending and the borrowing rates of banks.¹ Under the law, the banks were unable to make any considerable reductions in their salaries and pensions expenses until the spring of 1933.

The years 1929-1933 were a period of catastrophe for the big Viennese banks, all of which (excluding the Länderbank) had to write off heavy losses and reconstruct their capital. Owing to their close association with industry, they were caught in a vicious circle, every attempt to increase their liquidity by calling in credit involving the freezing of part of their remaining industrial assets and a further fall in the value of their security holdings. The losses written off their assets during this period amounted to 1,182 million schillings, or not far from 40 per cent of their total balance-sheet at the end of 1930. This sum does not include losses on current transactions, or the depreciation of assets covered by hidden reserves (which, in the case of certain banks, are believed to have been large so late as 1930), or the frozen assets, amounting to 109 million schillings, taken over from the Bankverein and the Escompte-Gesellschaft by the Gesellschaft für Revision und treuhändige Verwaltung in 1933.

In the same period, the net profits on current transactions of the three biggest banks disappeared; all showed net losses on such transactions for

1932.² As might be expected, cash and bill portfolios (except in the case of the Länderbank) fell more heavily than any other assets. The ratio of cash to total deposits, which, at 3.6 per cent, had been one of the lowest in the world in 1929, dropped to 2.2 per cent in 1932.

"Nostro" balances with correspondents also contracted rapidly. Such balances represented 18 per cent of the total *Debitoren* of the Wiener Bankverein and the Merkurbank in 1929 and less than 6 per cent of the much reduced total in 1932. Acceptance business, which had been very small in 1929, completely ceased.

Savings deposits, which had grown year by year since the end of the inflation period until 1930, had declined by nearly three-quarters at the end of 1932. An exception is again provided by the Länderbank, in which deposits increased steadily throughout the depression.

After expanding rapidly for more than six years, the volume of bank credit has contracted enormously since 1929. The fall in 1930 is concealed in the summary table, for the figure for the Creditanstalt as at the end of 1929 did not cover the business of the Boden Credit-Anstalt, which it had just taken over, while the loans and advances, participations and current account deposits of the other banks continued to rise slightly in 1930. If it be assumed that the outstanding loans and advances on account of the Boden Credit-Anstalt stood at the same figure at the end of 1929 as a year earlier, the total drop in this item in 1930 would have been approximately 9 per cent. The drop in subsequent years represents in large measure the writing off of bad and doubtful debts and only in part the calling-in of credit lines. The following table must be read with that reservation. The table includes the Länderbank throughout; it excludes the Boden Credit-Anstalt in 1925 and 1929, in order to give a truer picture of the credit expansion between those years. The figures do not distinguish between business within Austria and without and should not be taken to indicate the degree of changes in that country.

	Schillings (000,000's)					
	1925	1929	Percentage of increase 1925-1929	1930	1932	Percentage of decrease 1930-1932
Loans and advances	1,225.6	2,097.9	71.2	2,443.0	1,267.7	48.1
Participations	110.6	198.8	79.7	282.4	145.2	48.6
Investments and securities	51.0	98.6	93.3	101.3	57.3	43.4
Sight deposits	1,250.0	2,251.4	80.1	2,454.2	1,149.5	53.2
Savings and time deposits	147.1	483.3	228.6	582.2	251.2	56.9

¹ The sight deposit rate and the overdraft rate in the summers of 1929-1933 have been as follows :

	1929	1930	1931	1932	1933
Deposit rate	4.75	4	7	4	3.25
Overdraft rate	11.5	10.5	15	12	8.5

² In the case of the Creditanstalt, for 1931-32.

It is of interest to compare these figures with the estimated changes in the short-term capital liabilities and assets of Austria in this period. The following figures, which include every kind of short-term transaction, were prepared by the Oesterreichischer Verband der Banken und Bankiers, and reproduced in the League memorandum on *Balances of Payments, 1929*. It should be borne in mind that the short credit came mainly from the United States of America, England, the Netherlands and Switzerland and was re-lent mainly in Central and Eastern Europe.

	Schillings (000,000's)			
	1925	1926	1927	1928
Foreign short-term debtors	465.0	535.2	662.3	728.1
Foreign short-term creditors	480.1	685.2	836.2	649.4

This series was not continued, but it is stated¹ that both assets and liabilities rose in 1929, the rise in the former being attributed in part to a flight of capital. Between 1925 and 1929, the Creditanstalt, the Bankverein, the Escompte-Gesellschaft and Merkurbank raised their capital from 139.5 million to 239 million schillings, the greater part of the new capital being subscribed abroad. At the beginning of 1931, the foreign short-term liabilities of the Creditanstalt amounted to 466 million schillings and, four months later, to 442 million schillings; at the latter date, the corresponding liabilities of the other Austrian banks amounted to approximately 380 million schillings.² These figures exclude various categories of creditors included in the series shown above; they thus show clearly that the Austrian banks were able to maintain their foreign credits at a high level until the Creditanstalt crisis. The foreign short-term liabilities of the Creditanstalt were rapidly reduced to approximately 420 million schillings; the corresponding liabilities of the other banks had been reduced to 230 million schillings (\$34 million) by the time of the first standstill agreement (August 1931), and to 155 millions by the end of that year.

The violent changes in certain items of the balance-sheet and profit and loss account over the period under consideration reflect the crises through which each of the Viennese banks has passed. The fall of the Boden Credit-Anstalt — the second bank in Austria — in November 1929 was the

beginning of the series of disasters. The entire business of this bank was taken over by the Creditanstalt, new shares of which to the amount of 11 million schillings were allotted to the holders of the 55 million schillings share capital of the Boden Credit-Anstalt. In view of the extension of its liabilities, the Creditanstalt raised its capital, through subscriptions of an international consortium by a further 29 million schillings to 125 millions.

The position of the Boden Credit-Anstalt had become more and more illiquid and vulnerable in the course of 1928 and 1929 owing to the difficulties, and consequent increase in the loan requirements, of its dependent firms and its policy of supporting the price of these shares on the stock market. A considerable withdrawal of deposits in the autumn of 1929 had driven it to make heavy discounts with the National Bank, which eventually refused to grant further accommodation. This liability to the National Bank was gradually liquidated by the Creditanstalt as shown in the drop in the total bill portfolio of the National Bank from 307 million schillings on October 30th, 1929, to 89 millions at the end of April 1931.

During these eighteen months, a period of almost uninterrupted decline in trade and security values, it became clear that a considerable part of the non-liquid assets of the Creditanstalt, and more especially of the claims taken over from the Boden Credit-Anstalt, required to be written down. An assessment of the assets as at December 31st, 1930, showed losses amounting to almost the entire share capital and reserves of the bank. In order to avoid the complete breakdown of the banking system and the economic disruption which the failure of the Creditanstalt would have involved, the Government, together with the National Bank and Messrs. Rothschild, agreed to put up the funds necessary to write off these losses and to reconstruct the capital of the bank. The estimated loss of 159 million schillings was covered as follows:

	Schillings (000,000's)
From the Austrian Government	41.4
From the Austrian National Bank	12.4
From Messrs. Rothschild	9.3
Total	63.1
Writing down of existing capital from 125 to 88.1 millions	36.9
Taken from reserves	40.0
Profit and loss account	19.0
Total	159.0

¹ *Statistische Nachrichten*, No. 4, 1931.

² Figures taken from the Annual Report of the Austrian National Bank, 1932.

The capital of the bank was raised to 177.5 million schillings by subscriptions :

	Schillings (000,000's)
By the Austrian Government to the extent of	58.6
By the Austrian National Bank	17.6
By Messrs. Rothschild	13.2
Total new preferred capital (<i>Vorzugs-Aktienkapital</i>)	89.4
Old capital of the bank, after writing off 36.9 million schillings (<i>Stamm-Aktienkapital</i>)	88.1
Total	177.5

This scheme of capital reconstruction was incorporated in the 1930 balance-sheet published on May 8th, 1931.

The publication of this balance-sheet led immediately to heavy withdrawals by domestic and foreign depositors and a serious flight of capital, which the Government attempted to check by guaranteeing, first, certain categories of deposits; subsequently, all foreign deposits in return for a two years' Standstill Agreement from the foreign creditors; and, finally, also domestic liabilities of all kinds. Negotiations were immediately opened between the representative of the Government and the Creditanstalt on the one hand and the foreign creditors (who set up for the protection of their interests an Austrian Creditanstalt International Committee) on the other with a view to working out a scheme for meeting the foreign liabilities of the bank.

In spite of the Government guarantee, withdrawals of domestic deposits from the Creditanstalt continued throughout 1931 and the bank was obliged to discount heavily with the National Bank, whose bill portfolio rose rapidly from 69.5 million schillings on May 7th to 907 millions at the end of the year. Of this figure, some 600 millions represented rediscounted Creditanstalt bills¹, and the greater part of the remainder bills of the other commercial banks, which also suffered extensive withdrawals of both domestic and foreign deposits. Foreign withdrawals from these banks were partly checked by the Bruins Standstill Agreement concluded at the end of August which, however, provided for the quarterly repayment of 20 per cent on cash credit and 15 per cent on acceptance

credits²; of the domestic withdrawals, part was hoarded, but the greater part is believed to have been transferred abroad. The total flight of capital from Austria between May and the beginning of 1932 is estimated to have amounted to between 700 and 900 million schillings, of which approximately one-half is believed to represent a flight of domestic capital.

A conservative revaluation of the assets of the Creditanstalt revealed that its losses were far greater than had been estimated in the spring of the year, and it became clear that the greater part of its debt to the National Bank (consisting mainly of finance bills drawn on its own firms) together with a considerable part of its foreign liabilities would have to be borne by the State. In November 1932, the Government took over from the National Bank its entire portfolio of Creditanstalt finance bills, amounting to 571.4 million schillings,³ which it subsequently cancelled, and, in January 1933, an agreement with the foreign creditors, comprising a scheme of reconstruction for the Bank, was initialled. By the terms of this agreement, the foreign creditors and the State became the joint owners of the Creditanstalt, the former exchanging 70 million schillings of their total claims of 422 millions for an equal nominal amount of preference shares, while the Government obtained ordinary shares to the amount of 71 million schillings in consideration of the obligations assumed by it. The existing capital of 177.5 million schillings, of which the State held an important part, was written down to 1 million. The foreign assets of the Creditanstalt were taken over by a special liquidating company — the Creditanstalt Foreign Assets Company, which was registered in Monaco. Of the 30 million schillings share capital of this company, 10 millions were handed over to the foreign creditors, together with its entire issue of 5 per cent bonds amounting to 130 million schillings. The remaining foreign short-term claims of 212 million schillings are covered by long-term Government bonds, which will be repaid over a period of years. Any appreciation in the value of the assets of the bank above their present book-value will be used to repay these "live claims" and Government bonds will be cancelled accordingly. It was later agreed (April 1933) by the foreign creditors that the service of these bonds should not begin for two

¹ The total rediscount liability of the Creditanstalt to the National Bank amounted to 679 million schillings at the end of 1931. Part of this sum was entered under "other assets" in the National Bank accounts.

² This agreement expired in the following January. New agreements, with a currency of six months, providing for the regular transfer of interest and commission, but the complete suspension of amortisation, were concluded with the British, the American and, later, the Swiss creditors. From July 1932, the transfer of interest also ceased. From this time forth, payment of interest and commission was made in schillings, to be paid into the newly established Foreign Debt Fund. In August 1932, a new Standstill Agreement was concluded for the time until the middle of January 1933. After its expiry, a new arrangement was agreed upon after lengthy negotiations, according to which the credits were renewed for another year.

³ The National Bank also held rediscounted commercial bills of the Creditanstalt amounting to 112 million schillings.

years and that, at the end of this period, the Government might in certain circumstances claim a readjustment of the payments originally agreed upon.

The losses of the Creditanstalt covered by the reconstruction scheme were as follows :

Written off :	Schillings (000,000's)
Investments and securities. . .	122.6
Participations	77.4
Premises, etc	11.7
Debtors.	602.3
	<u>814.0</u>
Operating loss, 1931-32	14.2
	<u>828.2</u>
Offset by :	
Reduction of capital	105.5
Finance bills taken over by State	571.4
State bonds covering live claims of foreign creditors . .	151.3 ¹
	<u>828.2</u>

This total is of course additional to the 159 million schillings written off in 1931.

Since the crisis of 1931, an important change has been made in the management of the Bank. An Executive Committee with extensive powers of supervision and control has been set up. This Committee, over which the General Manager presides, consists of four Austrian members (of which the National Bank and the Government each nominate one) and three foreign members (two of whom represent the foreign shareholders). It is to act as sole liaison between the Government and the Bank.

The Creditanstalt crisis was shortly followed by the closing of the Merkurbank, which was affected by the difficulties of its parent institution, the Danatbank in Germany. It was assisted by a banking consortium and subsequently reduced its capital and reserves of about 15 million schillings to write off losses, raising new capital by an issue to the Dresdner and other banks. The Wiener Bankverein wrote off losses of 46 million schillings in July 1932 by reducing capital and reserves ; new capital stock was also issued to foreign and domestic banks.

By the end of that year, it was realised that the voluntary reconstruction of the Wiener Bankverein has been inadequate and that a re-organisation of the Escompte-Gesellschaft would also be required. Both these banks had become heavily indebted to the National Bank through the rediscount mainly of finance bills, and, in the circumstances, the Government decided to assist the banks in reconstructing their capital and increasing their liquidity. For this purpose, an instrument similar

to the *Amortisationskasse* (the TILKA) recently established in Germany, was chosen. By a Decree of March 20th, 1933, a trust company controlled by the National Bank, the *Gesellschaft für Revision und treuhändige Verwaltung*, was endowed with 180 million schillings (140 millions from the Government and the rest from the National Bank), of which 140 million schillings was to be used to purchase new shares and frozen and doubtful assets of the two Viennese banks, and part of the remainder to assist other credit institutions. With the aid of the trust company, the banks reconstructed their balance-sheets as follows :

	Wiener Bankverein	Niederöster- reichische Escompte- Gesell- schaft
	Schillings (000's)	
Amounts written off assets . .	22,336	80,222
Loss on current operations . .	3,913	1,230
Total loss to be covered.	<u>26,249</u>	<u>81,452</u>
Capital written down	21,120	35,280
Taken from reserves	5,129	42,313
Taken from profit and loss account	—	3,859
Total.	<u>26,249</u>	<u>81,452</u>

The Wiener Bankverein cancelled its own shares in its possession to the amount of 107,500 schillings and the Niederösterreichische Escompte-Gesellschaft cancelled such shares to the amount of 18 million schillings, using the difference between the nominal and purchase price to write off further losses.

The reduction of capital was effected in the case of the Wiener Bankverein by writing down the outstanding B shares (22,000,000 less 107,500 held by the Bank and cancelled) to :

	Schillings
	875,700
New B shares were taken up by the trust company to the value of. . . .	5,624,300
thus bringing up the B capital to. .	6,500,000
and, with the addition of the A capital which was not reduced . . .	23,000,000
the total capital to.	<u>29,500,000</u>
The outstanding capital of the Niederösterreichische Escompte-Gesell- schaft (54 million schillings, less 18 millions held by the bank and cancelled) was reduced in the pro- portion of 50 to 1 to	720,000
This was raised, by the subscriptions of the trust company.	25,245,500
and of a foreign consortium.	3,534,500
to	<u>29,500,000</u>

¹ The difference between this figure and the total Government liability on account of foreign creditors is due to the exclusion of liabilities amounting to 60.7 million schillings, consisting mainly of guarantees of claims against the Amstel Bank.

As the amount of their own resources was low in relation to deposits, both banks obtained authorisation from their respective general meetings to increase their capital to 45 million schillings in due course.

The new share capital of both banks was issued at a premium of 10 per cent, the yield of which went to form the new reserves. To the 562,430 schillings acquired in this way by the Wiener Bankverein were added 500,000 schillings, which had formerly constituted a special provident fund (shown under Sundry Liabilities); the reserves of the Niederösterreichische Escompte-Gesellschaft were brought up to 2,950,000 schillings by the addition of 72,000 schillings "from its own funds" to the 2,878,000 schillings yielded by the premium on the new share issue.

The second task of the trust company was to increase the liquidity of the banks. To this end, it purchased frozen and doubtful assets to the book-value of 43,509,388 schillings from the Wiener Bankverein and of 65,049,165 schillings from the Niederösterreichische Escompte-Gesellschaft and credited the banks with these amounts. The purchase-price was in all cases the value at which the assets were entered in the balance-sheets of the banks before reconstruction. Payment in cash for the purchased assets will only be made by the trust company to the extent that it realises or obtains income from these assets; but the banks may discount bills with the company during a period of five years up to three-quarters, and subsequently up to one-half, of the amount of their credit with it. The banks' assets will be administered and liquidated in due course by the trust company. A sinking fund, to which the Wiener Bankverein and Niederösterreichische Escompte-Gesellschaft will contribute out of profits, was set up to compensate, as far as possible, such losses as may be incurred by the trust company. After fifteen years (*i.e.*, in 1948) the relations between the banks and the trust company will cease; and any loss on account of the purchase of the bank assets will be borne by the funds contributed to the trust company by the Government and the National Bank.

The *Bankenlastungsverordnung* of March 20th, 1933, dealt not only with the problem of bank liquidity, but also with that of the high administrative costs in banks and their dependent industrial concerns. In the course of 1931, salaries and pensions regulated by individual contract had been cut down by law in the Creditanstalt and its dependent undertakings and small reductions had been accepted by the bulk of the staff engaged under collective contract. In the Wiener Bankverein, some economies in personnel costs had been made in 1932, but further economies in these banks and very substantial economies in the other banks and the network of industries controlled by them appeared to be essential if the running losses

were to be checked. The ratio of expenses to gross profits in the Wiener Bankverein, the Niederösterreichische Escompte-Gesellschaft and the Merkurbank rose from 77 per cent in 1930 to 89 per cent in 1931 and to over 115 per cent in 1932. In the latter year, salaries and pensions alone represented 88 per cent of gross profits and had fallen relatively little (9 per cent) since 1930. Of the various other cost items, taxes had been reduced between 1930 and 1932 by more than 50 per cent in the case of the above three banks and almost wiped out in the case of the Creditanstalt, and there were obvious limitations to a reduction in "working expenses".

The Decree of March 20th, 1933, cancelled all existing private contracts held by the employees (mainly the upper staff) of Austrian banks other than the Creditanstalt and the National Bank and of the "concerns" under their control, and required that the new scale of salaries and pensions should be brought into line with that ruling at the Creditanstalt. It rescinded collective contracts in respect of these banks and the Creditanstalt, together with their dependent concerns, and abolished the *Dienstpragmatik* (embodying *inter alia* the rights of employees to compensation in case of dismissal, mentioned above). Following this decree, new contracts at considerably reduced scales of salary were negotiated, and, by a decree of the Minister of Finance (August), pensions were reduced between 20 and 30 per cent. As a result of these arrangements, a saving of some 14 million schillings in the costs of the three largest banks alone is anticipated in 1934.

This reduction in working costs was accompanied by a further reduction of the rediscount rate of the National Bank from 6 to 5 per cent (the rate had previously fallen by stages from the 10 per cent imposed in July 1931) and was shortly followed by a decree providing for a general lowering of deposit rates, to which effect was given as from July 1st, 1933.

As a result of these economies, the Viennese banks agreed to reduce the average cost of banking accommodation (interest on overdrafts) from 12 per cent to 8½ per cent. The margin between sight deposit rates and interest on overdrafts was thereby reduced from 8¼ to 5¼ per cent. This may be compared with a margin of approximately 6½ per cent in 1929 and 1930, 7½ per cent in the latter part of 1925 and less than 3 per cent before the war.

The summer of 1933 saw some easing of the position of the big Viennese banks as a result, not only of the new wage agreements, but also of the repayment, rendered possible by the Lausanne Loan, of 20 million schillings of the 106 millions short-term debt of the State Railways to them. But it also brought fresh banking difficulties. The Kompassbank, a Viennese institution specialising in credit insurance and mortgage business was obliged to reconstruct its capital to cover losses of

AUSTRIA.

COMMERCIAL BANKS

Table 1 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :						
	1925	1929	1930	1932	1930	1931	1932
Number of Banks	7	4	4	4	3	3	3
ASSETS.							
	Schillings (ooo,ooo's omitted)						
1. Cash	59.7	81.2	77.1	25.4	48.0	28.6	17.5
(a) Gold, silver and small coins	—	—	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—	—	—	—
3. Bills discounted and bought	195.9	307.1	261.3	84.6	169.6	108.2	44.1
(a) Treasury bills	—	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—	—
4. Investments and Securities	103.4	92.5	90.9	51.6	20.1	17.2	12.1
(a) Government	—	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—	—
5. Participations	145.5	169.7	248.7	114.2	146.1	127.3	105.7
6. Due from Banks (Correspondents)	—	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—
7. Loans and Advances	1,565.2	1,903.0	2,236.2	1,112.4	855.6	689.5	654.9
(a) On current account	—	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—	—
8. Cover for Acceptances	4.7	1.9	1.6	0.0	0.1	0.1	0.0
9. Premises, etc.	33.9	22.4	33.1	13.1	10.7	10.0	9.9
10. Sundry Assets	21.9	11.4	186.3	77.9	0.4	0.4	0.0
11. Total Assets	2,130.2	2,589.2	3,135.2	1,479.2	1,250.6	981.2	844.3
LIABILITIES.							
12. Capital paid up	206.2	239.0	381.1	221.0	129.0	114.0	74.0
13. Reserve Funds	101.4	96.9	—	—	74.6	48.3	5.0
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	25.1	19.1	10.9	0.4	10.9	4.2	0.2
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—	—	—
16. Due to Banks (Correspondents)	—	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—
17. Deposits	1,767.1	2,231.4	2,710.4	1,128.0	1,035.2	813.9	764.8
(a) Current accounts and sight deposits	1,649.3	1,829.4	2,226.9	991.7	868.0	701.0	663.5
(b) Savings accounts	—	—	—	—	—	—	—
(c) Time or fixed deposits	117.8	402.0	483.5	136.3	167.2	112.9	101.3
(d) Other deposits	—	—	—	—	—	—	—
18. Rediscounts and other Borrowings	—	—	—	—	—	—	—
19. Acceptances and Endorsements	4.7	1.9	1.6	0.0	0.1	0.1	0.0
20. Sundry Liabilities	25.7	0.9	31.2	129.8	0.8	0.8	0.3
21. Total Liabilities	2,130.2	2,589.2	3,135.2	1,479.2	1,250.6	981.2	844.3
22. Guarantees (<i>Avale and Burgschaften</i>)	—	—	—	114.8	—	34.8	46.1
23. Other Contingent Liabilities	—	—	—	212.2	—	—	—
24. Value of currency in cents of a U.S. dollar at the end of each year	14.07	14.07	14.09	11.69	14.09	11.86	11.69

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNT AT END OF :						
	1925	1929	1930	1931 and 1932	1930	1931	1932
Number of Banks.	7	4	4	4	3	3	3
	Schillings (ooo,ooo's omitted)						
Capital paid up.	206.2	239.1	381.3	—	129.0	114.0	74.0
Reserves and Undivided Profits.	101.4	97.3	—	—	74.8	49.6	5.2
1. Gross Profits	126.2	94.1	111.2	121.2	48.0	40.1	25.8
<i>To be deducted:</i>							
2. Expenses	93.0	67.1	67.2	97.6	33.4	30.4	25.2
(a) Salaries, etc.	61.0	42.8	42.6	68.8	20.8	19.1	17.2
(b) Other working expenses.	10.7	8.4	9.7	17.0	5.3	5.0	4.4
(c) Taxes, etc.	21.3	15.9	14.9	11.8	7.3	6.3	3.6
3. Reserved for Pension Funds, etc.	7.6	8.5	14.3	37.3	4.3	5.4	5.6
4. Written off							
(a) Ordinary depreciation accounts	0.4	0.5	0.6	1.4	0.1	0.1	0.1
(b) Extraordinary accounts. . . . .	...	...	159.0	977.0	...	60.4	102.6
5. Net Profit or Loss :							
(a) Including extraordinary offwritings.	25.2	18.0	-129.9	-992.1	10.2	-56.2	-107.7
(b) On current transactions.	25.2	18.0	19.8	15.1	10.2	4.2	5.1
6. Carried forward from preceding year.		1.1	1.2	5.1	0.7	1.1	4.0
7. (a) Taken from Reserves or Capital	—	—	76.5	272.5	—	59.3	103.8
(b) Contributions à fonds perdu	—	—	63.1	722.7	—	—	—
8. Total Amount disposed of for Dividends, etc.	25.2	19.1	10.9	0.2	10.9	4.2	0.2
9. Carried to Reserves.	1.5	1.9	0.1	0.2	0.1	0.1	0.2
10. Dividends.	21.1	15.3	9.4	—	9.4	—	—
11. Director's Fees, etc.	1.5	0.9¹	0.4	—	0.4	—	—
12. Carried forward to following year.	1.1	1.0	1.0	—	1.0	4.1	—
13. Total as above.	25.2	19.1	10.9	0.2	10.9	4.2	0.2
14. Value of currency in cents of a U.S. dollar at the end of each year.	14.07	14.07	14.09		14.09	11.86	11.69

¹ Including 0.1 million schillings in contributions to Provident Funds.

5.5 million schillings. A reconstruction was also undertaken by the Bank für Ober-Oesterreich und Salzburg, the largest provincial bank in Austria, which had suffered principally from the losses of the hotel industry. In contrast with the other big Viennese banks, whose relations with industry are more direct, the Länderbank has maintained a liquid position. Cash and commercial bills, for

example, constitute 12 per cent and 23 per cent respectively of its total balance-sheet, as against approximately 2 per cent and 6 per cent in the case of the other banks. Owing partly to the existence of a large unsettled debt on account of pre-war sterling certificates — this debt was funded early in 1933 — it avoided large disbursements of dividends in the more prosperous years.

Balance-sheet Summary.

It is impossible to give continuous series for the period 1929-1932 covering all the Viennese banks considered. Until 1930, the Creditanstalt did not include in its balance-sheet the assets and liabilities taken over from the Boden Credit-Anstalt in 1929. Thus, for 1929, no published data for the Boden Credit-Anstalt are available, and the figures in the summary table for that year cannot be compared with those for previous and subsequent years. Again, no balance-sheet was published by the Creditanstalt for 1931. In order to facilitate comparison, summary figures for the Bankverein, the Escompte-Gesellschaft and the Merkurbank only are added for each of the years 1930 to 1932.

The significance of the changes shown in the summary tables in the past few years can only be understood in the light of the events recorded in the Introductory Note — in particular, the absorption of the Boden Credit-Anstalt and the reconstruction schemes applied in turn to each of the remaining banks. It should be kept in mind, for example, that the balance-sheet figures for 1932 exclude the former foreign liabilities of the Creditanstalt and the foreign assets of this bank which were transferred to the Foreign Assets Company.

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

A *de facto* depreciation of the Austrian currency has occurred since the Creditanstalt crisis. The value of the schilling in United States cents in December 1930, 1931 and 1932, as shown at the foot of the summary table, has been calculated according to the daily quotations on the Basle Stock Exchange.

1. Cash.

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

3. Discounts.

Foreign bills are not shown separately. A distinction between bills labelled in foreign currencies and in schillings is, however, made in the 1932 balance-sheet of the Creditanstalt, of whose total bill portfolio, amounting to 40.5 million schillings, 6 millions were in foreign currencies.

The banks' bill portfolios consist mainly of bills of exchange; discounted invoices (open book

accounts) and Treasury bills, which, in 1931, appears to have been of some importance, are also included.

4 and 5. Investments and Securities.— Participations.

No distinction is made in the published balance-sheets between Government and other securities. On the other hand, in so far as the securities (*Effekten*) include shares, the distinction between investments and participations (*Konsortial- und Kommanditbeteiligungen*) necessarily becomes somewhat arbitrary.

Since 1929, separate figures have been given by the big banks for permanent and other participations, the latter representing mainly temporary holdings of new issues subsequently placed by the banks.

	Schillings (000,000's)			
	1929	1930	1931	1932
Creditanstalt :				
Permanent participations	42.1	43.4	.	.
Other participations . .	10.8	59.1	.	.
Escompte-Gesellschaft :				
Permanent participations	.	29.8	30.1	31.6
Other participations . .	.	42.9	38.0	36.4
Wiener Bankverein :				
Permanent participations				
in banks	20.5	20.5	13.4	5.2
Other participations . .	40.8	46.1	41.2	28.8

In its balance-sheet as at December 31st, 1932, the Creditanstalt abandons the above distinction, but alone among the banks shows separately foreign (1.9 million schillings and domestic (6.5 million schillings) participations.

6 and 7. Correspondent Accounts and Loans and Advances.

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

	Schillings (000,000's)			
	1929	1930	1931	1932
Bankverein and Merkurbank :				
Correspondent acts . . .	83	68	19	19
Loans and advances . . .	383	380	325	323
Total	466	448	344	342

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

The following details are shown by the Creditanstalt in 1932 :

	Schillings (000,000's)
"Nostro" accounts with foreign banks.	8.8
Domestic bank accounts.	36.2
Advances to associated industrial concerns.	141.5
Public bodies	49.4
Loans on current bank account . . .	211.5
Other accounts (transitory, etc.) . . .	10.1
	<hr/>
	457.5

of which 271.4 million schillings (59 per cent) were in foreign currencies.

In 1929, 70 per cent of the *Debitoren* of the Creditanstalt were in foreign currencies. In that year "nostro" accounts with foreign banks amounted to approximately 183 million schillings.

The figures for 1932 include claims of the Bankverein and the Escompte-Gesellschaft on the Gesellschaft für Revision und treuhändige Verwaltung, amounting to 108.56 millions, on account of the sale to that company of frozen and doubtful assets under the scheme sponsored by the Government and the National Bank.

A sum equal to that shown under item 19 has been excluded from item 7 in the summary balance-sheet and shown as "Cover for Acceptances" under item 8.

8. Cover for Acceptances.

See note on "Loans and Advances" above.

9. Sundry Assets.

The figure for 1925 represents mainly mortgage loans (20.8 million schillings) of the Boden Credit-Anstalt and that for 1929 the price at which the share capital of the Boden Credit-Anstalt was taken over by the Creditanstalt (11 million schillings). Of the figure for 1930, 33.3 million schillings represent mortgage loans of the Creditanstalt and 152.5 millions the contributions *à fonds perdus* on account of the Creditanstalt (63.1 millions) and payments in respect of the increase in capital of that bank (89.4 millions) referred to above. The 1932 figure covers mortgage loans (40.4 million schillings) and building loans (37.5 million schillings) of the Creditanstalt.

12 and 13. Capital and Reserves.

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

16 and 17. Correspondent Accounts and Deposits.

The sums shown under item 17(a) represent the aggregate of a number of different accounts which, in the balance-sheets of the banks, are combined under the single general heading *Kreditoren*. This item consists mainly of current accounts (of private depositors, debtors on industrial account and correspondents) both in schillings and in foreign currencies. As mentioned above, the total foreign short-term credits (excluding guarantees) of the Creditanstalt at the end of April 1931 amounted to 442 million schillings; at the same date, the acceptance and cash credits of the other banks stood at 380 million schillings.

Certain details are available in the 1932 balance-sheet of the Creditanstalt. Of the total item "Creditors" amounting to 328.3 million schillings, 273.7 millions represent balances in schillings and 54.6 millions those in foreign currencies. Credit balances of debtors — mainly industrial connections of the bank — amounted to 69.5 million schillings, current account deposits to 192.1 million schillings, and sundry accounts (which include those of the pensions fund, special reserves, transitory items, etc.) to 647 million schillings.

The other sums given in this group of the summary table (item 17 (b)) represent *Kassenscheine*, deposits and savings accounts.

18. Rediscounts.

Figures relating to rediscounts are available for the Creditanstalt as at the end of 1932. Rediscounted finance bills (61.02 million schillings), are shown under the balance-sheet liabilities (included in "Sundry Liabilities" in the above summary table) : rediscounted commercial bills (21.2 million schillings), given below the balance-sheet of the bank, are excluded entirely from the summary table. For the other banks and for the Creditanstalt in previous years, no such information is published, rediscounted paper of all kinds being merely excluded from the banks' bill portfolios and used to strengthen the form of asset in which the rediscount is furnished — i.e., the "cash" or "correspondent" debtor item. The following figures of the bill-holdings of the National Bank (exclusively inland bills) throw some light

on the use made by the commercial banks of rediscount privileges during the period under review and serve to illustrate the remarks in the Introductory Note regarding the borrowings of the Boden Credit-Anstalt in the latter part of 1929, the Creditanstalt and other banks in 1931 and the Bankverein and the Escompte-Gesellschaft in 1932.

	Schillings (000,000's)				
	1929	1930	1931	1932	1933
March 31st . . .	188	166	92	867	287
June 30th . . .	255	125	529	881	275
Sept. 30th . . .	289	96	689	323 ¹	225
Dec. 31st . . .	306	148	908	379	

20. Sundry Liabilities.

The figure for 1925 represents mainly mortgage bonds of the Boden Credit-Anstalt, 18.3 million schillings, and that for 1930, mortgage bonds of the Creditanstalt, 30.3 million schillings. That for 1932 covers the following items in the Creditanstalt balance-sheet: Rediscounted finance bills (61.02 million schillings), mortgage bonds (30.6 million schillings) and bonds covered by building loans (37.9 million schillings).

Summary of Profit-and-Loss Accounts.

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

As the Creditanstalt has not published any complete profit and loss account for 1931, and the accounts published after the reconstruction relate to the two years 1931 and 1932 jointly, it has been thought advisable to cover both years in the last

22. Guarantees.

Except for the small *aval* business of the Bankverein, no data regarding guarantees are available before 1931, in which year the *aval* liabilities of the Merkurbank (which have been excluded from the *Kreditoren* of this bank) was stated to be 6 million schillings and a new item "Guarantees", amounting to 26.8 million schillings, was published below the balance-sheet of the Bankverein. For 1932, figures are available for all the banks considered. A single item "Guarantees" is shown by the Bankverein (22.9 million schillings) and the Escompte-Gesellschaft (18.9 million schillings); *aval* liabilities are shown by the Creditanstalt (68.7 million schillings) and the Merkurbank (4.3 million schillings).

23. Other Contingent Liabilities.

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

column referring to all the four banks concerned. In this statement for 1931-32, double-counting on account of sums brought forward in 1931 has, of course, been avoided. Separate figures for each of the years 1930, 1931 and 1932 relating to three banks only (*i.e.*, excluding the Creditanstalt) are also shown.

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

¹ October 15th, 1932.

BELGIUM.

Introductory Note.

The history and characteristics of the Belgian banking system and its development until the end of 1929 were summarised in the first edition of this publication. The most important banking events in subsequent years are:

(1) The amalgamation by the "Banque de Bruxelles" of all its Belgian banking affiliations in 1931, so that the group of formally autonomous institutions previously headed by this bank now form a large unit bank with over 400 branch offices controlling about 15 per cent of the aggregate commercial bank assets of the country. Even after this amalgamation, however, the "Banque de Bruxelles" is greatly surpassed in importance by the "Société Générale de Belgique", which maintains, moreover, a large number of affiliations. The group headed by this bank represents some 45 per cent of aggregate commercial bank assets.

(2) The amalgamations effected within the Louvain group headed by the "Algemeene Bankvereniging", the third among the domestic commercial banks in order of magnitude; and the formation of another large unit bank, the "Société Belge de Banque" in 1932 through the amalgamation of a number of medium-sized banking institutions.

(3) The failure and subsequent liquidation of certain banks of secondary importance.

As a result of these events, the total number of banks covered by the summary table has dropped from 87 in 1929 to 62 in 1932. Thus, the movement towards concentration in evidence since 1914 has become further accentuated.

In the absence of official banking statistics, the annual compilations of the *Moniteur des Intérêts Matériels* (reproduced also in the *Bulletin d'Information et de Documentation* of the National Bank of Belgium), which are shown on a very compressed balance-sheet form, have been utilised for the summary table as hitherto. It should be remembered that the statistics on which this table is based include a number of banks primarily of a mortgage or savings bank character and several banks which carry on the bulk of their operations abroad.¹

The development of deposits in commercial banks in the course of the past few years may be compared with that in other institutions on the basis of the following figures:

	Commercial banks total liabilities to the public	Central Credit Bank of the Boerenbond total deposits	Post Office Savings Bank Deposits on pass books and c/a	Post Cheque Office Clients' balances at end of year	Total
	Francs (000,000's)				
1925	15,796	655	2,621	1,085	20,157
1929	29,363	1,275	5,626	1,900	38,164
1930	30,001	1,481	7,880	2,070	41,432
1931	26,593	1,706	9,387	2,180	39,866
1932	23,214	1,637	10,015	2,465	37,331

In addition to the institutions included above, there is a large number of mainly rural banks of minor importance for which deposit figures are not available.

Between the end of 1929 and the end of 1932, the commercial banks' liabilities to the public fell by about five milliard francs, a measure of the credit contraction in this period. On the other hand,

deposits in the Post Office savings banks, which enjoy a Government guarantee, increased by almost 4½ milliards, and balances to the credit of clients in the post cheque system rose by over 500 million. Deposits, etc., in commercial banks accounted for 77 per cent of the total in 1929 as compared with only 63 per cent in 1932.

¹ The Banque du Congo Belge, the Banque Commerciale du Congo and the Crédit Général du Congo, which were added to the statistics of the *Moniteur* only in 1927, and the Banque Italo-Belge, added only in 1930, have, however, been excluded from the summary table.

BELGIUM.

COMMERCIAL BANKS

Table 2 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1925	1929	1930	1931	1932
Number of banks	96	87	88	62	62
ASSETS.					
Francs (000,000's omitted)					
I. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	1,354	3,659	3,456	3,649	4,769
2. Other Items of a Cash Nature					
3. Bills discounted and bought	3,127	6,482	6,726	6,557	5,384
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities					
(a) Government	4,234	5,717	7,154	7,208	7,046
(b) Other					
5. Participations					
6. Due from Banks (Correspondents)					
(a) At home					
(b) Abroad					
7. Loans and Advances	8,566	21,471	21,091	15,789	12,602
(a) On current account					
(b) Other					
8. Cover for Acceptances					
9. Premises, etc.	1,482	411	514	447	473
10. Sundry Assets					
11. Total Assets	18,763	37,740	38,941	33,650	30,274
LIABILITIES.					
12. Capital paid up	1,664	4,157	4,591	3,828	3,986
13. Reserve Funds	988	3,350	3,548	2,755	2,653
14. Profit-and-Loss Accounts, Undivided Profits, etc.	315	870	801	474	421
15. Cheques and Drafts, etc., in circulation					
16. Due to Banks (Correspondents)					
(a) At home					
(b) Abroad					
17. Deposits					
(a) Current accounts and sight deposits	15,796	29,363	30,001	26,593	23,214
(b) Savings accounts					
(c) Time or fixed deposits					
(d) Other deposits					
18. Rediscunts and other Borrowings					
19. Acceptances and Endorsements					
20. Sundry Liabilities					
21. Total Liabilities	18,763	37,740	38,941	33,650	30,274
22. Value of currency in cents of a U.S. dollar at the end of each year	4.5	2.8	2.8	2.8	2.8

Balance-sheet Summary

1 and 2. *Cash Assets, etc.*

The combined sums shown for the two first groups include certain amounts of coupons due for payment, foreign bank-notes and the balances of some minor banks with the post cheque office.

3. *Bills discounted and bought.*

According to indications in the *Moniteur*, the sums shown represent net amounts excluding rediscounts.

4 and 5. *Securities and Participations.*

Figures available for banks holding about half the securities and participations of all Belgian commercial banks in 1929 show that less than 15 per cent were in the form of Treasury bills, State bonds and other public securities, and the remainder in the form of private securities and participations.

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

The statistics of the *Moniteur* do not contain any separate heading for correspondents, the inter-bank accounts being generally merged in the published balance-sheets with those of the ordinary customers of the banks. All forms of loans and advances are grouped together under the single heading "Debtor current accounts" without distinction. The major part of the current account loans represents long-term working credits granted by the banks to the undertakings, industrial and other, which they control.

9 and 10. *Premises and Sundry Assets.*

The statistics of the *Moniteur* do not show premises separately from "Sundries".

12. *Capital.*

The amount of the uncalled capital of the banks considered in the various years is given below :

	Francs (000,000's)
1925	376
1929	758
1930	380
1931	413
1932	462

The above sums are excluded from both liabilities and assets in the summary table.

14. *Profit-and-Loss Accounts.*

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

	Francs (000,000's)			
	1925	1930	1931	1932
Net profit . . .	325	804	489	446
Net losses . . .	10	3	15	25
Profit balances	315	801	474	421

The statistics of the *Moniteur* do not contain any information on gross profits, expenditure and depreciation, or on the disposal of net profits for dividends, allocations to the reserves, etc.

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

Detailed figures for these various items are not given in the statistics of the *Moniteur*. The following is the specification available in the years under review :

	Francs (000,000's)				
	1925	1929	1930	1931	1932
Deposits	11,264	21,290	.	20,037	17,506
Creditors				4,772	2,754
Bonds, mortgages and other borrowings	4,532	8,073	.	1,784	2,954
Total	15,796	29,363	30,001	26,593	23,214

BULGARIA.

Introductory Note.

Before the creation of an independent Bulgarian State, only a rudimentary credit organisation existed in the country. For several decades, the National Bank of Bulgaria, founded in 1878 with capital entirely subscribed by the State, remained the only important banking establishment; in addition to acting as bank of issue and Government banker, this institution also transacted commercial and mortgage banking business. It was not until the beginning of the present century that the general economic and financial situation of the country became sufficiently stable to encourage the organisation of private commercial banks. The most important of these — e.g., the General Bank of Bulgaria, the Banque Balkanique and the Banque de Crédit were established in 1905 and 1906 with the participation of large banks of Vienna, Paris, Berlin and Budapest. During and after the war, there was a new wave of private banking organisation, but the National Bank of Bulgaria and other State-owned institutions have remained the most important elements in the Bulgarian system.

Apart from the Central Bank, the principal public banking institution is the Agricultural Bank, organised in 1903 on the basis of small *caisses d'utilité générale* already in existence. In 1927, the commercial and mortgage banking activities of the National Bank of Bulgaria were transferred to the Agricultural Bank. Its capital stock amounts to some 700 million leva. The bank grants direct loans to the agricultural population; at the beginning of 1933, it had 409,000 individual farmers' debit accounts. It also grants credit to the State and communes, functions as a land mortgage bank, and finances agricultural co-operatives. At the end of July 1933, its total advances exceeded 5,000 million leva, of which 2,600 million was loaned directly to farmers, 1,700 million to co-operative societies, and 800 million to communes, etc. Of the loans to farmers, about half are secured by cattle and the remainder by demand notes and mortgages. About 75 per cent of the loans to co-operatives are open credits, the remainder being secured by mortgages or other pledges. The bank's deposits have steadily increased in recent years, having doubled since 1927; at the end of July 1933, its deposits exceeded 5,000 million leva, of which one-third were deposits of the Postal Savings Bank and other public bodies.

Agricultural co-operative societies made their first appearance in Bulgaria around 1890 and

developed most rapidly after 1898. At the end of 1932, there were over 1,000 agricultural co-operatives. On an average, they are very small institutions, with deposits amounting to 500,000 leva per co-operative, and loans and advances totalling some 800 million leva for all these societies. The majority of the agricultural co-operatives are credit-distributing agencies of the Agricultural Bank and work under its supervision.

The popular banks, or urban credit co-operatives, are a more recent development in Bulgarian banking. The first was established in Sofia in 1903; in 1914, when a Union of People's Banks was organised, they numbered 44. The object of these banks is to accumulate the savings of artisans, small merchants, etc., and to extend credit to them. Most of the banks operate in cities, though a certain number are also established in villages. In general, credit is granted for a period of three months and is usually based on promissory notes bearing three signatures. In 1933, there were 200 popular banks, with both loans and deposits totalling about 2,000 million leva. In addition to receiving deposits, they also operate largely with resources borrowed from the Central Co-operative Bank, a State-owned institution, founded in 1910, the paid-up capital of which exceeds 100 million leva. During the economic depression, the Central Co-operative Bank has frequently been forced to come to the assistance of the popular banks. Between the end of 1930 and the middle of 1933, their borrowings from this institution increased by 680 million. The bulk of this increase took place in the form of advances against paper which the Central Co-operative Bank could, in turn, rediscount with the National Bank and other institutions. Its rediscounts with the National Bank rose by 180 million leva in this period; its time deposits rose by 155 million and its sight deposits by 200 million.

The most important commercial banks proper are established at Sofia and many of the larger ones are constituted with foreign capital. There were until recently six "big" foreign banks and four "big" Bulgarian banks, but, as a result of amalgamations which have taken place in the course of the economic depression, the number of big banks has now been reduced to six, of which four are foreign. The most important of these amalgamations was the grouping of the Bulgarska Banka, the Banque Franco-Bulgare, and the Banque pour le Crédit National into the Union de Banques Bulgares. In addition, the Banque

de Credit merged with the Deutsche Bank. The most important joint-stock banks in Bulgaria are now the Banque Commerciale Italienne et Bulgare, the Banque de Credit and the Union de Banques Bulgares. The "big" Sofia banks, and among them the foreign banks in particular, play an important part in financing the import and export trade and the larger industrial concerns. They rediscount, to some extent, the commercial portfolio of the smaller banks. In addition to the "big" banks, there are about fifteen other joint-stock banks and private banking houses located

in Sofia and over 100 in the provinces; the clientele of the last group consists largely of small tradesmen, artisans, etc.

The relative importance of the various institutions enumerated above in the Bulgarian banking system, and the evolution of their principal accounts during the economic depression, may be judged on the basis of the following table, which shows the deposits, current accounts, etc., and the loans, investments, etc., of the various groups at the end of 1929 and 1932.

	DEPOSITS, ETC.				LOANS, ETC.			
	1929	1932	1929	1932	1929	1932	1929	1932
	Leva (000,000's)		Percentage of total		Leva (000,000's)		Percentage of total	
Joint-stock banks	6,959	3,944	52	31	6,994	4,472	48	33
Whereof :								
<i>Big banks</i>	(5,030)	(2,804)	(38)	(22)	(4,827)	(2,625)	(33)	(19)
<i>Other banks</i>	(1,929)	(1,140)	(14)	(9)	(2,167)	(1,847)	(15)	(14)
Agricultural Bank of Bulgaria	3,962	5,374	30	43	4,517	5,238	31	39
Agricultural co-operatives	365	495	3	4	754	845	5	6
Central Co-operative Bank of Bulgaria	609	659	4	5	459	894	3	7
People's banks	1,458	2,073	11	17	1,974	2,092	13	15
Total	13,353	12,545	100	100	14,698	13,541	100	100

The grand total of deposits and loans did not vary considerably over this period, deposits declining by only 800 million leva, or 6 per cent, and loans by 1,150 million, of 7 per cent. The various groups of banks were, however, subject to widely different experience. Deposits in the private banks fell by 3,000 millions, or about 43 per cent; the drain on "big" banks and smaller joint-stock institutions was of similar proportions. On the other hand, deposits in all other groups rose, the increase being particularly marked in the case of the Agricultural Bank of Bulgaria. The share of the joint-stock banks in total deposits fell from 52 per cent at the end of 1929 to 31 per cent at the end of 1932, while that of the Agricultural Bank increased from 30 to 43 per cent. In the first six months of 1933, deposits in the private banks fell by a further 350 million leva, and those in the Agricultural Bank also dropped by 250 millions. Loans show much the same development as deposits. Credit extended by the private banks fell by 2,500 million leva, or from about one-half to one-third of the total, while the credit extended by the other banks increased both relatively and absolutely.

The transfer of deposits from the private banks to the Agricultural Bank reflects chiefly the desire on the part of depositors to enjoy the guarantee of a public institution. The withdrawal of deposits from private banks would appear to have been

encouraged by a section of the Law for the Protection of Deposits of 1931, which suggests that, in case of bankruptcy, the depositor is fully secured only to the extent of 10 per cent of his deposit. Depositors naturally preferred a State institution with full guarantee. To a considerable extent, transfers were first made to the Postal Savings Bank, which re-deposited with the Agricultural Bank. The latter pays interest at the rate of 7½ per cent per annum on the time deposits of the Postal Savings Office.

The joint-stock banks of Bulgaria were not subject to any uniform legal regulation until the beginning of 1931, when a Law for the Protection of Deposits laid down certain conditions under which they are permitted to operate. The authorisation of the Minister of Finance is now required for the establishment of a bank or a branch office; and the paid-up capital must not be less than 30 million leva for a bank operating in Sofia, 20 millions in other important cities and 10 millions in country districts. A special authorisation is required to accept deposits, and, in the case of newly established banks, this will not be given until one year after the bank has commenced operations. The banks may not accept deposits at sight or payable within one month in excess of their unimpaired paid-up capital and reserve funds. The banks are required to keep with the National Bank a guarantee fund amounting to 10 per cent

BULGARIA.

COMMERCIAL BANKS

Table 3 (a)

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :						
	1926	1927	1928	1929	1930	1931	1932
Number of Banks, Branches and Sub-branches.	110	116	128	135	138	131	129
ASSETS.							
	Leva (ooo,ooo's omitted)						
1. Cash.						708	721
(a) Gold, silver and small coins.						—	—
(b) Inland notes and balances with Central Bank	597	602	782	714	870	—	—
2. Other Items of a Cash Nature.						260	163
3. Bills discounted and bought.						1,400	1,117
(a) Treasury bills.						—	—
(b) Commercial bills, Inland.						—	—
(c) Commercial bills, Foreign.	1,514	2,110	2,965	3,056	2,293	—	—
4. Investments and Securities.						207	205
(a) Government						46	17
(b) Other						161	188
5. Participations.						51	48
6. Due from Banks (Correspondents).						57	61
(a) At home.						—	—
(b) Abroad	2,793	2,880	3,483	3,938	3,489	—	—
7. Loans and Advances.						2,564	2,040
(a) On current account						—	—
(b) Other						—	—
8. Cover for Acceptances						29	36
9. Premises, etc.	158	180	203	223	215	275	297
10. Sundry Assets.	287	382	405	511	545	1,133	1,173
11. Total Assets	5,349	6,154	7,838	8,442	7,412	6,684	5,861
LIABILITIES.							
12. Capital paid up	726	791	858	1,002	1,085	1,129	1,107
13. Reserve Funds	114	128	149	155	162	174	182
14. Profit-and-Loss Account, Dividends Account, etc.	99	87	105	118	114	62	30
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—	20	19
16. Due to Banks (Correspondents)						96	78
(a) At home.						—	—
(b) Abroad						—	—
17. Deposits, etc.						4,449	3,918
(a) Current account and sundry deposits	4,198	4,983	6,563	6,959	5,887	—	—
(b) Savings accounts						—	—
(c) Time and fixed deposits						—	—
(d) Other deposits						—	—
18. Rediscounts and Other Borrowings.						—	—
19. Acceptances and Endorsements						29	36
20. Sundry Liabilities.	212	165	163	208	164	725	491
21. Total Liabilities.	5,349	6,154	7,838	8,442	7,412	6,684	5,861
22. Rediscounts						400	277
23. Guarantees						408	361
24. Value of currency in cents of a U.S. dollar at the end of each year	0.73	0.72	0.72	0.72	0.72	0.71	0.72

of their savings deposits. By an amendment of May 1933, they are further required to keep with the National Bank a reserve of 5 per cent of all deposits, which may only be withdrawn for the payment of deposits and not for new investments. Half of the above 10 per cent reserve may be replaced by bills discountable at the National Bank. The same applies to the 5 per cent reserve, subject to the consent of the Bank Board. Amounts equal to two-thirds of savings deposits must be kept in the form of commercial paper not exceeding three months' maturity, merchandise warrants or State obligations. Investments in private securities are limited to one-quarter of the bank's own resources. Ten per cent of net profits must be set aside each year to constitute a reserve fund until the latter is equal to the authorised capital. At least one-half of the reserve fund must be invested in State obligations. The law also provides for the setting-up of a Banking Council whose functions are to supervise the enforcement of the law, to draw up a model balance-sheet form

on which the banks now submit periodic statements, to examine the latter, and to advise the Minister of Finance with regard to granting permits for new banks, etc. It also provides for the institution of special boards of administration for banks which, although not being in a position to meet all their engagements, are allowed at least in part to continue operations under public control instead of entering into immediate liquidation (deferred liquidation procedure).

Statements showing in considerable detail the situation of some 130 joint-stock banks at the end of each quarter since September 30th, 1931, have been published in the *Monthly Statistical Bulletin* of the National Bank of Bulgaria. Earlier figures for all these banks are not available in the same detail. The aggregates (calculated from published annual reports) which are given for preceding years in the attached summary table, however, allow of at least rough comparisons for the principal items back to 1926. Detailed profit-and-loss accounts are not available.

Balance-sheet Summary.

1 and 2. Cash and Other Cash Items.

The "other cash" items, representing sight claims on banks other than the National Bank, which are given under group 2 since 1931, were not shown separately from coins, notes and balances with the Central Bank prior to the adoption of the standard balance-sheet form.

3. Bills discounted and bought.

This item includes loans against promissory notes representing almost half of the amounts shown; since 1931, it excludes rediscounts (see note to group 18 below).

4. Investments and Securities.

Government securities include treasury bills.

6. Due from Banks (Correspondents).

No distinction is made in the official statistics between amounts due from banks at home and abroad. In the years prior to 1931, correspondents are not shown separately from loans and advances.

7. Loans and Advances.

Detailed figures available since 1931 show that about 20 per cent of the loans are made against merchandise and the remainder on other security. See note to preceding group.

9. Sundry Assets.

This item includes credits in litigation (*i.e.*, doubtful loans), protested bills and losses, in addition to sundry accounts not specified. At the end of 1931 and 1932, the first two sub-items (which were not shown separately in preceding years) amounted to the following sums:

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

The total of the more liquid portions of the bill portfolio (excluding rediscounts) and the loans shown under groups 3 and 7 of the summary table amounted to 3,964 and 3,157 million leva respectively in the two years considered. Thus, in 1931, over 11 per cent and, in 1932, over 16 per cent of total credits outstanding were shown as bad or doubtful assets.

14. Profit-and-Loss Account, etc.

The sums shown under this heading represent the aggregate net profits of the banks which made profits. The net losses incurred by other banks are

not deducted from the net profits as here shown, but are included under sundry assets, to the following aggregate amounts :

Leva (000,000's)						
1926	1927	1928	1929	1930	1931	1932
1	29	2	8	15	54	31

It will be seen that, in 1932, for the banking system as a whole, the losses exceeded the profits.

16. *Correspondents.*

Sums due to banks at home and abroad are not shown separately in the statistics.

17. *Deposits.*

The detailed composition of deposits is shown

since 1931 as follows :

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

18. *Rediscounts and Other Borrowings.*

Since 1931, rediscounts are shown as contingent liability outside the balance-sheet; see group 22 of summary table.

CZECHOSLOVAKIA.

Introductory Note.

The credit system of Czechoslovakia is composed of a great variety of institutions, forming groups with more or less specialised functions. The main

groups are enumerated below. Their relative importance may be judged from the figures showing their aggregate capital and reserves and their deposits or other liabilities to the public in 1930.

1930	Number of banks	Capital and reserves	Deposits and creditors	Bonds and debentures, etc.
		Kč. (000,000's)		
(a) Joint-stock banks	23	3,283	26,909	362
(b) Banks without share capital	9	182	4,676	4,725
(c) Joint-stock credit institutions in Slovakia and Ruthenia	79	587	4,211	—
(d) Limited liability partnerships (G. m. b. H.)	16	26	221	—
(e) Savings banks	366	621	19,656	—
(f) Co-operative credit associations (Schulze-Delitzsch)	1,835	742	13,122	—
(g) Co-operative credit associations (Raiffeisen)	4,226	131	5,283	—
(h) Co-operative credit associations in Slovakia and Ruthenia	1,106	61	796	—
(i) Central co-operative associations	53	342	2,115	—
(j) Agricultural district banks	172	125	4,040	—
Total	7,885	6,100	81,029	5,087

Of the above groups of credit institutions, only (a) → *i.e.*, the joint-stock banks in Bohemia, Moravia and Silesia — represents commercial banking proper; but the other groups compete in certain fields with the joint-stock banks, which, though disposing of more than one-half of the aggregate capital and reserves, held only one-third of total deposits at the end of 1930. It should be noticed, however, that the deposits with the other credit institutions are mainly of the character of savings deposits. For this and certain other reasons indicated in the last edition of this *Memorandum*, only the banks in the first group are taken into account in summary tables

(a) and (b). The reduction in their number since 1925 is mainly due to amalgamations.

In April 1932, a new banking law was passed in Czechoslovakia to supersede that of 1924. Under the new law, joint-stock banks may be established only with the permission of the Minister of the Interior, which is also required for the opening of branches, changing of capital, amalgamation and alteration of statutes. The public control over banking activities is extended. A department of the Ministry of Finance has full rights to inspect the books of any joint-stock bank or limited liability company carrying on banking business, to put banks into liquidation, bring about amalgamations, etc.

CZECHOSLOVAKIA.

COMMERCIAL BANKS

Table 4 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :			
	1925	1929	1930	1931
Number of Banks	32	22	23	23
ASSETS.				
	Korony (000,000's omitted)			
1. Cash	1,645	2,010	1,836	
(a) Gold, silver and small coins	—	—	—	
(b) Inland notes and balances with Central Bank	—	—	—	1,933
2. Other Items of a Cash Nature	911	1,044	1,323	
3. Bills discounted and bought	2,429	2,728	2,818	2,157
(a) Treasury bills	—	—	—	—
(b) Commercial bills, Inland.	2,429	2,728	2,818	2,157
(c) Commercial bills, Foreign	—	—	—	—
4. Investments and Securities.	1,785	2,725	3,044	3,419
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations.	482	1,054	1,100	821
6. Due from Banks (Correspondents).	—	—	—	—
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
7. Loans and Advances.	17,786	20,643	20,548	17,242
(a) On current account	—	—	—	—
(b) Other	—	—	—	—
8. Cover for Acceptances.	11	—	—	—
9. Premises, etc.	343	385	415	531
10. Sundry Assets	637	756	868	853
II. Total Assets	26,029	31,345	31,952	26,956
LIABILITIES.				
12. Capital paid up.	1,859	1,845	1,852	1,533
13. Reserve Funds	911	1,382	1,431	1,011
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	248	253	205	66
15. Cheques and Drafts, etc., in circulation	—	—	—	—
16. Due to Banks (Correspondents).	5,778	7,787	7,038	5,542
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
17. Deposits	16,036	18,630	19,871	17,382
(a) Current accounts and sight deposits	8,657	9,703	9,972	8,285
(b) Savings accounts	7,338	8,927	9,899	9,097
(c) Time or fixed deposits	—	—	—	—
(d) Other deposits	41	—	—	—
18. Rediscounts and other Borrowings	—	—	—	—
19. Acceptances and Endorsements.	11	—	—	—
20. Sundry Liabilities.	1,186	1,448	1,555	1,422
21. Total Liabilities.	26,029	31,345	31,952	26,956
22. Value of currency in cents of a U.S. dollar at the end of each year.	2.9638	2.9625	2.9625	2.9625

CZECHOSLOVAKIA.

COMMERCIAL BANKS

Table 4 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFIT FOR THE YEARS :			
	1925	1929	1930	1931
Number of Banks	32	22	23	23
	Korony (000,000's omitted)			
Capital paid up	1,859	1,845	1,852	1,533
Reserves and Undivided Profits	922	1,405	1,453	1,039
1. Gross Profits	961	884	826	639
<i>To be deducted:</i>				
2. Expenses	680	630	620	550
(a) Salaries, etc.	426	479	477	445
(b) Other working expenses	104	86	81	68
(c) Taxes, etc.	150	65	62	37
3. Reserve for Pension Funds, etc.	16	13	15	2
4. Written off on (Depreciation Accounts for)	33	23	23	693
(a) Premises, etc.	11	12	14	12
(b) Investments and securities				676
(c) Other assets	22	11	9	5
5. Remaining Net Profit	232	218	168	— 607
6. Carried forward from preceding year.	11	22	22	28
7. Taken from Reserves or Capital.	—	—	—	642
8. Total Amount disposed of for Dividends, etc.	243	240	190	64
9. Carried to Reserves.	86	52	24	8
10. Dividends.	135	154	129	33
11. Directors' Fees, etc.	11	12	9	2
12. Carried forward to following year.	11	22	28	21
13. Total as above.	243	240	190	64
14. Value of currency in cents of a U.S. dollar at the end of each year.	2,9638	2,9625	2,9625	2,9625

Balance-sheet Summary.

1. Cash.

The figures given are composed as follows :

	Kč. (000,000's)			
	1925	1929	1930	1931
Cash (Kasobarchaft)	897	1,039	967	1,175
Sight balances with the Central Bank and the Post-cheque Clearing Office	748	971	869	
Total	1,645	2,010	1,836	1,715

The figure shown for 1931 includes sight balances with other banks, part of which were previously shown separately under group (2) and foreign notes, also formerly shown in that group. No distinction

is made among these items.

2. *Other Items of a Cash Nature.*

The figures given are composed as follows :

	Kč. (000,000's)			
	1925	1929	1930	1931
Money on call with domestic banks . . .	618	530	725	—
Notes, bills and cheques, etc., in foreign currency	293	514	598	218
Total	911	1,044	1,323	218

See note to group (1) above.

3. *Discounts.*

The figures given represent exclusively domestic commercial bills. The Czechoslovak Government does not, as a rule, raise short-term credits by issuing Treasury bills, but by means of short-term bonds. Holdings of these short-term bonds by the commercial banks are included under securities. The foreign bills held by the banks are included in group 2 above (*cf.* note 2).

5. *Participations.*

The figures given represent various forms of participation such as permanent participations

in banks and banking firms, etc. It would appear that most of these participations are of an industrial character (*cf.* introductory note given in the last edition of this *Memorandum*).

6. *Due from Banks.*

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

7. *Loans and Advances.*

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

Debtors	Kč. (000,000's)			
	1925	1929	1930	1931
Credits covered by securities	2,595	3,126	2,774	1,759
Other debtors from the banking business.	15,146	17,495	17,730	15,443
Debtors of the Commercial Departments.	45	22	43	40
Total	17,786	20,643	20,548	17,242

The first item above represents contango and other advances for operations on the Bourse, lombard loans, etc. The second item is composed of a variety of accounts which, though representing operations of different character, are not shown separately in the banking statistics.

It consists mainly of current account advances and more especially the credits granted, generally on very long term, to the undertakings directly or indirectly controlled by the banks. In addition, it includes the amounts due from banks and correspondents, excepting the money on call mentioned in note 2 above. As cover for acceptances is not shown separately, an amount equal to the acceptances given under liabilities has been deducted from the item "Other debtors" as shown in the official statistics and carried to group 8 of the table.

The third item above represents credits granted

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

8. *Cover for Acceptances.*

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

9. *Premises, etc.*

This item represents the aggregate book value of the real estate, furniture, etc., held by the banks for their own use. Certain other real estate held by some of the banks has been included in the summary table in the "Sundry Assets".

10. *Sundry Assets.*

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

	Kč. (000,000's)			
	1925	1929	1930	1931
Mortgage, municipal, land improvement and railway loans	192	272	368	485
Real estate not for the banks' own use . .	71	82	65	68
Temporary and sundry accounts	374	402	435	300
Total	637	756	868	853

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

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

II and 2I. Total Assets and Liabilities.

Not including the following amounts of *comptes d'ordre*:

	Kč. (000,000's)	
1925.	4,500	1930. 7,393
1929.	7,286	1931. 7,144

14. Profit-and-Loss Accounts, etc.

The sums given represent net profits of the year.

	Kč. (000,000's)			
	1925	1929	1930	1931
Deposits on savings account	6,815	7,865	8,396	7,877
Kassenscheine	523	1,062	1,503	1,220
Total	7,338	8,927	9,899	9,097

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

16. Due to Banks (Correspondents).

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

17. Deposits.

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

The combined figures for (b) and (c) are composed of savings deposits and Kassenscheine, as shown below:

20. Sundry Liabilities.

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

	Kč. (000,000's)			
	1925	1929	1930	1931
Bonds and debentures issued	192	268	362	483
Other accounts of the mortgage departments	1	2	2	2
Pension funds	139	220	238	213
Other funds not serving as cover for losses.	23	34	68	15
Temporary and sundry accounts	831	924	885	703
Total	1,186	1,448	1,555	1,422

With regard to the first two items representing the liabilities of the mortgage departments of the banks, see note to group 10 above. The last item

is composed mainly of internal administrative accounts, which do not represent direct liabilities to the public.

Summary of Profit-and-Loss Accounts.

I. *Gross Profits.*

The figures given are composed as follows :

	Kč. (000,000's)			
	1925	1929	1930	1931
Interest and discounts	531	510	484	451
Provisions and commissions	310	287	270	236
Profits on securities, investments and participations	111	70	58	— 67
Sundry profits	9	17	14	19
Total gross profits	961	884	826	639

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

2. *Expenses.*

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

3. *Reserved for Pension Funds, etc.*

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

	Kč. (000,000's)			
	1925	1929	1930	1931
Reserved for :				
Pension funds	9.0	8.9	8.4	0.4
Other funds not serving as cover for losses	2.1	2.1	0.2	—
Other purposes	4.7	2.4	5.9	1.6
Total	15.8	13.4	14.5	2.0

DENMARK.

Introductory Note.

The number of independent banking units operating in Denmark is comparatively large, but most of the banks are small and purely local in character, each serving the financial requirements of a very restricted area. There is, however, a considerable concentration of resources within the commercial banking system; thus, at the end of 1932, the seven most important banks, of which five are in Copenhagen, accounted for about sixty per cent of the commercial bank capital and reserves and of the deposits. The three most important banks — namely, Den Danske Landmandsbank, Privatbanken i Kjøbenhavn and Kjøbenhavns Handelsbank — accounted at that time for almost half of all commercial bank deposits in Denmark.

The importance of the commercial banks to the whole credit system of the country may be judged from the statement opposite, comparing the total of their deposits with those of the savings banks and with the "cash bonds" of the credit associations.

It will be noted that, in recent years, the savings bank deposits have exceeded the total of all forms of deposits with the commercial banks, and that the

	Kroner (000,000's)			
	1929	1930	1931	1932
Commercial banks . . .	1,992	2,110	1,960	1,889
Savings banks ¹ . . .	2,120	2,202	2,153	2,145
	Bonds in circulation			
Credit associations ¹ .	3,973	4,180	4,486	—

¹ March 31st following year.

funds raised by the credit associations have been about equal to the aggregate of the deposits of the commercial and savings banks combined. This preponderance of institutions providing long-term credits, mainly of a mortgage character, reflects the importance of agriculture in the economic life of the country. The commercial banks are primarily engaged in financing industry and trade. The tables of the present chapter are based on the detailed statistics published in the annual reports of the Government Bank Inspector (see introductory note given in last edition of this memorandum).

Balance-sheet Summary.

I. Cash.

Item (a), shown separately since 1921, consists

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

	Kroner (000,000's)				
	1925	1929	1930	1931	1932
Notes of the National Bank . . .	29.4	31.5	32.0	25.1	24.6
Sight balances with the National Bank	50.5	43.2	57.7	48.6	113.5
Total	79.9	74.7	89.7	73.7	138.1

3. Discounts.

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

The Danish Government does not, as a rule,

borrow in the market through the issue of Treasury bills, although it is authorised to do so within certain limits under a Law of December 20th, 1924.

4 and 5. Investments and Securities; Participations.

Details are shown below :

DENMARK.

COMMERCIAL BANKS

Table 5 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1925	1929	1930	1931	1932
Number of : Banks	186	180	180	179	175
Branches and Sub-Branches	514	550	575	582	590
ASSETS.					
	Kroner (ooo,ooo's omitted)				
1. Cash	82.3	77.2	92.4	76.6	140.7
(a) Gold, silver and small coins	2.4	2.5	2.7	2.9	2.6
(b) Inland notes and balances with Central Bank	79.9	74.7	89.7	73.7	138.1
2. Other Items of a Cash Nature	22.9	24.6	28.5	26.6	31.7
3. Bills discounted and bought	459.1	403.2	428.3	428.8	351.3
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	452.5	386.1	416.7	424.4	346.1
(c) Commercial bills, Foreign	6.6	17.1	11.6	4.4	5.2
4. Investments and Securities	588.5	583.0	655.4	577.3	577.3
(a) Government	98.5	102.8	99.2	79.2	89.2
(b) Other	490.0	480.2	556.2	498.1	488.1
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	197.8	216.9	194.9	120.1	147.3
(a) At home	113.0	79.3	77.3	77.6	90.5
(b) Abroad	84.8	137.6	117.6	42.5	56.8
7. Loans and Advances	1,573.2	1,454.6	1,446.8	1,423.0	1,281.7
(a) On current account	1,271.8	1,160.2	1,137.0	1,100.1	984.1
(b) Other	301.4	294.4	309.8	322.9	297.6
8. Cover for Acceptances	42.5	2.5	2.7	4.1	0.9
9. Premises, etc.	70.5	79.7	79.7	84.7	84.9
10. Sundry Assets	257.0	71.9	107.6	119.8	86.8
11. Total Assets	3,293.8	2,913.6	3,036.3	2,861.0	2,702.6
LIABILITIES.					
12. Capital paid up	251.9	279.4	282.3	280.3	281.4
13. Reserve Funds	127.2	138.9	143.2	126.2	141.6
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	31.4	38.6	34.2	23.3	20.9
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	533.8	383.4	354.9	353.5	297.8
(a) At home	235.9	265.1	234.2	285.7	219.9
(b) Abroad	297.9	118.3	120.7	67.8	77.9
17. Deposits	2,121.3	1,992.1	2,110.0	1,959.7	1,888.9
(a) Current accounts and sight deposits	588.8	550.6	614.2	544.9	533.2
(b) Savings accounts	578.1	543.3	575.7	535.8	476.2
(c) Time or fixed deposits	954.4	898.2	920.1	879.0	879.5
(d) Other deposits	—	—	—	—	—
18. Rediscounts and other Borrowings	9.9	19.9	21.6	20.8	27.7
19. Acceptances and Endorsements	42.5	2.5	2.7	4.1	0.9
20. Sundry Liabilities	175.8	58.8	87.3	93.1	43.4
21. Total Liabilities	3,293.8	2,913.6	3,036.3	2,861.0	2,702.6
22. Value of currency in cents of a U.S. dollar at the end of each year	24.75	26.80	26.80	18.59	17.01

DENMARK.

COMMERCIAL BANKS

Table 5 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1925	1929	1930	1931	1932
Number of Banks.	186	180	180	179	175
	Kroner (000,000's omitted)				
Capital paid up.	251.9	279.4	282.3	280.3	281.4
Reserves and Undivided Profits	144.4	156.3	159.6	137.3	149.9
1. Gross Profits	96.9	75.9	79.1	80.3	87.4
<i>To be deducted:</i>					
2. Expenses	37.4	33.3	34.1	34.6	33.9
(a) Salaries, etc.	24.4	21.4	21.7	21.5	22.2
(b) Other working expenses	10.5	9.5	10.0	10.8	10.4
(c) Taxes, etc.	2.5	2.4	2.4	2.3	1.3
3. Reserved for Pension Funds, etc.,	0.5	0.8	0.9	0.9	1.3
4. Written off on (Depreciation Accounts for)	203.4	13.8	17.7	52.0	18.9
(a) Premises, etc.	5.1	1.2	1.2	1.0	1.9
(b) Investments and securities	55.5	0.2	0.2	40.7	1.4
(c) Other assets	142.8	12.4	16.3	11.2	15.6
5. Remaining Net Profit (+) or Loss (-).	-144.4	+28.0	+26.4	-8.1	+33.3
6. Carried forward from Preceding Year	17.2	17.4	16.4	11.1	8.3
7. Taken from Reserves or Capital	123.4	6.9	3.4	24.3	2.5
8. Deficit left uncovered	43.7	—	—	0.4	0.4
9. Total Amount disposed of for Dividends, etc.	39.9	52.3	46.2	27.7	44.5
10. Carried to Reserves	7.5	12.7	11.0	3.2	9.4
11. Dividends	14.2	18.7	19.5	13.4	18.0
12. Director's Fees, etc	4.4	3.9	3.9	2.4	4.2
13. Other Purposes	0.2	0.3	0.6	0.4	2.7
14. Carried forward to Following Year.	13.6	16.7	11.2	8.3	10.2
15. Total as above	39.9	52.3	46.2	27.7	44.5
16. Value of currency in cents of a U.S. dollar at the end of each year.	24.75	26.80	26.80	18.59	17.01

	Kroner (000,000's)				
	1925	1929	1930	1931	1932
Government bonds	59.3	84.3	99.2	79.2	89.2
Municipal bonds	39.2	18.5	32.1	29.3	47.2
Bonds of credit associations, etc.	130.2	196.9	238.5	170.0	148.1
Mortgages bonds (<i>Panteobligationer</i>)	165.9	153.0	157.1	108.8	169.9
Other Danish bonds	92.4	54.1	47.9	53.4	47.9
Shares	93.7	71.0	72.2	71.7	70.7
Foreign bonds and shares	7.8	5.2	8.4	4.9	4.3
Total	588.5	583.0	655.4	577.3	577.3

The Government and Municipal bonds are shown under 4 (a) in the summary table. The sums given under 4 (b) represent the totals of the other items shown separately above. It will be noted that the banks invest a substantial portion of their funds in mortgage bonds and bonds of credit associations. The credit associations conduct mainly a mortgage business.

The reports of the Bank Inspector do not indicate the character of the shares held by the banks;

but the industrial and commercial participations of the leading banks would appear to constitute the greater part of the share holdings shown above.

6. *Due from Banks (Correspondents).*

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

	Kroner (000,000's)				
	1925	1929	1930	1931	1932
Foreign currency	71.3	128.0	105.4	32.1	46.4
Danish currency	13.5	9.6	12.2	10.4	10.4
Total	84.8	137.6	117.6	42.5	56.8

7. *Loans and Advances.*

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

8. *Cover for Acceptances.*

As the Danish banking statistics do not show

the cover for the acceptances separately, a sum equal to the acceptances (in the liabilities) has been deducted from the current accounts above and carried to this group in the summary table.

10. *Sundry Assets.*

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

	Kroner (000,000's)				
	1925	1929	1930	1931	1932
Sundry debtors	120.8	39.1	77.4	87.4	56.7
Interest accounts	4.6	4.3	4.3	4.6	4.3
Deficit	131.6	28.5	25.9	27.8	25.8
Total	257.0	71.9	107.6	119.8	86.8

The item "Sundry debtors" includes the accounts of the mortgage department of the Landmandsbank. The item "Deficit" consists

almost exclusively of the deficit of the Landmandsbank carried forward from year to year (see note to this group given in last edition).

16. *Due to Banks (Correspondents).*

The sums due to foreign correspondents are

composed of liabilities in foreign and Danish currency as follows :

	Kroner (000,000's)				
	1925	1929	1930	1931	1932
Foreign currency	159.0	70.6	71.7	41.7	44.6
Danish currency	138.9	47.7	49.0	26.1	33.3
Total	297.9	118.3	120.7	67.8	77.9

17. *Deposits.*

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

Deposits in savings banks since 1929 are shown below :

End of March :	Kroner (000,000's)
1929	2,041
1930	2,202
1931	2,179
1932	2,169

20. *Sundry Liabilities.*

The sums given in this group of the summary table are composed of sundry creditors including certain contingent liabilities (guarantees) the contra-accounts of which form part of the "sundry debtors" in group 10 of the summary table, mortgage debts, Staff pension funds and interest accounts, which are shown separately in the official statistics.

Summary of Profit-and-Loss Accounts.

As mentioned in the previous edition, the Landmandsbank in recent years has been working without any funds of its own. The annual additions to the deficit brought forward on the profit and loss accounts of the banks are shown as a separate

item (8) of the summary table 5 (b).

1. *Gross Profits.*

The composition of the gross profits of all the banks is shown below :

	Kroner (000,000's)				
	1925	1929	1930	1931	1932
Net interest from discounts and loans.	43.5	24.7	26.0	28.9	34.0
Interest on foreign assets	6.5	10.5	6.8	8.6	5.2
Profits from investments	26.2	22.8	28.0	23.9	31.4
Commissions	17.8	15.6	15.6	16.0	15.0
Recovered from assets previously written down	0.9	0.7	0.9	1.1	0.7
Sundry profits	2.0	1.6	1.8	1.8	1.1
Total gross profits	96.9	75.9	79.1	80.3	87.4

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

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

ESTONIA.

Introductory Note.

The pre-war commercial banking system of Estonia consisted of one local joint-stock bank, four private banks, the Estonian branches of a few important Petrograd and Moscow banks and a large number of local co-operative credit institutions. The joint-stock and private banks were owned and managed in large part by foreigners, and their transactions were limited to financing urban industries and transit trade from Russia. The co-operative credit institutions, comprising some sixteen mutual credit societies and eighty-three loan and savings banks, served as commercial banks for the bulk of the Estonian population. Their funds came mainly from small depositors, and their credit transactions consisted chiefly in granting loans to the agricultural classes.

The war, the Russian Revolution and the consequent rapid depreciation of the rouble almost completely destroyed this banking system. Its subsequent reconstruction was delayed until 1920 when the Eesti mark was created and the bank of issue began operations.

The banking system consists to-day of State, commercial and co-operative banks. The State institutions, apart from the Eesti Pank, comprise three long-term credit institutions and the Postal Savings Bank. In addition to issuing notes, the Eesti Pank performed an extensive commercial banking business until the banking and currency reform scheme came into effect on January 1st, 1928. The reforms, which were executed with the help of a loan raised under the auspices of the League of Nations, consisted chiefly in the legal stabilisation of the currency at the rate of 26.799 U.S.A cents to 1 Eesti kroon (the equivalent of 100 former Eesti marks), the transformation of the Eesti Pank into an independent central bank of note issue, and the transfer of its long-term business to a special mortgage institute. The three long-term credit institutions are the Land Bank, the Estonian Mortgage Bank, and the National Mortgage Bank. The most important of these banks, the National Mortgage Bank, which, on its creation in 1928, took over a part of those assets of the Eesti Pank which were considered unsuitable for a bank of issue, grants long-term loans against mortgages on any kind of immovable property. The deposits placed with the State Savings Bank, which started operations in January 1928, have increased year by year. By 1932, its total assets and liabilities equalled those of the fourth most important joint-stock bank.

The joint-stock banks and the larger co-operative banks together constitute the commercial banking system of Estonia, and it is with these that the present chapter is concerned. In 1932, the former were fifteen in number; the five largest banks accounted for nearly 80 per cent of the combined balance-sheets of these fifteen institutions. The group of larger co-operative banks, whose business does not differ essentially in character from that of the joint-stock banks, numbered twenty-six out of a total of over 200 co-operative credit institutions; the others are small and individually unimportant.

As may be seen from the following summary statement, which gives separate figures for the joint-stock and the larger co-operative banks, the latter have gained in importance in recent years. Their share in the joint balance-sheet of the two groups increased from 21 per cent in 1927 to 35 per cent in 1932 :

	JOINT-STOCK BANKS		CO-OPERATIVE BANKS	
	1927	1932	1927	1932
Number of banks.	21	15	20	26
	Ekr. (ooo,ooo's)			
ASSETS.				
Cash and other reserve items	2.4	2.5	1.7	2.2
Discounts	20.7	18.9	7.2	13.4
Current account advances.	33.1	34.9	3.1	6.2
Other loans and credits	1.9	1.3	4.5	4.3
(Total discounts, loans and advances)	(55.7)	(55.1)	(14.8)	(23.9)
Due from banks	5.3	1.8	0.9	0.8
Securities	1.0	1.3	—	0.6
Premises	5.8	5.8	0.6	1.9
Sundry accounts	4.5	5.4	2.2	9.0
Total assets	74.7	71.9	20.2	38.4
LIABILITIES.				
Capital and reserves	10.4	7.6	1.4	3.0
Current accounts and sight deposits.	22.6	21.9	7.6	12.6
Time deposits	7.7	6.6	4.8	8.3
(Total deposits)	(32.4)	(29.7)	(12.7)	(21.1)
Due to banks	11.0	16.1	0.5	0.6
Rediscounts	7.0	6.1	0.3	1.3
Borrowings	5.1	5.2	1.8	2.6
(Total rediscounts and borrowings)	(12.1)	(11.3)	(2.1)	(3.9)
Sundry accounts	8.7	7.2	3.5	9.8
Total liabilities.	74.7	71.9	20.2	38.4

During the first years of the Republic, a considerable number of joint-stock banks was established, in part through re-organisation of the remnants of the credit institutions formerly operating in Estonian territory. As long as the post-war inflation continued and the currency depreciated, however, the real development of banking was slow. But, after the *de facto* stabilisation of the currency at the end of 1924, by which time joint-stock banks had reached twenty-five in number, an internal consolidation of the system took place, and the number of banks was gradually reduced through the elimination of the weaker institutions and through amalgamations.

Development of the Joint-stock Banks.

End of :	Ekr. (000,000's)			
	Number of banks	Capital and reserves	Deposits	Loans and discounts
1924 ¹	25	7.4	15	26
1925	21	9.9	19	33
1926 ²	21	9.9	24	44
1927	21	10.4	32	56
1928	21	10.4	43	74
1929	19	8.6	44	76
1930	19	8.6	46	79
1931	16	7.2	37	62
1932	15	7.6	30	55
1933 (September)	15	7.8	29	50

After the currency and banking reform of 1926-27, to which reference has been made above, foreign capital flowed into Estonia in considerable amounts up to and including 1930. The imports of capital took the form of the sale abroad of Government securities, direct foreign investment in industrial and export enterprises and short-term foreign credits to the commercial banks.

The rapid economic recovery, which was largely a result of this capital inflow, is reflected in the

figures for deposits and loans shown above for the joint-stock banks and below for the larger co-operative banks.

Development of the Larger Co-operative Banks.

End of :	Ekr. (000,000's)			
	Number of banks	Capital and reserves	Deposits	Loans and discounts
1926 ²	19	1.2	8	11
1927	20	1.4	13	15
1928	20	1.9	18	24
1929	21	2.2	19	25
1930	21	2.6	24	26
1931	25	2.8	24	28
1932	26	2.9	21	24
1933 (September)	26	2.9	21	23

The co-operative banks, like the joint-stock banks, are partly based on pre-war institutions (mutual credit societies and small savings banks). While the activity of the joint-stock banks is chiefly directed towards the financing of industry and trade — foreign trade in particular — that of the co-operative banks is mainly concerned with the financing of agricultural and other rural enterprise, including the trade in agricultural products. The development of the co-operative banks is, of course, closely bound up with the rapid advance of the agricultural co-operative movement in Estonia in the post-war period.

Foreign credit institutions participate to a certain extent in the share capital of some of the joint-stock banks, which, in addition, have relied upon foreign credits in considerable degree throughout the post-war period. This dependence is illustrated by the following figures for the net foreign bank indebtedness of the joint-stock banks, in so far as it may be calculated from the details shown in the official statistics :

End of :	Ekr. (000,000's)				
	Due to foreign correspondents	Foreign creditors	Total	Due from foreign correspondents	Net balance
1927	8.2	0.5	8.7	3.0	5.7
1928	10.5	0.2	10.7	1.3	9.4
1929	8.4	2.2	10.6	1.5	9.1
1930	11.7	2.0	13.7	1.4	12.3
1931	6.8	1.7	8.5	1.9	6.6
1932	7.2	0.1	7.3	0.8	6.5

¹ 1924-1925 : December 31st.

² 1926-1932 : December 1st.

It will be noted that the net indebtedness to foreign banks¹ increased up to 1930 *pari passu* with the expansion in the domestic business of the banks as measured by the figures for loans and deposits shown in the preceding statements. The commercial banks, and in particular the larger co-operative banks, were not very seriously affected by the depression, which was comparatively mild in Estonia until the last quarter of 1931. The more important joint-stock banks were, however, very sensitive to the foreign currency difficulties which began in that period, as they depended to a considerable extent on foreign credits.

A temporary lack of confidence, causing sudden withdrawals of deposits, had previously arisen after the failure of two medium-sized joint-stock banks in November 1930 and January 1931. But these failures were due to special reasons — mismanagement of certain industrial enterprises in which the two banks concerned were too heavily engaged — and had little to do with the international economic depression. Thanks to Government intervention through the National Mortgage Bank, confidence in the other banks was soon restored, and deposits with all classes of banks increased in the second quarter of 1931. The banking crisis in Germany in July of that year had no noticeable effect on the banks in Estonia.

Serious difficulties began with the abandonment of the gold standard by the United Kingdom in September 1931. The rapid depreciation of the pound affected adversely the banks using large sterling credits. Moreover, foreign balances and credits were called in; the net balance of foreign indebtedness of the banks declined by almost one-half, as shown above. This decline took place in the last two months of 1931. A run started on the second largest bank, which was known to enjoy important foreign credits, and two affiliated smaller provincial banks. The Government intervened by placing a temporary moratorium on the banks concerned. This moratorium was lifted as soon as it was known that the mother institution had been able to maintain a substantial part of its former credits and raise considerable fresh credits. Meanwhile it had called in a substantial part of its most liquid advances and discounts, causing particular embarrassment to the export industries.

These events, coupled with the belief that the Eesti kroon would follow Scandinavian currencies in depreciating, led to a general run on all banks. Deposits with the joint-stock banks declined from Ekr. 46 million in 1930 to 37 millions at the end of

1931 and in the course of 1932 continued to decline to 30 millions. The deposits with the larger co-operative banks, which had reached Ekr. 29 million in the third quarter of 1931, declined to 24 millions by the end of that year and to 21 millions in 1932. This reduction in deposits and foreign credits — the latter reflecting in part the depreciation of the sterling — led to a general cut in loans and discounts. By the end of 1932, the joint-stock banks had cut their volume of outstanding credits by roughly one-third, which largely contributed to the general paralysis of industry and trade in the country. The cuts effected by the co-operative banks were much less radical thanks to more extensive support from the various State banks. The largest joint-stock bank was only able to maintain its position owing to renewed Government intervention through the National Mortgage Bank. Temporary moratoria were allowed in the summer of 1932 to certain co-operative banks under the law of March 23rd, 1932, referred to below.

By means of severe exchange control and direct trade restrictions, the currency was officially maintained at par until the end of June 1933, when it was allowed to depreciate to the level of the Swedish krona. Since September 1933, the Estonian exchange has been pegged to sterling at par.

The old Russian "Credit Statutes" formed the banking law of Estonia until March 23rd, 1932, when a new law came into force. The new law is essentially an adaptation of the Russian law to the special conditions of Estonia. It provides, *inter alia*, for an increase in the powers of the Ministry of Economic Affairs in respect of supervision, and bankruptcy procedure; and it removes hindrances to amalgamation by no longer levying a transfer of property tax in case of amalgamations. The law limits the operations of the co-operative banks; the bigger ones are placed under the general banking law, and the activity of the smaller co-operative banks is restricted to deposit and loan operations.

The attached summary of the balance-sheet position is based on the official banking statistics published in the *Monthly Bulletin of Statistics of Estonia (Eesti Statistika)* and covers all the joint-stock and the principal co-operative banks. The summary table begins with 1926, as the *Statistical Bulletin of Estonia* does not cover the co-operative banks before that year. December 1st, instead of December 31st, has been chosen, as figures for that date are given consistently for all the years under review. The profit and loss summary relates to the joint-stock banks alone.

¹ The figures for the net balance as shown above are too low to the extent that direct rediscounts of bills payable abroad are effected with foreign institutions. As a rule, the whole of the bank's portfolio is shown as rediscounted, but no distinction is made in the statistics between the rediscounts effected at the Eesti Pank and those made with other institutions.

ESTONIA.

COMMERCIAL BANKS

Table 6 (a).

ACCOUNTS	SUMMARY OF POSITION ON DECEMBER 1st:						
	1926	1927	1928	1929	1930	1931	1932
Number of Banks	40	41	41	40	40	41	41
	Ekr. (ooo,ooo's omitted)						
ASSETS.							
1. Cash	2.4	1.9	2.0	3.0	2.9	2.7	2.0
(a) Gold, silver and small coins	—	—	—	—	—	—	—
(b) Bank notes, State notes and balances with Central Bank	—	—	—	—	—	—	—
2. Other Items of a Cash Nature	0.2	2.1	2.1	2.1	3.0	2.8	2.7
3. Bills discounted and bought	19.5	27.9	44.2	46.9	42.8	35.8	32.3
(a) Treasury bills	—	—	—	—	—	—	—
(b) Commercial bills, Inland	—	21.3	37.5	37.6	34.3	32.4	29.2
(c) Commercial bills, Foreign	—	6.6	6.7	9.3	8.5	3.4	3.1
4. Investments and Securities	1.0	1.0	1.2	1.4	2.0	1.7	1.9
(a) Government	—	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—	—
6. Due from Banks (Correspondents)	3.9	6.2	4.8	5.2	4.8	4.0	2.6
(a) At home	2.2	3.1	3.5	3.7	3.4	2.1	1.8
(b) Abroad	1.7	3.1	1.3	1.5	1.4	1.9	0.8
7. Loans and Advances	35.6	42.6	53.3	54.4	62.5	53.4	46.7
(a) On current account	29.7	36.2	45.5	46.3	54.6	46.1	41.1
(b) Other	5.9	6.4	7.8	8.1	7.9	7.3	5.6
8. Cover for Acceptances	—	—	—	—	—	—	—
9. Premises, etc.	6.2	6.5	6.6	7.2	7.7	7.2	7.6
10. Sundry Assets	6.3	6.7	9.7	12.0	14.0	16.0	14.5
11. Total Assets	75.1	94.9	123.9	132.2	139.7	123.6	110.3
	LIABILITIES.						
12. Capital paid up	8.2	8.8	9.2	8.6	8.7	7.5	7.9
13. Reserve Funds	2.9	3.0	3.1	2.2	2.5	2.5	2.7
14. Profit-and-Loss Accounts, Undivided Profits, etc.	0.2	0.4	0.6	1.0	1.4	1.1	0.8
15. Cheques and Drafts, etc., in Circulation	—	—	—	—	—	—	—
16. Due to Banks (Correspondents)	8.7	11.5	14.5	12.4	15.0	15.3	16.7
(a) At home	2.8	3.3	4.0	4.0	3.3	8.5	9.5
(b) Abroad	5.9	8.2	10.5	8.4	11.7	6.8	7.2
17. Deposits	31.6	45.1	61.2	63.0	69.1	60.7	50.8
(a) Current accounts	21.9	30.2	40.4	39.8	42.8	36.8	34.5
(b) Savings accounts	—	—	—	—	—	—	—
(c) Time or fixed deposits	8.2	12.5	18.0	20.4	23.0	21.3	14.9
(d) Other deposits	1.5	2.4	2.8	2.8	3.3	2.6	1.4
18. Rediscounts and Borrowings	12.9	14.2	20.2	27.2	24.2	16.8	15.1
19. Acceptances and Endorsements	0.2	0.2	0.2	0.2	0.2	0.4	0.1
20. Sundry Liabilities	10.4	11.7	14.9	17.6	18.6	19.3	16.2
21. Total Liabilities	75.1	94.9	123.9	132.2	139.7	123.6	110.3
22. Guarantees	9.8	9.8	12.6	16.7	13.5	6.6	5.3
23. Value of currency in cents of a U.S. dollar at the end of each year	26.9	26.8	26.8	26.8	26.7	26.8	26.7

ESTONIA.

JOINT-STOCK BANKS

Table 6 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS OF THE JOINT-STOCK BANKS:						
	1925	1926	1927	1928	1929	1930	1931
Number of Banks	21	21	20	20	19	16	16
	Ekr. (000,000's omitted)						
Capital paid up	6.9	7.33	7.76	7.74	6.92	6.81	5.47
Reserves and Undivided Profits	2.0	2.61	2.66	2.68	1.72	1.83	1.70
1. Gross Profits	3.8	3.6	3.7	3.8	4.3	3.5	3.2
<i>To be deducted:</i>							
2. Expenses	2.1	2.1	2.0	2.2	2.4	1.9	1.8
(a) Salaries, etc.	1.2	1.3	1.3	1.4	1.4	1.2	1.2
(b) Other working expenses	0.5	0.6	0.6	0.6	0.7	0.6	0.5
(c) Taxes, etc.	0.3	0.3	0.2	0.2	0.3	0.2	0.2
3. Reserve for Pensions Fund, etc.	—	—	—	—	—	—	—
4. Written off on (Depreciation Accounts)	0.6	0.7	0.6	3.3	1.2	1.2	1.1
(a) Premises, etc.	0.1	0.1	0.1	0.1	0.1	0.1	0.1
(b) Investments and securities	0.5	0.6	0.5	3.2	1.1	1.1	1.0
(c) Other assets							
5. Remaining Net Profit (+) or Loss (—)	+1.1	+0.9	+1.0	-1.7	+0.7	+0.4	+0.3
6. Carried forward from Preceding Year	—	—	—	—	—	—	—
7. Taken from Reserves or Capital	—	—	—	2.7	0.4	0.1	—
8. Total Amount disposed of for Dividends, etc.	1.1	0.9	1.0	1.0	1.1	0.5	0.3
14. Value of Currency in Cents of a U.S. Dollar at the End of Each Year	26.9	26.9	26.8	26.8	26.8	26.7	26.8

Balance-sheet Summary.

1. *Cash.*

Coins and notes are not shown separately in the official statistics. As from 1927, balances with the Central Bank are given separately for the joint-stock banks as follows:

Ekr. (000,000's).			
1927.	0.6	1930.	0.9
1928.	0.7	1931.	0.6
1929.	0.8	1932.	0.8

2. *Other Items of a Cash Nature.*

Under this head are included foreign bank-notes and sight claims on credit institutions other than the Eesti Pank.

3. *Bills discounted and bought.*

Treasury bills do not play a rôle in the Estonian credit system, as the Government can borrow directly from the bank of issue within certain limits. The official statistics distinguish between total discounts and rediscounts of all the banks and discounts and rediscounts of bills payable at home of the joint-stock banks only. As in practice the co-operative banks discount almost exclusively inland bills, the difference between the two sets of figures is taken to represent bills payable abroad as follows:

	Ekr. (000,000's)					
	1927	1928	1929	1930	1931	1932
<i>Inland bills:</i>						
Discounted.	21.3	37.4	37.6	34.3	32.4	29.2
Rediscounted.	1.2	5.5	6.9	5.2	4.0	4.4
Net balance	20.1	31.9	30.7	29.1	28.4	24.8
<i>Bills payable abroad:</i>						
Discounted.	6.6	6.8	9.3	8.5	3.4	3.1
Rediscounted.	6.1	6.9	9.5	8.5	2.8	3.0
Net balance	0.5	— 0.1	— 0.2	0.0	0.6	0.1
<i>All bills:</i>						
Discounted.	27.9	44.2	46.9	42.8	35.8	32.3
Rediscounted.	7.3	12.4	16.4	13.7	6.8	7.4
Net balance	20.6	31.8	30.5	29.1	29.0	24.9

It will be noted that, as a rule, practically the whole portfolio of bills payable abroad is rediscounted. The statistics do not indicate to what extent, if any, these bills are rediscounted directly with foreign banks. Even before the institution of the exchange control in 1931, the bulk of this portfolio was presumably rediscounted with the Eesti Pank.

7. Loans and Advances.

As can be seen from the table given in the introductory note showing the assets and liabilities of the joint-stock and co-operative banks for 1927

and 1932, the joint-stock banks lend mainly on current account and the co-operative banks on longer term. The current account advances given in the summary table represent, therefore, almost entirely the current account advances of the joint-stock banks; and the sums given for "other loans and credits" represent in the main the longer term advances of the co-operative banks.

10. Sundry Assets.

The composition of the aggregates given in the summary table is shown below:

	Ekr. (000,000's)					
	1927	1928	1929	1930	1931	1932
Protested bills	0.2	0.3	0.8	0.9	1.1	0.9
Current expenses, interest and commissions paid.	4.0	5.0	6.3	6.5	5.6	4.1
Transitory accounts	0.8	1.5	1.1	1.2	1.2	0.9
Other accounts	1.7	2.9	3.6	5.4	8.1	8.6
Total	6.7	9.7	12.0	14.0	16.0	14.5

11 and 21. Total Assets and Liabilities.

The totals given do not include guarantees which, though shown inside the balance-sheet proper in the Estonian statistics, are given outside the balance-sheet as item 22 of the summary table. Inter-branch accounts are also shown separately under assets and liabilities in the official statistics; in the attached table, however, only the net balance of these accounts is included under sundry liabilities.

14. Profit and Loss Accounts, etc.

The official balance-sheet does not show the

net balance of profit and loss accounts, but current expenses, including interest and commissions paid, are given under sundry assets and interest and commissions received under sundry liabilities. The sums given under the heading profit and loss in the summary table represent only undivided profits, etc., shown separately in the official statistics.

17. Deposits.

Separate figures for the joint-stock banks (J. B.) and the co-operative banks (C. B.) are given below to show the relative importance of the various kinds of deposits in the two groups of banks and their movement since 1926.

END OF	CURRENT ACCOUNTS		TIME DEPOSITS		OTHER DEPOSITS		TOTAL DEPOSITS	
	J. B.	C. B.	J. B.	C. B.	J. B.	C. B.	J. B.	C. B.
	Ekr. (ooo,ooo's)							
1926	17.3	4.6	5.1	3.1	1.4	0.1	23.8	7.9
1927	22.6	7.6	7.6	4.8	2.1	0.3	32.4	12.8
1928	30.1	10.3	10.5	7.5	2.5	0.3	43.1	18.1
1929	29.6	10.2	11.7	8.7	2.5	0.3	43.8	19.2
1930	30.5	12.3	12.2	10.8	3.0	0.4	45.7	23.5
1931	24.3	12.5	10.5	10.9	2.2	0.4	36.9	23.8
1932	21.9	12.6	6.6	8.3	1.2	0.3	29.7	21.1

18. *Rediscounts and Borrowings.*

The official statistics distinguish between rediscounts and borrowings (For a comparison of discounts and rediscounts of inland bills and of bills payable abroad, see note to item 3 of the summary table.) The difference between total creditors and creditors at home of the joint-stock banks as

shown in the official statistics has been taken to represent borrowings abroad by these banks. The co-operative banks do not borrow abroad to any significant extent. The detailed composition of the aggregates given in the summary table is shown below :

	1927	1928	1929	1930	1931	1932
	Ekr. (ooo,ooo's)					
<i>Rediscounts:</i>						
Inland bills	1.3	5.5	6.9	5.2	4.0	4.4
Bills payable abroad	6.0	6.9	9.5	8.6	2.8	3.0
Total	7.3	12.4	16.4	13.8	6.8	7.4
<i>Borrowings:</i>						
At home	6.4	7.6	8.6	8.4	8.1	7.7
Abroad	0.5	0.2	2.2	2.0	1.7	0.1
Total	6.9	7.8	10.8	10.4	9.8	7.8
Grand total	14.2	20.2	27.2	24.2	16.6	15.2

20. *Sundry Liabilities.* — The composition of the sums given are detailed below :

	1927	1928	1929	1930	1931	1932
	Ekr. (ooo,ooo's)					
Interest and commissions received	7.1	9.4	10.3	10.2	8.8	5.6
Transitory accounts	1.4	1.2	2.0	1.2	1.2	1.0
Other liabilities, including net balance of inter-branch accounts	3.2	4.3	5.3	7.2	9.3	9.6
Total	11.7	14.9	17.6	18.6	19.3	16.2

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

The sums shown under this heading represent the difference between (A) total receipts from interest and commissions, foreign exchange, real estate and security transactions, etc., and (B) interest and commissions paid, which items are all given in detail in the official statistics.

2. *Expenses.*

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

5 and 7. *Net Profit or Loss and taken from Reserves or Capital.*

The figures relating to net profits represent the net balances of the joint-stock banks as a whole. It will be noted that the recorded net losses incurred by certain banks (and covered from their capital and reserves) in 1928 exceeded the total amount of the net profits realised by all the other banks in the same year.

8. *Total Amount disposed of for Dividends, etc.*

The ultimate utilisation for dividends, reserves, carry-over, etc., of the sums given under this heading is not shown in detail in the official statistics.

FINLAND.

Introductory Note.

The Finnish banking system has the main characteristics of the deposit-bank type; but, though direct industrial participations are rare, most of the banks extend large credits to industry on long term. The number of banks is not great, but there is a wide network of branches.

Since the post-war inflation, there has been a continuous process of concentration in Finnish banking. The number of independent commercial banks fell from 23 at the end of 1920 to 17 at the end of 1929. During the economic depression, the number of banks has been further reduced to 12 at the end of 1932. Thus, in 1930, the "Atlas Pankki", which had gone into liquidation under the guarantee of the "Helsingfors Aktiebank", was absorbed by that institution, which also took

over the "Aktiebolaget Union-banken" in 1931; the "Maakuntain Pankki" was amalgamated with the "Kansallis Osake Pankki"; and two small banks went into liquidation.

Though the savings banks compete with the joint-stock banks for deposits — the total of their deposits at the end of 1932 being 4,223 million markkaa, as against 8,001 millions for all forms of deposits with the banks included in the summary table — they do not conduct commercial banking business. The remaining credit institutions, apart from the Bank of Finland, are mortgage banks, and the present tables therefore constitute a complete summary of commercial banking proper in Finland. They are based on official banking statistics.

Balance-sheet Summary.

1. *Cash.* — The composition of the figures given under (b) is shown below :

	1925	1929	1930	1931	1932
	Markkaa (000,000's)				
Notes and small coins	182.8	219.4	204.1	180.1	165.8
Sight balances with Bank of Finland and other banks	55.3	19.0	19.0	51.7	47.6
Total	238.1	238.4	223.1	231.8	213.4

2. *Other Items of a Cash Nature.* — The figures given are made up as follows :

	1925	1929	1930	1931	1932
	Markkaa (000,000's)				
Foreign banknotes	4.9	9.1	9.0	7.2	6.1
Post bills of the Bank of Finland	2.0	0.7	0.9	0.5	0.4
Post bills of private banks	43.9	56.6	41.0	34.8	24.9
Miscellaneous	2.1	1.1	1.2	0.8	0.9
Total	52.9	67.5	52.1	43.3	32.3

4 and 5. *Investments and Securities; Participations.* — The composition of group 4 (b) is given below :

	1925	1929	1930	1931	1932
	Markkaa (000,000's)				
Bonds :					
In foreign currency	—	33.2	48.8	54.0	56.6
Of municipalities	33.6	23.1	32.1	27.2	27.3
Of bank and mortgage institutions	24.0	16.6	35.8	35.3	45.0
Other	55.3	70.6	66.1	69.0	69.3
Total bonds	112.9	143.5	182.8	185.5	198.2
Shares :					
In credit and insurance institutions	68.3	66.4	65.2	61.9	56.2
Other	63.2	24.5	36.5	53.3	120.7
Total shares	131.5	90.9	101.7	115.2	176.9
Total " Other securities "	244.4	234.4	284.5	300.7	375.1

FINLAND.

COMMERCIAL BANKS

Table 7 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1925	1929	1930	1931	1932
Number of : Banks	19	17	17	14	12
Branches and Sub-Branches.	460	611	606	566	499
ASSETS.					
Markkaa (000,000's omitted)					
1. Cash.	238.2	238.4	223.1	231.8	213.4
(a) Gold, silver and small coins	0.1	—	—	—	—
(b) Inland notes and balances with Central Bank.	238.1	238.4	223.1	231.8	213.4
2. Other Items of a Cash Nature	52.9	67.5	52.1	43.3	32.3
3. Bills discounted and bought.	1,943.1	3,356.4	2,756.9	2,305.1	1,853.3
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland	1,928.2	3,297.3	2,696.3	2,273.1	1,828.5
(c) Commercial bills, Foreign	14.9	59.1	60.6	122.0	24.8
4. Investments and Securities.	256.1	266.1	318.6	339.9	415.7
(a) Government	11.7	31.7	34.1	39.2	40.6
(b) Other	244.4	234.4	284.5	300.7	375.1
5. Participations.	—	—	—	—	—
6. Due from Banks (Correspondents).	163.4	236.0	210.2	192.7	137.4
(a) At home.	37.4	61.2	46.8	16.8	32.4
(b) Abroad	126.0	174.8	163.4	175.9	105.0
7. Loans and Advances.	4,552.2	6,222.8	6,471.2	6,422.9	6,366.8
(a) On current account	2,658.1	3,586.8	3,588.9	3,394.9	3,140.4
(b) Other	1,894.1	2,636.0	2,882.3	3,028.0	3,226.4
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	121.0	262.5	286.2	286.4	287.6
10. Sundry Assets	151.9	243.9	222.5	407.3	203.1
11. Total Assets	7,478.8	10,893.6	10,540.8	10,319.4	9,509.6
LIABILITIES.					
12. Capital paid up.	756.0	1,115.0	1,115.0	1,115.5	928.5
13. Reserve Funds	307.2	568.1	596.3	584.0	546.2
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	148.6	240.4	198.4	186.8	141.1
15. Cheques and Drafts, etc., in circulation	192.3	169.1	160.8	151.3	116.2
16. Due to Banks (Correspondents)	334.5	482.4	358.2	196.2	132.3
(a) At home.	—	—	—	—	—
(b) Abroad	334.5	482.4	358.2	196.2	132.3
17. Deposits	5,464.8	7,481.3	7,697.8	7,378.5	7,154.7
(a) Current accounts and sight deposits	1,296.4	1,486.1	1,555.5	1,635.0	1,607.2
(b) Savings accounts	484.0	766.7	828.8	793.0	786.4
(c) Time or fixed deposits	3,684.4	5,228.5	5,313.5	4,950.5	4,761.1
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	31.9	530.3	161.7	487.5	314.4
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities.	243.5	307.0	252.6	219.6	176.2
21. Total Liabilities.	7,478.8	10,893.6	10,540.8	10,319.4	9,509.6
22. Contingent Liabilities	938.0	1,078.9	1,001.4	988.9	846.3
23. Value of Currency in Cents of a U.S. Dollar at the End of Each Year	2.52	2.52	2.52	1.69	1.42

FINLAND.

COMMERCIAL BANKS.

Table 7 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1925	1929	1930	1931	1932
Number of Banks	19	17	17	14	12
	Markkaa (ooo,ooo's omitted)				
Capital paid up.	756.0	1,115.0	1,115.0	1,115.5	928.5
Reserves and Undivided Profits.	320.9	606.0	639.5	633.9	589.0
1. Gross Profits	354.1	498.1	463.1	406.5	355.2
<i>To be deducted</i>					
2. Expenses.	193.3	241.6	236.7	193.1	185.4
(a) Salaries, etc.	95.5	123.6	121.3	105.4	99.8
(b) Other working expenses	32.1	48.0	46.6	40.1	48.6
(c) Taxes, etc.	65.7	70.0	68.8	47.6	37.0
3. Reserved for Pension Funds, etc.	0.6	1.2	1.1	2.1	—
4. Written off on (Depreciation Accounts for)	29.0	69.6	74.4	257.2	97.5
(a) Premises, etc.	2.9	6.6	1.0	0.3	0.2
(b) Investments and securities	3.5	10.2	3.8	8.1	3.4
(c) Other assets.	22.6	52.8	69.6	248.8	93.9
5. Remaining Net Profit or Loss (—).	131.2	185.7	150.9	- 45.9	72.3
6. Carried forward from Preceding Year.	13.7	37.9	43.2	49.9	42.8
7. Taken from Reserves or Capital.	1.2	14.8	1.9	169.0	22.3
8. Total Amount disposed of for Dividends, etc.	146.1	238.4	196.0	173.0	137.4
9. Carried to Reserves	24.7	30.5	4.1	9.4	1.0
10. Dividends	100.6	159.2	141.2	119.7	94.8
11. Directors' Fees, etc.	0.7	0.8	0.5	0.6	0.3
12. Other Purposes.	2.0	4.7	0.8	0.6	0.4
13. Carried forward to Following Year.	18.1	43.2	49.4	42.7	40.9
14. Total as above	146.1	238.4	196.0	173.0	137.4
15. Value of Currency in Cents of a U.S. Dollar at the End of Each Year	2.52	2.52	2.52	1.69	1.42

The fourth item under "Bonds" consists mainly of debentures of transport and industrial undertakings.

The balance-sheet model of the Finnish banking statistics does not contain any separate headings for participations, but the Finnish commercial banks do not engage in direct industrial participations to nearly the same extent as the banks in most continental European countries.

6. *Due from Banks (Correspondents).*

The balance-sheets, as summarised in the official

banking statistics, contain an item, "Inland Correspondents", which, however, represents almost entirely ordinary current accounts of private clients of the bank. These accounts, which are shown separately in a special statement, have been included under "Loans and Advances" in the present summary table (see note 7 below). The sums shown in group 6 (a) of the table represent the remainder of the item "Inland Correspondents", plus a small item, "Deposit Certificates of Other Banks", shown separately in the official statistics.

7. *Loans and Advances.*

The sums given under (a) consist of "Cash Credits", other current accounts and "Personal

Accounts", and represent amounts actually drawn. In the statement below, the unutilised balances and the total amount of credits opened are shown, in addition to the amounts drawn.

	1925	1929	1930	1931	1932
<i>I. Amounts drawn:</i>	Markkaa (000,000's)				
Cash credit	932.6	1,411.5	1,307.9	1,149.0	1,032.7
Current and personal accounts	1,725.5	2,175.3	2,281.0	2,245.9	2,107.7
Total drawn	2,658.1	3,586.8	3,588.9	3,394.9	3,140.4
<i>II. Balances:</i>					
Cash credit	187.8	172.1	186.4	182.5	126.8
Current and personal accounts	750.2	906.8	815.0	806.4	719.5
Total unutilised	938.0	1,078.9	1,001.4	988.9	846.3
Total credits opened (I and II).	3,596.1	4,665.7	4,590.3	4,383.8	3,986.7

Cash credit is a special form of short-term current account. Both for cash credit and other current accounts the balance-sheet summary of the official banking statistics only includes the amounts actually drawn, the unutilised balances of the credits opened being excluded both from the assets and the liabilities. This practice has been adopted also in Summary Table 7 (a). But as the unutilised balances may be drawn upon at

any moment, they represent in point of fact a potential liability and are therefore shown under the heading "Contingent Liabilities" at the bottom of the summary table (see note 17 below).

The sums shown under 7 (b) in the summary table represent loans. The composition of total loans and advances according to the character of the cover for the credits opened and the loans granted is shown below :

	Markkaa (000,000's)				
	1925	1929	1930	1931	1932
<i>Loans and advances against:</i>					
Mortgages	1,484.8	1,937.7	2,148.0	2,379.4	2,270.6
Bonds and bank deposit certificates	62.3	85.8	98.1	90.5	65.3
Shares	671.8	1,108.5	1,043.2	930.5	770.3
Goods	15.0	10.8	17.5	20.2	16.2
Guarantee	1,233.9	1,886.2	1,774.3	1,532.6	1,314.3
Single signature	2,022.4	2,272.6	2,391.5	2,458.6	2,776.4
Total	5,490.2	7,301.6	7,472.6	7,411.8	7,213.1

10. *Sundry Assets.* The figures given are made up as follows :

	Markkaa (000,000's)				
	1925	1929	1930	1931	1932
Mortgage loans, etc.	7.3	5.3	4.9	2.6	1.0
Interest receivable	62.5	92.9	94.9	95.9	77.1
Sundries	82.1	145.7	122.7	308.8	125.0
Total	151.9	243.9	222.5	407.3	203.1

12 and 13. *Capital and Reserves.*

The decrease in the aggregate capital in 1932 was due to the liquidation and amalgamation of certain banks (see introductory note above) whose capital was written off to meet losses.

15. *Cheques and Drafts in Circulation.*

The figures shown represent bank-post bills issued.

16. *Due to Banks (Correspondents).*

The figures given under (b) are shown in the

official statistics under the heading "Foreign correspondents" and represent in the main banks and bankers. The item "Inland correspondents" of the Finnish banking statistics, however, consists almost exclusively of current accounts of private clients of the banks. As the sums due to banks at home are not shown separately anywhere in these statistics, the whole of the item "Inland correspondents" has been included in the current accounts in the summary table (see note to group 17 below).

17. Deposits.

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

	Markkaa (000,000's)				
	1925	1929	1930	1931	1932
Deposits in current account	625.4	724.0	669.8	667.1	626.0
Inland correspondents	671.0	762.1	885.7	967.9	981.2
Total (item 17 (a))	1,296.4	1,486.1	1,555.5	1,635.0	1,607.2
Unutilised balances of credits opened	938.0	1,078.9	1,001.4	988.9	846.3
Total (including credit balances).	2,234.4	2,565.0	2,556.9	2,623.9	2,453.5

As already stated above in the note to group 7 of the summary table, the unutilised balances of credits opened constitute a potential sight liability and are shown in the summary table itself under the heading "Contingent liabilities". With

respect to the item "Inland correspondents", see note 16 above.

18. Re-discounts and other Borrowings by the Banks.

The sums shown under this heading in the summary table are composed as follows :

	Markkaa (000,000's)				
	1925	1929	1930	1931	1932
Bills re-discounted	25.7	490.5	147.2	461.3	296.2
Borrowings against security of premises	3.4	4.2	4.1	3.5	3.3
Other borrowings	2.8	35.6	10.4	22.7	14.9
Total	31.9	530.3	161.7	487.5	314.4

The bills re-discounted, mainly with the Bank of Finland, are included on the assets side of the balance-sheet in the "Bills discounted".

20. Sundry Liabilities.

The figures given in the summary table are made up as follows :

	Markkaa (000,000's)				
	1925	1929	1930	1931	1932
Pension funds	30.0	52.3	54.9	57.1	53.5
Unpaid dividends	1.5	2.2	2.2	2.2	2.6
Interest payable	69.8	84.3	68.4	56.4	44.7
Bills collected for third parties	21.4	21.7	17.2	12.7	7.7
Sundry accounts	120.8	146.5	109.9	91.2	67.7
Total	243.5	307.0	252.6	219.6	176.2

It will be noticed that the third item, "Interest payable", is largely counterbalanced by the interest receivable included in "Sundry assets" and shown separately in the note to group 10 of the summary table.

22. Contingent Liabilities.

The sums shown under this heading consist of unutilised balances of credits opened (see notes to groups 7 and 17 above).

Summary of Profit-and-Loss Accounts.

I. *Gross Profits.*

The figures given in the summary table are composed as follows :

	Markkaa (000,000's)				
	1925	1929	1930	1931	1932
Net interest and commissions from discounts, loans and advances . .	292.9	424.2	395.6	310.4	269.8
Profit on securities and exchange . .	31.8	46.5	42.0	64.1	62.1
Recovered from assets written off . .	2.1	1.8	3.0	3.7	2.3
Sundry profits	27.3	25.6	22.5	28.3	21.0
Total	354.1	498.1	463.1	406.5	355.2

In conformity with the banking practice in most countries, net figures for interest earned are given above. These figures have been calculated by deducting interest paid shown under expenses in the official Finnish banking statistics from the total

of the interest earned as given in these statistics

4. *Depreciation Accounts.*

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

	Markka (000,000's)				
	1925	1929	1930	1931	1932
Written off on :					
Discounts, loans and advances . .	18.4	51.9	68.3	237.1	90.2
Foreign exchange	2.2	—	—	—	—
Assets not specified	2.0	0.9	1.3	11.7	3.7
Total	22.6	52.8	69.6	248.8	93.9

5. *Net Profit or Loss.*

It will be noticed that, in 1931, the Finnish banks as a whole had a net loss. This was almost entirely due to the "Maakuntain Pankki", which had a net loss of 154.6 million markkaa, which was covered out of its capital and reserves; as mentioned in the introductory note, this bank was amalgamated with the "Kansallis Osake Pankki" in 1932. The "Svenska Finlands Lantmannabank" also had a small loss in 1931, which was covered by its carry-forward for the preceding year. In 1932, the "Åbolands Bank" and the "Luotti Pankki" had net losses of 15.4 and 4.5 million markkaa respectively, which were covered out of capital and reserves.

6. *Carried forward from Preceding Year.*

The sums shown under this heading in the summary table are also included as "Undivided Profits" in the second item of the table.

7. *Taken from Reserves or Capital.*

For explanation of the figures given, see note to group 5 of the table.

12. *Other Purposes.*

The sums shown were all allocated to benevolent and similar purposes.

FRANCE.

Introductory Note.

Before entering upon an analysis of banking developments in France in recent years, it is important to mention certain aspects of the organisation of the French money-market.¹ This market has at no time attained a very wide development; a comparatively small part of the resources of the commercial banks has been devoted to the financing of foreign transactions, and the volume of bankers' acceptances is small. The Bank of France does not, as a rule, play an active rôle in the money-market. It is limited by its statutes from engaging freely in open-market transactions. Moreover, as it discounts commercial paper at its provincial branches, and is therefore to some extent a competitor of the commercial banks, the latter are generally reluctant to effect rediscounts with the central institution.

There is a market for contangos which operates in connection with the Bourse, but the total amount of carry-over money is small in relation to the volume of liquid resources which the commercial banks deem it advisable to maintain. The funds for carry-over transactions originate in part from private individuals and business corporations. The call-money market has also been developed to only a limited extent. It is partly as a result of these factors that the French commercial banks habitually keep a large proportion of their excess cash reserves in the form of deposits in foreign banks and loans to foreign money-markets. This tradition was established before the war and, as is well known, foreign short-term balances accumulated rapidly during the post-war currency depreciation. During the past few years, as will be shown below, a large proportion of these balances have been repatriated in order to meet an increased demand for cash at home.

The years 1929-1933 witnessed a sharp contraction in the activity and profitability of French banking and the elimination of several important institutions, through failure or amalgamation. In several cases, the State was forced to come to the assistance of threatened institutions, and, in others, recourse was had to the Bank of France and other institutions. The first important breach in the French banking organisation came with the failure in November 1930 of a regional deposit bank operating in Boulogne — the Banque Adam, which had made large advances to its principal shareholder for speculation on the Paris Stock Exchange. Through the speedy intervention of the Government and the large banks, the depositors were

protected against loss, but the difficulties of this institution caused runs on other provincial banks and within a short time the Crédit du Rhône and an Angoulême bank had closed their doors. The fall in raw-material prices brought certain colonial banks into difficulties, most of which were only able to continue with Government assistance.

At the beginning of 1931, the Crédit Industriel et Commercial extended its network of branches and agencies by taking over the Banque d'Alsace et de Lorraine, whose difficulties came to a head as a result of advances made to Bauer, Marchal & Cie., who failed at the end of 1930. Later, the Crédit Industriel absorbed the Banque Privée and bought a substantial interest in Comptoir d'Escompte de la Sarthe and in the Banque de la Vallée du Rhône.

Even more important in scope was the re-organisation of the Banque Nationale de Crédit in October 1931. This institution, which was organised in 1913, developed very rapidly after the war until it reached the position of fourth largest deposit bank in France. With capital and reserves amounting to 500 million francs, deposits of 5 milliards, commercial portfolio of 3 milliards and with 1,000 branches and agencies, the Banque Nationale de Crédit played an important rôle in the economy of the country. It made very large advances to the Comptoir Lyon-Alemand, a firm which held a considerable part of its capital stock. When that firm got into difficulties in September 1931, a run on the bank began. The State intervened, announced the creation of a guarantee fund, and itself advanced 2 milliards; a short time later, the Banque Nationale de Crédit went into liquidation and its assets and liabilities were taken over by a new organisation, the Banque Nationale pour le Commerce et l'Industrie, which was constituted with a paid-up capital of 100 million francs.

The difficulties of the Banque Nationale de Crédit were followed by runs on other banks and within a few days the Comptoir d'Escompte de Reims, the Banque Syndicale de Paris, the Banque Courvoisier and the Banque Commerciale Africaine had closed their doors. The beginning of November 1931 was marked by the failure of several old-established provincial banks, among which may be mentioned the Banque Veuve Guérin et Fils at Lyons, the Banque Ramel, Tardif et Cie. at Sain-Etienne and the Banque Charpenay at Grenoble.

¹ A brief description of the banking system itself and of the main functions of its chief component parts was given in the last edition of this publication.

During the year 1932, banking failures and re-organisations were much less frequent. The most important was the amalgamation of two large "banques d'affaires" in May 1932. The Banque de l'Union Parisienne, second only in importance to the Banque de Paris et Pays-Bas, was supposed to have suffered heavy losses on some of its investments in central Europe, and, in the course of a few weeks, had to pay out 600 million francs in deposits. It was assisted by a syndicate including its large shareholder, the Société Générale de Belgique, and, in May 1932, it was amalgamated with the Crédit Mobilier Français, the third largest investment bank in France.

At the end of 1932 and beginning of 1933, a few provincial banks, including the Banque Renauld and the Société Centrale des Banques de Province also failed. These failures, however, were mainly of local importance, and they did not give rise to general runs on banks as in the previous years.

Many banks which continued to carry on business during these years closed down branches and agencies, the number of which was, as shown below,

considerably reduced in the course of 1932 :

Year	Number of permanent branches and agencies ¹	Number of all branches and agencies, including periodic and seasonal ¹
1925	1,803	3,120
1929	2,069	4,026
1930	2,166	4,283
1931	2,202	4,355
1932	1,857	3,716

The development of French commercial banking accounts during the depression may first be studied in the following figures relating to the four largest deposit banks. Monthly figures showing the principal accounts of these banks are compiled regularly by the Services d'Études Economiques of the Banque de France. The classification of items is not identical with that adopted in the attached summary tables.

End of :	1929	1930	1931	1932	September 1933
	Francs (000,000's)				
1. Cash in hand and with banks, etc.	2,827	3,957	12,599	9,945	8,568
2. Commercial portfolio and national defence bonds	21,064	20,224	18,269	21,932	19,738
3. Correspondents and debtors on current account	12,589	14,761	9,803	8,011	8,730
4. Advances	1,935	1,577	1,100	1,044	1,254
5. Deposit accounts	14,628	16,234	15,894	16,581	15,374
6. Current accounts	19,437	20,447	22,351	21,178	18,807
7. Acceptances	1,275	921	576	295	253

The most striking feature in the above table is the increase in the importance of the cash item. Cash in hand and with banks, which at the end of 1929 amounted to little more than 8 per cent of total deposits (which are practically all sight liabilities), rose to about 11 per cent in 1930 and 33 per cent at the end of 1931. The explanation of this movement would appear to be twofold — in the first place, the runs on banks characteristic of the period made it incumbent on them to keep abnormally large cash reserves in order to be prepared to meet abnormally large withdrawals. In the absence of any well-developed money market in Paris to which the banks could make short-term loans, they were forced to keep large sums in the unproductive form of cash holdings and balances with the Bank of France. This increase in cash reserves was largely (perhaps mainly) effected by repatriation, in the form of gold, of balances held abroad (as reflected particularly in the decline in item 3 between 1930

and 1932). In so far as this gold was subsequently sold to the Bank of France, the sight balances of the commercial banks with that institution increased. In the second place, the repayment of credits found the banks little disposed to make fresh advances in view of the uncertain prospects of industry, and most of them preferred to maintain an abnormally high ratio of non-interest-bearing assets rather than assume the risk of immobilisation of capital. Cash holdings were, however, reduced by 2,650 million francs during 1932 and by a further 1,400 million during the first nine months of 1933. At the end of 1932, they amounted to 26 per cent of total deposits and at the end of September 1933 to the same proportion. The decline in cash holdings during 1932 was partly due to an increase in public confidence in the stability of the banks. In part, it was due to the fact that the deposit banks took up large quantities of Treasury bills which were issued to finance budget deficits during this period.

It is chiefly through commercial discounts that

¹ Refers to branches, etc., of six deposit banks on which summary tables 8 (a), I and 8 (b), I are based.

the deposit banks extend credit to industry and the reduction in their portfolio, shown in the second line above, between 1929 and 1931 is not surprising in view of the fall in prices and the sharp decline in the volume of commercial transactions. No distinction is made in the published statistics between National Defence (Treasury) Bonds and commercial paper, but it is estimated¹ that Treasury bonds accounted for about 8,000 million francs of the total bill portfolio of the four deposit banks at the end of 1931 and 13,000 million at the end of 1932. On the basis of these figures, it would appear that, during the course of 1932, the commercial bill portfolio of the deposit banks dropped from over 10,000 million francs to under 9,000 millions. The increased holdings of Treasury bills should be considered in relation to the decline in the banks' cash assets, to which reference has been made in the preceding paragraph. The total bill portfolio declined by over 2,000 million francs in the first nine months of 1933. Maturing Treasury bills were not renewed, and deposits were withdrawn from the banks and invested in new issues of public and semi-public bodies. Total deposits fell by 3,600 million francs in the first nine months of 1933.

The decline in "Correspondents and debtors on current account" shown in line 3 is largely explained by the repatriation of foreign short-term balances, to which reference has already been made. During the years 1924-1926, the French banks kept the greater proportion of their capital and reserve funds in foreign currencies. In 1927-1929 they also kept abroad large parts of their liquid resources in order to take advantage of the higher interest rates prevailing abroad. During 1930, the total of correspondents and debtors on current account rose by over one milliard francs. This was in part due to an increase in current account loans to domestic debtors, reflecting the accumulation of stocks of goods, which cannot be financed through discounts. In part, it would appear to result from the fact that private holders of foreign currencies, alarmed by the course of the depression abroad, sold their holdings to the French banks. This resulted in an increase in the latter's correspondent accounts, until the holdings were repatriated in the form of gold. Repatriation of foreign short-term assets took place on a very large scale in 1931, the most important withdrawals being made from England and the United States. Private capitalists also converted their foreign currency holdings during this period of financial panic. Apart from acceptances, the extent of this repatriation of capital is unknown; but it is unofficially estimated² that, during 1931, French banks, industrialists, merchants and capitalists

repatriated some 10 milliard francs of short-term investments abroad. In addition, foreigners transferred funds to France in large amounts, seeking safety there. The extent of these transfers is not known exactly; they are estimated³ at 5 milliard francs in 1931 and 1 milliard in 1932. It is not possible to say to what extent these funds were left on deposit with French banks, and to what extent they were used to purchase gold or for other purposes.

It will be seen from the above statement that the decline in advances has been relatively greater than in other credit items in the course of the past few years, amounting to over 45 per cent between the end of 1929 and the end of 1932. This item, which has always been of small relative importance, consists partly of credit granted on the security of stocks and merchandise; the decline in prices and the anxiety of the banks to maintain a liquid position explains the heavy fall. Contango loans to the stock market are also included in this item, and the amount of such loans outstanding naturally fell with the decline in quotations and the reduced volume of trading. With the slightly increased activity on the Bourse in the course of 1933, the total of advances and report loans showed a moderate upward movement.

The four large deposit banks whose accounts are summarised above were known to be less closely associated with industry than most other credit institutions, and they suffered withdrawals of deposits to a much smaller extent than the other banks. Their deposits, indeed, rose almost continuously up to the end of 1932, when they were 3½ milliards higher than at the end of 1929. The decline which took place in connection with large public issues made during 1933 has already been referred to above. At the end of September 1933, deposits were again at the 1929 level.

Acceptances of the four large deposit banks fell by 1 milliard, or almost 80 per cent, between the end of 1929 and the end of 1932; there was a further decline in the first nine months of 1933. In part, this fall was due to the decline in international trade; for the greater part, however, it was doubtless due to a reluctance on the part of the French banks to hold resources in foreign currencies.

The *banques d'affaires* suffered more during the depression than the deposit banks, both on account of their closer connection with industry and on account of the fact that a larger part of their resources was devoted to foreign investment. From the beginning of the depression, their activity was largely limited to current transactions. In 1930, the *banques d'affaires* brought out foreign capital issues for the first time since the war. The most important of these was the Young Loan.

¹ P. DIETLEN, in *Revue d'Économie Politique*, May-June 1933, page 736.

² P. MEYNIAL; "La Balance des Comptes" in *Revue d'Économie Politique*, May-June, 1932, page 585.

³ *Ibid.*, and same review, May-June 1933, page 665.

A summarised statement of the accounts of the *banques d'affaires* at the end of each year since 1929 is given below :

	Francs (000,000's)			
	1929	1930	1931	1932
1. Cash in hand and with Bank of France.	1,074	1,410	963	966
2. Correspondents, commercial portfolio, etc	1,678	1,624	1,383	1,611
3. Investments and participations	898	982	1,062	1,031
4. Loans and advances	2,855	2,217	1,310	947
5. Acceptances	217	217	207	92
6. Deposits	4,917	4,813	3,442	3,472
Whereof Current accounts	2,823	3,079	2,228	2,448
Time deposits	2,029	1,661	1,164	976

The investment banks suffered a much more severe contraction of deposits than the deposit banks. During the year 1931, they lost almost 1,400 millions, or 30 per cent, of their deposits. Unlike the deposit banks, they did not increase their holdings of cash and cash assets over the period as a whole ; the apparent rise during 1930 was due to one bank and is to be ascribed to a change in the method of accounting. The total declined by 450 million francs in 1931 and remained practically stationary in 1932. Loans and advances of the investment banks, which normally constitute their largest credit item, declined by 1,900 millions, or two-thirds, between the end of 1929 and the end of 1932. Investments and participations increased somewhat over this period, and the commercial portfolio, which includes Treasury bonds, etc., after undergoing considerable decline in 1930, almost regained the pre-crisis level by the end of 1932. The recent increase in the commercial portfolio reflects the tendency on the part of the investment banks to devote a larger part of their resources to the purchase of Treasury bills and the financing of current transactions. It will be seen from the above table that there was no appreciable reduction in acceptances before 1932.

The destination of the sums withdrawn from French banks during the depression cannot, of course, be traced with any exactitude, but it is known that a large proportion of the withdrawals did not find their way back to other credit institutions in which the public felt greater confidence, but remained in private hoards, in the form of gold or bank-notes. It is not at present possible to estimate accurately the amount of the former, but the latter is reflected in the increased circulation of Bank of France notes of large denominations. Between the end of 1928 and the end of 1931, the note circulation of the Bank of France increased by about 16,000 million francs. Of this increase, no less than 13,000 million was accounted for by notes of 1,000 francs, which are not commonly used in business transactions ; this demand was clearly for hoarding. In 1932, the tendency was reversed, total note circulation falling by 826 million francs and circulation of 1,000 franc notes by

140 millions. A certain amount of the sums withdrawn from the joint-stock banks were undoubtedly redeposited in the Bank of France, which accepts deposits from private individuals at its branches. Private current and deposit accounts in the Bank of France rose from 7,138 million francs at the end of 1929 to 23,595 millions at the end of 1931, and dropped to 21,562 millions at the end of 1932. It is not possible to say how much of the increase between 1929 and 1931 was due to other banks and how much to private individuals, but some indication of the influence of the latter is shown in the fact that the Bank of France opened 26,614 new accounts in 1931 and 8,220 in 1932, as compared with 7,800 in 1930. Finally, the *Caisse des dépôts et consignations* and the savings banks also attracted a large volume of new deposits. The sums entrusted to the *Caisse nationale d'épargne* rose from 11,650 to 23,000 million francs between the end of 1929 and the end of 1932. Total deposits in all savings banks increased from 32 milliards at the end of 1929 to over 50 milliards at the end of 1931. In addition to the greater security felt by many depositors in savings banks, and particularly in the *Caisse nationale*, they were offered the attraction of higher interest rates and other services, such as the transfer of savings into Government bonds without commission.

The policy of converting as large a proportion of assets as possible into liquid form could not fail to lower the earnings of the French banks, and the summary table shows that both gross and net profits have fallen steadily since 1929. The reduced commercial and financial turnover meant a reduction in their commissions ; interest rates were low ; and the banks were forced to make large allowances for depreciation of investments, this being particularly true of the *banques d'affaires*. On the other hand, in 1932, all the banks made a rigorous attempt to curtail expenses, and the decline in normal earnings was compensated to some extent by substantial profits made by the banks through their participation in the Government's financial operations, particularly the conversion of rentes.

FRANCE.

PRINCIPAL DEPOSIT BANKS

Table 8 (a) I.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1925	1929	1930	1931	1932
Number of : Banks	6	6	6	6	6
Branches and Sub-Branches	1,803	2,069	2,166	2,202	1,857
ASSETS.					
Francs (ooo,ooo's omitted)					
1. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	4,443	6,422	7,900	13,343	11,193
2. Other Items of a Cash Nature					
3. Bills discounted and bought	17,064	25,907	24,555	20,911	25,425
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	132	135	160	182	126
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	109	138	159	177	150
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	6,243	13,966	16,032	13,473	10,206
(a) On current account	4,725	10,833	13,065	11,811	8,664
(b) Other	1,518	3,133	2,967	1,662	1,542
8. Cover for Acceptances	500	1,742	1,242	718	357
9. Premises, etc.	237	260	280	297	187
10. Sundry Assets	173	189	184	159	132
11. Total Assets	28,901	48,759	50,512	49,260	47,776
LIABILITIES.					
12. Capital paid up	1,156	1,643	1,701	1,383	1,490
13. Reserve Funds	561	1,897	2,038	1,884	1,897
14. Profit-and-Loss Accounts, Undivided Profits, etc.	212	379	390	305	295
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	26,113	42,608	44,749	44,568	43,385
(a) Current accounts and sight deposits	25,263	39,502	41,279	41,800	40,886
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	718	2,890	3,219	2,500	2,292
(d) Other deposits	132	216	251	268	207
18. Rediscounts and other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements	500	1,742	1,242	718	357
20. Sundry Liabilities	359	490	392	402	352
21. Total Liabilities	28,901	48,759	50,512	49,260	47,776
22. Value of currency in cents of a U.S. dollar at the end of each year	3.74	3.94	3.93	3.92	3.90

FRANCE.

PRINCIPAL INVESTMENT BANKS

Table 8 (a) II.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1925	1929	1930	1931	1932
Number of Banks	3	3	3	3	2
ASSETS.					
	Francs (ooo,ooo's omitted)				
1. Cash	420	414	425	543	602
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	690	660	985	420	364
3. Bills discounted and bought	1,346	1,678	1,624	1,383	1,611
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	372	601	697	793	761
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	119	297	285	269	270
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	1,854	2,855	2,217	1,310	947
(a) On current account	1,664	2,683	2,050	1,291	939
(b) Other	190	172	167	19	8
8. Cover for Acceptances	25	217	217	207	92
9. Premises, etc.	69	67	73	72	79
10. Sundry Assets	46	75	80	92	105
11. Total Assets	4,941	6,864	6,603	5,089	4,831
LIABILITIES.					
12. Capital paid up	450	600	600	600	600
13. Reserve Funds	246	421	428	433	418
14. Profit-and-Loss Accounts, Undivided Profits, etc.	98	158	158	110	50
15. Cheques and Drafts, etc., in circulation	116	397	264	206	100
16. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	3,860	4,917	4,813	3,442	3,472
(a) Current accounts and sight deposits	2,612	2,823	3,079	2,228	2,448
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	1,172	2,029	1,661	1,164	976
(d) Other deposits	76	65	73	50	48
18. Rediscounts and other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements	24	217	217	207	92
20. Sundry Liabilities	147	154	123	91	99
21. Total Liabilities	4,941	6,864	6,603	5,089	4,831
22. Value of currency in cents of a U.S. dollar at the end of each year	3.74	3.94	3.93	3.92	3.90

FRANCE.

PRINCIPAL COMMERCIAL BANKS

Table 8 (a) III.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :					
	1925	1929	1930	1931	1932	
Number of : Banks	9	9	9	9	8	
Branches and Sub-Branches	1,803	2,069	2,166	2,202	1,857	
ASSETS.		Francs (ooo,ooo's omitted)				
1. Cash						
(a) Gold, silver and small coins						
(b) Inland notes and balances with Central Bank	5,553	7,496	9,310	14,306	12,159	
2. Other Items of a Cash Nature						
3. Bills discounted and bought	18,410	27,585	26,179	22,294	27,036	
(a) Treasury bills	—	—	—	—	—	
(b) Commercial bills, Inland	—	—	—	—	—	
(c) Commercial bills, Foreign	—	—	—	—	—	
4. Investments and Securities	504	736	857	975	887	
(a) Government	—	—	—	—	—	
(b) Other	—	—	—	—	—	
5. Participations	228	435	444	446	420	
6. Due from Banks (Correspondents)	—	—	—	—	—	
(a) At home	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
7. Loans and Advances	8,097	16,821	18,249	14,783	11,153	
(a) On current account	6,389	13,516	15,115	13,102	9,603	
(b) Other	1,708	3,305	3,134	1,681	1,550	
8. Cover for Acceptances	525	1,959	1,459	925	449	
9. Premises, etc.	306	327	353	369	266	
10. Sundry Assets	219	264	264	251	237	
11. Total Assets	33,842	55,623	57,115	54,349	52,607	
LIABILITIES.						
12. Capital paid up	1,606	2,243	2,301	1,983	2,090	
13. Reserve Funds	807	2,318	2,466	2,317	2,315	
14. Profit-and-Loss Accounts, Undivided Profits, etc.	310	537	548	415	345	
15. Cheques and Drafts, etc., in circulation	116	397	264	206	100	
16. Due to Banks (Correspondents)	—	—	—	—	—	
(a) At home	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
17. Deposits	29,973	47,525	49,562	48,010	46,857	
(a) Current accounts and sight deposits	27,875	42,325	44,358	44,028	43,334	
(b) Savings accounts	—	—	—	—	—	
(c) Time or fixed deposits	1,890	4,919	4,880	3,664	3,268	
(d) Other deposits	208	281	324	318	255	
18. Rediscounts and other Borrowings	—	—	—	—	—	
19. Acceptances and Endorsements	524	1,959	1,459	925	449	
20. Sundry Liabilities	506	644	515	493	451	
21. Total Liabilities	33,842	55,623	57,115	54,349	52,607	
22. Value of currency in cents of a U.S. dollar at the end of each year	3.74	3.94	3.93	3.92	3.90	

FRANCE.

PRINCIPAL DEPOSIT BANKS

Table 8 (b) 1.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1925	1929	1930	1931	1932
Number of Banks.	6	6	6	6	5
	Francs (ooo,ooo's omitted)				
Capital paid up.	1,156	1,643	1,701	1,702	1,490
Reserves and Undivided Profits.	596	1,949	2,099	2,113	1,969
I. Gross Profits					
<i>To be deducted :</i>					
2. Expenses.					
(a) Salaries, etc.					
(b) Other working expenses					
(c) Taxes, etc.					
3. Reserved for Pension Funds, etc.					
4. Written off on (Depreciation Accounts for).					
(a) Premises, etc.					
(b) Investments and securities					
(c) Other assets					
5. Remaining Net Profit or Loss	176.8	316.4	320.7	— 266.7	216.9
6. Carried forward from preceding year.	34.9	51.6	61.1	69.2	69.9
7. Taken from Reserves or Capital.	—	—	—	494.7	—
8. Total Amount disposed of for Dividends, etc.	211.7	368.0	381.8	297.2	286.8
9. Carried to Reserves	17.0	22.1	21.8	13.8	9.4
10. Dividends	140.1	271.6	277.5	206.0	204.8
11. Directors' Fees, etc	7.2	13.2	13.3	7.5	6.3
12. Carried forward to following year	47.4	61.1	69.2	69.9	66.3
13. Total as above	211.7	368.0	381.8	297.2	286.8
14. Value of currency in cents of a U.S. dollar at the end of each year.	3.74	3.94	3.93	3.92	3.90

Balance-sheet Summary.

The number of deposit banks included in Summary Table 8 (a) I has remained unchanged throughout the period covered. As stated in the introductory note, the Banque nationale de Crédit went into liquidation in 1932 and its assets and liabilities were taken over by the newly-organised Banque nationale pour le Commerce et l'Industrie. According to its statutes, the first balance-sheet of the new bank will be published at the end of 1933. It has, however, published a statement of accounts as at the end of 1932, which has been used in the summary table.

No figures are available for the number of branches of the Banque nationale de Crédit in existence at the end of 1931; the 1930 figure for this bank has been used in the summary table. The figure shown by the Banque nationale pour le Commerce et l'Industrie for number of branches at the end of 1932 is provisional, and is probably too low.

The number of investment banks (Summary Table 8 (a) II) fell from three to two in May 1932, as a result of the fusion of the Crédit Mobilier Français with the Banque de l'Union parisienne. As the former bank published its balance-sheet as at June 30th each year, it was necessary that the figures for June 30th, 1931, which had already been used for the 1930 column, should be used again for the 1931 column in the summary table.

1 and 2. Cash Assets, etc.

In the common summary table, as well as in that for the deposit banks alone, joint figures are given for the first two asset groups, as one of the most important banks (the Crédit Lyonnais) did not show its sight balances with other banks separately from cash in hand and with the Bank of France before 1931. The balance-sheets of the other five deposit banks allow a somewhat more detailed classification of the cash assets as shown below :

	Francs (000,000's omitted)				
	1925	1929	1930	1931	1932
<i>Five (since 1931, six) deposit banks:</i>					
Cash in hand, with Bank of France and Public Treasury . . .	2,106	2,042	3,022	11,759	9,666
Sight balances with other banks	1,216	3,002	3,190	1,314	1,334
Coupons due for payment, etc. . .	165	342	373	270	193
Total (2)	1,381	3,344	3,563	1,584	1,527
<i>Crédit Lyonnais:</i>					
Cash in hand, with Treasury and banks	956	1,037	1,315	—	—
Total six dep. banks	4,443	6,422	7,900	13,343	11,193

It will be noted that the banks, as a rule, hold part of their cash reserve in the form of sight balances with the Treasury, which raises part of its ways-and-means funds by receiving money on current and deposit account. These balances are not shown separately by any of the banks, nor does

any bank give separate figures for notes and coins.

The figures in group (1) of the summary table for the investment banks likewise represent cash in hand, with the Bank of France and with the Treasury. The figures in group (2) of the same table are composed as follows :

	1925	1929	1930	1931	1932
	Francs (000,000's omitted)				
<i>Investment banks:</i>					
Balances with banks and correspondents in France and abroad . . .	670	624	930	385	344
Coupons due for payment.	20	36	55	35	20
Total (2).	690	660	985	420	364

3. Bills discounted and bought.

The sums in this group of the summary tables include Treasury bills (*bons de la défense nationale*), which are seldom shown separately by any of the

banks under review, and also a small amount of bills for collection and foreign bills.

4 and 5. Investments: Participations.

The security holdings of both the deposit and the

FRANCE.

PRINCIPAL INVESTMENT BANKS

Table 8 (b) II.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1925	1929	1930	1931	1932
Number of Banks.	3	3 ¹	3	(¹)	2
	Francs (000,000's omitted)				
Capital paid up.	450	600	600		600
Reserves and Undivided Profits.	282	465	477		437
I. Gross Profits	136.2	246.0	251.2		146.6
<i>To be deducted :</i>					
2. Expenses.	67.0	117.0	125.0		102.1
(a) Salaries, etc.	53.9	92.2	94.4		85.2
(b) Other working expenses	13.1	24.8	28.6		16.9
(c) Taxes, etc.	1.7	2.6	4.8		4.9
3. Reserved for Pension Funds, etc.	5.7	10.5	11.3		8.1
4. Written off on (Depreciation Accounts for).	—	—	—		—
(a) Premises, etc.	—	—	—		—
(b) Investments and securities	—	—	—		—
(c) Other assets	—	—	—		—
5. Remaining Net Profit or Loss	61.8	115.9	110.1		31.5
6. Carried forward from preceding year.	35.5	44.1	49.1		18.5
7. Taken from Reserves or Capital.	—	—	—		—
8. Total Amount disposed of for Dividends, etc.	97.3	160.0	159.2		50.0
9. Carried to Reserves	4.8	8.1	8.3		1.6
10. Dividends	53.1	96.0	95.0		30.0
11. Directors' Fees, etc.	3.7	6.8	6.3		—
12. Carried forward to following year	35.7	49.1	49.6		18.4
13. Total as above	97.3	160.0	159.2		50.0
14. Value of currency in cents of a U.S. dollar at the end of each year.	3.74	3.94	3.93	3.92	3.90

¹ Profit-and-loss account for Crédit Mobilier Français not available.

investment banks include shares and bonds of private undertakings in addition to *rentes* and other Government securities ; as a rule, the banks do not show the composition of their investment portfolios in detail.

6. Due from Banks (Correspondents).

The correspondent accounts, apart from the sight claims (mainly bank cheques and clearing balances) included in the cash reserve, are not, as a rule, shown separately, but are included in the ordinary current accounts (group loans and advances).

7. Loans and Advances.

As mentioned in the preceding note, current accounts include correspondents. In the case of banks which do not show cover for acceptances as a separate item, an amount equivalent to their acceptances has been deducted from current accounts and carried to group 8 of the summary table.

The other loans and advances (7b) consist of *contangos (reports)* and guaranteed advances (*avances sur garanties*). These are given separately by all the banks except the Crédit Lyonnais and, since 1931, the Crédit Industriel et Commercial :

FRANCE

PRINCIPAL COMMERCIAL BANKS

Table 8 (b) III.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1925	1929	1930	1931	1932
Number of Banks.	9	9	9	9	7
	Francs (ooo,ooo's omitted)				
Capital paid up.	1,606	2,244	2,301	2,302	2,090
Reserves and Undivided Profits.	878	2,414	2,576	2,592	2,406
1. Gross Profits.					
<i>To be deducted:</i>					
2. Expenses.					
(a) Salaries, etc.					
(b) Other working expenses					
(c) Taxes, etc.					
3. Reserved for Pension Funds, etc.					
4. Written off on (Depreciation Accounts for)					
(a) Premises, etc.					
(b) Investments and securities					
(c) Other assets					
5. Remaining Net Profit or Loss	238.6	432.3	430.8	— 259.8	248.4
6. Carried forward from preceding year.	70.4	95.7	110.2	114.8	88.4
7. Taken from Reserves or Capital.	—	—	—	562.9	—
8. Total Amount disposed of for Dividends, etc.	309.0	528.0	541.0	417.9	336.8
9. Carried to Reserves.	21.8	30.2	30.1	80.0	11.0
10. Dividends	193.2	367.6	372.5	242.0	234.8
11. Directors' Fees, etc.	10.9	20.0	19.6	7.5	6.3
12. Carried forward to following year.	83.1	110.2	118.8	88.4	84.7
13. Total as above	309.0	528.0	541.0	417.9	336.8
14. Value of currency in cents of a U.S. dollar at the end of each year.	3.74	3.94	3.93	3.92	3.90

	1925	1929	1930	1931	1932
	Francs (ooo,ooo's omitted)				
<i>Five (since 1931, four) deposits banks:</i>					
Contangos	187	335	131	15	27
Guaranteed advances	1,092	2,337	2,422	1,291	1,152
Total	1,279	2,672	2,553	1,306	1,179
<i>Crédit Lyonnais (and, since 1931, Crédit Industriel et Commercial):</i>					
Contangos and guaranteed advances	239	461	414	356	363
Total six deposit banks	1,518	3,133	2,967	1,662	1,542
<i>Investment banks:</i>					
Contangos	131	168	164	16	8
Other advances	59	4	3	3	—
Total investment banks	190	172	167	19	8

8. *Cover for Acceptances* (see preceding note).

11 and 21. *Total Assets and Liabilities.*

The 1931 figures given in Summary Tables 8(a) I and 8(a) III do not include reported losses of the Banque nationale de Crédit, equal in amount (507 million francs) to the bank's total capital, reserves and profit balance, which are likewise excluded from items 12, 13 and 14.

12. *Capital paid up.*

The uncalled capital of the deposit banks is excluded from assets and liabilities. Throughout the period under review, the capital of the investment banks has been entirely paid up. See also note to previous group.

15. *Drafts and Cheques in Circulation.*

These items are not shown separately in the balance-sheets of the deposit banks. The figures

shown in the summary table of the investment banks (and in the combined summary table) represent "bills and cheques payable".

16. *Due to Banks (Correspondents).*

As a rule, the correspondent accounts are not shown separately in the balance-sheets of the banks, but are included in ordinary current accounts.

17. *Deposits.*

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

18. *Rediscounts, etc.*

Not shown separately in the balance-sheets of the banks.

Summary of Profit-and-Loss Accounts.

No profit-and-loss account will be published for the Banque nationale pour le Commerce et l'Industrie until the end of 1933. Summary Table 8(b) I therefore covers only five deposit banks for 1932. Most of the deposit banks show their net profits only after deduction of working expenses, depreciation, provision for doubtful claims, allocations to staff funds, and sometimes even directors' fees. This policy obviously allows the directors to make whatever statement of net profits they wish and facilitates the setting aside of hidden reserves.

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

1 and 2. *Gross Profits and Expenditure.*

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

3. *Reserved for Pension Funds, etc.*

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

4. *Depreciation.*

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

5. *Net Profit or Loss.*

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

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

10. *Dividends.*

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

11. *Directors' Fees, etc.*

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

GERMANY.

Introductory Note.

The characteristic features of the commercial banking system of Germany were set out in some detail in the last issue of this *Memorandum*, and an account was given of its development up to 1929. The banking developments which have taken place in Germany since then have been largely influenced by the attempt on the part of foreign creditors to liquidate part of the large volume of

credits previously extended to German banks and industry.

Some measure of the growing importance of foreign funds in German economic life during the few years preceding the depression is afforded in Table 1 below, which shows the total foreign indebtedness at various dates since 1926 divided according to the class of indebtedness.

Table 1. — ESTIMATED TOTAL FOREIGN INDEBTEDNESS OF GERMANY (EXCLUSIVE OF REPARATIONS).¹

End of :	RM. (000,000,000's)					
	1926	1927	1928	1929	1930	July 1931
I. Short-term debts	4.1	6.6	9.0	11.7	10.3	8.0
II. Long-term debts	4.1	5.4	7.0	7.3	9.2	9.0
III. Other investments	3.5	4.5	5.5	6.0	6.0	6.0
Total	11.7	16.5	21.5	25.0	25.5	23.0

It will be seen that, from the end of 1926 to the end of 1929, the total foreign indebtedness of Germany increased by some 13 milliard RM. More than half this growth is accounted for by short-term debt, which increased much more rapidly (over 175 per cent) than either long-term debt (75 per cent) or other foreign investments (70 per cent). Detailed statistics available for 1932 show that the bulk of the long-term debts are owed by economic enterprises (47 per cent) and public authorities (33 per cent). The commercial banks account for only 15 per cent of the total; it would appear that their long-term debts are largely due to foreign banks. The banks account, of course, for a much higher proportion (over 50 per cent) of the short-term debt. Industry accounts for almost 40 per cent and public authorities and other borrowers for the remainder. Practically the

whole of the foreign short-term debt of German banks is due to commercial banks abroad. Moreover, according to estimates for recent dates it would appear that more than half the short-term debts of industry and commerce are also due to foreign banks and financial establishments, either in the form of direct debts or of acceptance credits. It is not known what proportion of total long-term debts and other investments are held by foreign banks, but it is clear that foreign as well as German banking institutions were heavily involved in the increased German borrowing abroad during the reconstruction period.

Table 2 shows the form which the borrowings of the German banks took in the period 1926-1929 and enables a comparison to be made between the growth of their foreign liabilities and the increase in their foreign assets.

¹ Source: Report of the "Bankers' (Wiggin) Committee" on the Credit Situation in Germany.

Table 2. — FOREIGN SHORT-TERM LIABILITIES AND ASSETS OF ALL THE GERMAN BANKS.¹

	End of			
	1926	1927	1928	1929
	RM. (000,000's)			
LIABILITIES.				
1. Domestic bills discounted abroad	145	136	149	78
2. Interest-bearing current accounts :				
(a) "Loro"	1,549	2,748	3,186	3,528
(b) "Nostro"	750	1,050	1,062	1,047
3. Non-interest-bearing current accounts :				
(a) Drafts (<i>Tratten</i>)	491	1,106	2,019	2,812
(b) <i>Evidenzkonten</i>	432	537	1,046	989
Of which :				
1. Forward exchange		(528)	(1,039)	(985)
2. Security dealings		(9)	(7)	(4)
4. Other liabilities	105	133	156	151
Of which: Participations	(72)	(87)	(97)	(81)
Total	3,472	5,710	7,618	8,605
ASSETS.				
1. Foreign bills	635	441	765	881
2. Interest-bearing current accounts :				
(a) "Loro"	25	429	533	715
(b) "Nostro"	1,322	1,151	1,207	1,599
3. Non-interest-bearing current accounts :				
(a) Drafts (<i>Tratten</i>)	27	61	99	163
(b) <i>Evidenzkonten</i>	426	579	1,060	1,029
Of which :				
1. Forward exchange		(557)	(1,023)	(1,006)
2. Security dealings		(22)	(37)	(23)
4. Other assets	49	75	89	85
Of which: Participations	(35)	(60)		
Total	2,734	2,736	3,753	4,472
Of which: Reichsbank Devisen	959	472	529	812

The short-term liabilities of all banks increased from 3.5 milliard RM. at the end of 1926 to 8.6 milliard RM. at the end of 1929. They thus accounted for almost 70 per cent of the total increase in foreign short-term liabilities shown in Table I between the dates mentioned. The greater part of the increase is reflected in the deposit accounts of the German banks; interest-bearing deposits of foreign origin rose by 2.3 milliard RM., while non-interest-bearing current accounts increased by almost 3 milliards. "Loro" accounts, which represent German banks' borrowings abroad on behalf of clients (acceptance credits) constitute the most important item. Current accounts arising out of drafts, which include finance bills, come next in order of importance. It is estimated² that foreign deposits constituted 44 per cent of the total deposits of the big Berlin banks in 1929, as compared with only 25 per cent in 1926.

The foreign short-term assets of the German banks also increased somewhat during the years before the crisis, but they never constituted a large proportion of the short-term liabilities. If the *devisen* holdings of the Reichsbank be subtracted from total assets, it will be seen that the short-term assets never constituted more than 40 per cent of the total liabilities during 1926-1929.

A complete geographical classification of Germany's short-term debt according to country of origin is not available. An enquiry undertaken by the Reichsbank, however, into the short-term foreign indebtedness of twenty-eight German banks and bankers (which comprised about 85 per cent of the total short-term foreign indebtedness of all German banks for the dates covered) showed the distribution portrayed in Table 3 of short-term indebtedness to foreigners as at the end of March and the middle of July 1931.

The most important creditor to German banks on short-term account was the United States; the great bulk of their advances took the form of foreign trade acceptance liabilities. This was also

Table 3. — GEOGRAPHICAL CLASSIFICATION OF FOREIGN SHORT-TERM INDEBTEDNESS OF TWENTY-EIGHT GERMAN BANKS.

Creditor country	March 31st, 1931		About middle July 1931		Decrease	
	RM. (000,000's)	Percentage of total	RM. (000,000's)	Percentage of total	RM. (000,000's)	Percentage
United States	2,093	37.1	1,629	37.1	464	22.2
England	1,153	20.4	1,051	23.9	102	8.8
Switzerland	785	13.9	581	13.2	204	26.0
Netherlands	546	9.7	336	7.6	210	38.5
France	369	6.5	297	6.8	72	19.5
Sweden	122	2.2	101	2.3	21	17.2
Other countries	571	10.2	398	9.1	173	30.3
Total	5,639	100.0	4,393	100.0	1,246	22.1

¹ Source: *Wirtschaft und Statistik*, No. 22, 1930.

² See P. Barret WHALE: "German Joint-Stock Banks", 1931, pages 265 ff., and *Wirtschaftskurve*, January 1933, page 337.

the case for the British banks, though a large proportion of their total credits consisted of direct advances (payable in sterling). Switzerland and the Netherlands held substantial Reichsmark balances with German banks.

Between the end of March and the middle of July, the foreign short-term liabilities of the banks covered by Table 3 fell by 1,250 million RM., or 22 per cent. The greatest proportionate withdrawals of capital were due to the Netherlands and Switzerland; British credits were withdrawn at a much slower rate than those of any other country, and France and Sweden also lagged behind the average.

The withdrawal of foreign short-term funds from Germany began as early as September 1930. A glance at Table 1 will show that 1.4 milliard RM. was withdrawn or repaid in the course of that year. The magnitude of the movement was accelerated in 1931, particularly after the failure of the Creditanstalt in Austria in May.

According to estimates supplied by the Reichsbank to the Wiggin Committee on the Credit Situation in Germany, which issued its report in August 1931, the short-term foreign debts of German banks, other than the Reichsbank, were reduced by 2.1 milliard RM. between the end of 1930 and the middle of 1931. The short-term debt of public authorities was reduced by 0.3 milliard RM., and other short-term liabilities by 0.5 milliard. To this total of 2.9 milliard RM. of foreign short-term capital withdrawn in the first 6½ months of 1931 must be added the sums involved in the sale by foreigners of German investments and the purchase by Germans of foreign investments. It is estimated that this brings the total withdrawal of capital from Germany during this period up to roughly 3.5 milliard RM.

The German public was very sensitive to the attitude of Germany's creditors towards the banks and the currency; and the withdrawal of the foreign short-term credits to German banks was accompanied by domestic runs. In part, the sums withdrawn were converted into foreign currencies and, in part, they were kept in hoards. The effect of these withdrawals on the domestic credit situation is examined in detail below; here it need only be noted that the demand for foreign currencies was increased by German capital seeking refuge abroad.

The cumulative effect of the withdrawal of capital from German banks and industry, the payment of interest and normal amortisation on her long-term foreign debt, and the transfer of reparations payments (up to June 1931) was, of course, both to put a very heavy pressure on the German exchange and to impair the liquidity of the German banks. The financial crisis reached its culmination in June and July 1931. The difficulties of the Northern German Wool-Combing Company, whose indebtedness to creditors was estimated at 240 million RM., gave rise to damaging rumours

regarding possible repercussions on at least one of the big Berlin banks. The flight of capital was accentuated and the Reichsbank steadily lost gold. On June 20th, President Hoover proposed a year's moratorium on all inter-governmental debts, interest and principal. A few days later, the Reichsbank-secured a rediscount credit of \$100 million with the Bank for International Settlements and certain central banks. So great, however, was the demand for foreign currencies that, by the end of June, three-quarters of this credit had been drawn upon to prevent the Reichsbank's reserve ratio from falling below the legal minimum of 40 per cent. In the month of June 1931 alone, the Reichsbank lost over 1,000 million RM. in gold and foreign exchange. Early in July, the Golddiskontbank placed at its disposal a \$50 million credit it had raised in New York, but the flight continued and by July 11th this entire sum had been exhausted. Taking the period from the beginning of 1931 to the middle of July as a whole, the 3.5 milliard RM. estimated to have been withdrawn from Germany were met as to 2 milliard RM. from the assets of the Reichsbank (including the 630 million RM. placed at its disposal by the Bank for International Settlements and central banks and by a New York syndicate through the Golddiskontbank), as to 1 milliard RM. from the foreign assets of private banks, and the remainder by the sale of German assets abroad. Discussions were proceeding in Basle regarding further credits to Germany when the Darmstädter und National Bank closed its doors. The following day (July 14th), all the banks were closed by Government decree.

An emergency decree was then issued appointing the Reichsbank as a clearing-house for foreign exchange. Every holder of foreign exchange was obliged under this decree to offer such holdings or claims to the Reichsbank and, if required to do so, to sell them at the official rate. Foreign means of payment might be legally bought and sold only through the Reichsbank. This decree was the first of a series of exchange control measures issued for the purpose of maintaining the gold value of the currency by checking the outflow of capital, securing the repatriation of the proceeds of exports, and rationing such *devisen* as were available to ensure that they were used for "economically justified purposes".

A seven-Power Conference which met in London in July 1931 recommended (1) a renewal of the \$100 million rediscount credit to the Reichsbank, (2) that concerted measures should be taken by financial institutions to maintain present credits in Germany and (3) that the Bank for International Settlements should convoke a committee to enquire into Germany's further credit needs and to study the possibility of converting a portion of the short-term credits into long-term. As a result of discussions which took place in Basle in August

1931, Germany entered into the first of her "standstill" arrangements with foreign short-term creditors. Of the 5.1 milliard RM. taken by the Bankers' Committee as due by German banks (excluding the Reichsbank and the Golddiskontbank) to foreigners,¹ more than half consisted of acceptance liabilities, almost one-third of deposits and direct advances, and the remainder of Reichsbank balances due to foreign creditors.

Under the agreement, which ran for a period of six months as from September 1st, 1931, foreign banks undertook to prolong all acceptances, time deposits and cash advances granted to German banks and industries. Special loans to finance crops, call loans and loans against Stock-Exchange securities were excluded from the agreement. With regard to acceptance credits granted on account of German banks, the latter agreed to secure from their credit-taking customer either promissory notes in the same currency and of the same due date as the original acceptance, to be held in trust as collateral security for the foreign creditor, or a letter of guarantee from the client, backed by a lien on the original goods against which the acceptance was issued. Encashments received from clients should be either remitted to the creditor bank in foreign currency or, if that were found impracticable, deposited in Marks at the Reichsbank in the foreign creditor's name. After ninety days, the foreign creditor might dispose of such balances at the best exchange rate available. With regard to Reichsmark credits granted directly to German industries, the agreement provided that the foreign-bank creditor might require the Golddiskontbank to guarantee up to 15 per cent of his credits. It was further agreed that of the Reichsmark balances of foreign banks with German banks, 25 per cent should be released for transfer within Germany immediately, and the remainder at the rate of 15 per cent per month.

At the end of 1931, the report by the Advisory (Layton) Committee appointed under the Young Plan was published. This report was concerned with the political debts; its chief interest here lies in its estimate that the total amount of capital withdrawn from Germany during 1931 amounted to 4.9 milliard RM. (excluding reparations and normal interest and amortisation on long-term debt). It has been estimated that some 3.5 milliard RM. were withdrawn from the beginning of the year until the closing of the banks in the middle of July. It would therefore appear that 1.4 milliard RM. was withdrawn during the first 5½ months of exchange control and standstill agreement. The great bulk represented the repayment of credits: in particular, acceptance credits, Mark balances released under the standstill

agreement, seasonal credits and credits against securities not covered by the agreement. The gold and foreign exchange reserve of the Reichsbank was reduced by 335 million RM. between July 15th, 1931, and the end of the year.

The original standstill agreement expired at the end of February 1932. It was renewed in its essentials for a period of twelve months. The chief changes from the original agreement were the following: Each foreign-bank creditor was given the right to require an initial permanent reduction of 10 per cent of the total amount of short-term credit lines held at the disposal of German debtors, to the extent that such reduction could be effected by cancellation of unused portions of credit lines. Thereafter, the determination of what could be repaid was to be left to an advisory committee representing the creditors who would, from time to time, consult with the German authorities. The German Government announced its intention to set up a Foreign Debts Committee to exercise a general control of all German foreign indebtedness, whether covered or not by the standstill agreements. It was agreed that the Golddiskontbank should repay the amounts originally guaranteed by it in three equal annual instalments, plus further instalments in respect of sums subsequently guaranteed. Machinery was provided whereby cash advances to German banks might, at the option of the creditors, be converted into ten-year notes bearing interest at 6 per cent. Similarly, unsecured cash advances might, under defined restrictions, be converted into "blocked" investments in Germany. The maintenance of the agreement was made conditional upon the renewal of the Bank for International Settlements and Central Bank credits to the Reichsbank; it might also be denounced by the creditors if future international developments endangered its execution.

A third standstill agreement covers the period from the end of February 1933 to the end of February 1934. The most important modification in this agreement is the extension of the possibility of converting cash advances into "blocked" investments in Germany (the so-called "Swiss" clause). Under the 1932 Agreement, creditors might, with the permission of the Reichsbank, demand yearly repayments in Reichsmarks at the official rate of 50 per cent of their unsecured cash advances to banks and 30 per cent of their cash advances to other debtors, such repayments to be used for capital investments in Germany and blocked for a period of five years. The new agreement applies this conversion privilege unconditionally to all credits, secured and unsecured. In the case of secured credits to non-banking debtors, repayment in Reichsmarks is

¹ A direct count of bank liabilities in excess of 5,000 RM. to foreigners subsequently made in Germany raised this total to almost 6 milliard RM. The short-term foreign liabilities of industrialists, communes, etc., were put at a corresponding figure. The amounts shown in Table 1 above for foreign short-term debts are therefore too low.

limited to 20 per cent annually; in the case of acceptance credits to banks, 30 per cent may be demanded each year; in the case of acceptance credits to non-bankers, 15 per cent is permitted. In addition to these limitations, foreign creditors may not convert into Reichsmarks more than an aggregate of 20 per cent of their total claims on all banks, 15 per cent of their total claims on non-bankers and 10 per cent of their acceptance credits to non-bankers annually. Investments are permitted as before in all types of long-term German Reichsmark securities and, in addition, short-term advances and deposits with a minimum duration of one month may be made under the new agreement. The interest on such investments may be transferred. The blocked or "registered" Marks secured through these arrangements may also be employed for tourist or travel expenditure within Germany. Subsequently, the Reichsbank also authorised the sale of "registered" Marks for "additional exports" and the acceptance by exporters of their own bonds in payment of "additional exports". "Registered" Marks and investments are to be completely free of control after five years. The remaining provisions of the 1933 agreement are of less importance. The 10 per cent reduction in credit lines incorporated in the 1932 agreement was reduced to 5 per cent. In the event of new credits being granted to German firms, 20 per cent of the "availment" of the new credit is to be released out of the creditor's "registered" marks. The creditors agreed to the repayment of the \$100 million Central Bank credit to the Reichsbank and, by the end of April 1933, this credit had, in fact, been entirely repaid.

In the middle of June 1933, after the German Government had declared a transfer moratorium on most external indebtedness, an agreement was reached with the Foreign Bankers' Committee under which all capital repayments under the existing standstill agreement were postponed until the end of February 1934 and the rate of interest on outstanding credits reduced by one-half of 1%.

Table 4 shows the evolution of the various classes of foreign short-term indebtedness of German banks (excluding the Reichsbank) from the middle of July 1931 to the end of February 1933.

It will be observed that, between the middle of July 1931 and the end of February 1933, the total foreign short-term liabilities of the German banks were reduced by more than 1.7 milliard RM., or over one-third. The greater part of this reduction appears to have fallen upon the first two items in the above table.¹

¹ See introduction, page 20.

² A detailed analysis of the changes in the cover behind current-account credits shows that, between November 1929 and May 1931, the total of such loans based on securities quoted on the Stock Exchange fell by 130 million RM., the total covered by other securities rose by over 300 million RM., and the total of uncovered loans fell by an almost equal amount. Although no unequivocal conclusions can be drawn from these figures, they strongly suggest that, during the first year and a-half of the depression, the big Berlin banks did not contract and may even have increased their credits to industries with which they maintained close connections. Such loans are characteristically granted against private unquoted securities, and practically amount to capital participations. They are difficult to contract, as the attempt to do so may affect the value of the firm as a going concern and consequently involve the banks in direct losses.

Table 4. — FOREIGN SHORT-TERM INDEBTEDNESS OF GERMAN BANKS.

Type of indebtedness	Middle of July 1931	End of February 1932	End of September 1932	End of February 1933
		RM. (000,000's)		
Foreign trade acceptance liabilities		2,242	2,118	1,874
Acceptances and sold bills		256	12	11
Mortgages, real property and other debts falling due		131	41	34
Other debts		870	996	944
Cash advances		807	694	580
Total	5,100	4,306	3,861	3,443

The internal aspects of the German financial crisis and the development of commercial banking during the depression may be analysed on the basis of Table 5, which shows the fluctuations in the principal accounts of the big Berlin banks from November 1929 to October 1933.

The movements of the total balance-sheet of these banks provide a rough measure of the degree of credit contraction in Germany during the depression; between November 1929 and October 1933, their aggregate balance-sheets fell by 5,500 million RM., or 40 per cent. The contraction of credit has been a more continuous process in Germany than in many other countries; it is, however, necessary to distinguish in this analysis between the drastic liquidation which occurred during the financial crisis in the summer of 1931 and the more orderly contraction of the preceding and subsequent periods.

The character of the credit contraction which took place in Germany during the first eighteen months of the depression considerably impaired the liquidity of the German banks. Even in 1929, the volume of the short-term realisable assets was small in relation to the volume of their short-term liabilities, particularly when account is taken of the high proportion of the latter payable abroad. From the end of 1929 to May 1931, the contraction in credit was almost exclusively confined to the most liquid part of the banks' portfolio — trade discounts, sight claims on other banks, advances on Stock-Exchange securities, contango and Lombard loans, reimbursement credits and other short-term advances. Security holdings, participations and current account loans to "affiliated" industries remained substantially unchanged.²

The position of the big Berlin banks at the end of May 1931 may be roughly summarised as follows: the total of their deposits and correspondent accounts (items 9, 10 and 11 of Table 5) amounted to 10,400 million RM. Of this amount, 1,700 million RM. (item 9) consisted of acceptance credits granted them by foreign banks and drawn against by customers; a corresponding amount,

representing advances to customers on goods consigned or warehoused, is shown in item 7 (b). Of the remainder of deposits, etc., 8,700 million RM., 3,600 million RM. were payable within seven days, 4,600 million RM. within seven days to three months, and the rest after three months. Against these short-term liabilities of 8,200 million RM. (of which a substantial part was due abroad), the

Table 5. — PRINCIPAL ACCOUNTS OF BIG BERLIN BANKS.

	RM. (000,000's)						
	November 1929	November 1930	May 1931	July 1931	November 1931	November 1932	October 1933
ASSETS.							
1. Cash and balances with Reichsbank, etc.	206	209	211	289	183	154	138
2. Bill portfolio:							
(a) Treasury bills	486	546	630	293	358	470	578
(b) Commercial bills.	2,398	1,907	1,918	987	1,073	1,161	1,106
3. Sight claims on other banks. . .	1,230	1,017	857	546	345	245	185
4. Securities:							
(a) Government.	16	18	23	19	317	462	377
(b) Other.	199	171	169	164	161	128	149
5. Participations:							
(a) Syndicate.	183	177	177	189	199	206	173
(b) Bank.	119	116	117	126	130	142	146
6. Loans on current account:							
(a) To banks.	395	448	454	431	462	328	279
(b) Other	4,906	5,035	4,698	4,180	4,029	3,408	3,105
7. Other loans and advances:							
(a) Reimbursement credits, etc.	1,947	2,041	1,780	1,599	1,188	1,030	631
(b) Contangos and Lombard loans.	536	377	303	254	159	34	26
LIABILITIES.							
8. Capital and reserves	915	917	918	918	1,218	627	542
9. Deposits, etc.	8,950	7,952	7,724	5,931	5,342	5,019	4,596
10. "Loro" correspondents	1,811	1,986	1,724	1,581	1,328	1,145	684
11. Due to German credit institutions.	884	1,139	947	655	720	1,143	1,150
12. Acceptances.	487	670	582	873	910	770	749
13. Rediscounts, etc.	1,152	1,330	856	1,960	1,516	868	930
14. Guarantees	677	634	588	571	535	437	401
15. Total balance-sheet	13,315	12,905	12,128	11,252	9,731	8,856	7,891

banks held the following liquid assets: Cash, etc., 200 million RM.; unrediscounted commercial and Treasury bills, 2,550 million RM.; sight claims on other credit institutions, 860 million RM.; contangos, 300 million RM.; making a total of less than 4,000 million RM. The rest of the earning assets represented current-account loans (partly covered by Stock-Exchange securities), direct investments and participations.

The sensitiveness of the German public has already been referred to above. It found expression in mass withdrawals of deposits from German credit institutions, particularly during the months of June and July 1931. In the month of June alone, the *Kreditoren* of the big Berlin banks (item 9 of Table 5) fell by 1,000 million RM., and by a further 800 million RM. in July. During these two months, the "Loro" correspondent accounts of the big

Berlin banks were reduced by 140 million RM. and their debts to other German credit institutions by almost 300 million RM. They had, therefore, in six weeks (for the banks were closed or operating under severe limitations in the latter part of July) to meet withdrawals amounting to 2,250 million RM., or almost 25 per cent of their deposit and correspondent liabilities. The reduction in acceptance credits taken by German banks (item 10) was met by a roughly corresponding reduction (180 million RM.) in reimbursement credits granted to their customers. Of the remainder (over 2,000 million RM.), almost one-half was met by borrowing at the Reichsbank (chiefly reflected in a fall in item 2 (b) and rise in item 13 in Table 5; the portion of the commercial-bill portfolio held by the banks themselves fell by 930 million RM., or almost 50 per cent, in these two months); Treasury bills

were sold (or rediscounted) to the extent of 340 million RM. Contangos, etc., which had already fallen very heavily, were called in to the extent of 500 million RM., and loans on current account (representing chiefly industrial credits) were reduced by 500 million RM. (less than 5 per cent.). In addition, the banks increased their acceptance liabilities by 300 million RM.

Although all the big banks suffered severely during the crisis, the Darmstädter und Nationalbank was particularly exposed. It had made relatively greater use of foreign short-term funds than the other banks; its connection with industry was known to be particularly close; and it operated with an unusually small proportion of own funds to outside liabilities. It was seriously affected (to the extent of 35 million RM.) by the failure of the North German Wool-Combing Company, to which reference has already been made. Between the end of May and July 13th, it suffered withdrawals of deposits, etc., amounting to over 600 million RM., or 30 per cent, as compared with an average loss of about 20 per cent for the other big banks. Proposals for a joint-bank guarantee of all deposits fell through and, on the last date mentioned, the Darmstädter und Nationalbank closed its doors and the Government guaranteed its deposits. Runs took place on other banks, which limited withdrawals to 5 to 20 per cent of deposits. Finally, a Government decree was issued declaring all German banks closed on July 14th and 15th and prohibiting all banking transactions.

Between July 16th and August 5th, the majority of the restrictions on commercial banking were lifted. At first, withdrawals were allowed only for payments of wages, public relief, taxes, etc.; the restrictions imposed on withdrawals from the savings banks were particularly severe, on account of the illiquid form in which the bulk of their assets were held. The easing of the restrictions was facilitated by the organisation of a new Clearing Association (*Überweisungsverband*), with the object of avoiding the difficulties arising from lack of confidence in a particular bank leading to transfers to other banks. Forty-four of the most important credit institutions in the country adhered to the association. If a bank had an excess of outward transfers in the course of a day, it became indebted to the Clearing Association and was required to deposit security with the Bank des Berliner Kassenvereins. The value of the security deposited was to be determined by the Golddiskontbank. To cover eventual deficiencies, the members of the Association established a guarantee fund of 5 million RM. With the resumption of payments by the commercial banks on August 5th, the *Überweisungsverband* was abolished and the clearing system again taken over by the Reichsbank.

As soon as the banks were closed, the Reichsbank raised its discount rate from 7 to 10 per cent and its Lombard rate to 15 per cent. At the end of

July, it raised its discount rate to 15 and its Lombard rate to 20 per cent. It granted a Lombard credit of 100 million RM. to the Deutsche Girozentrale, the central clearing institution of the provincial banks. The most important of the latter (in Prussia) are communal credit institutions and clearing houses; the accounts of the communal savings banks are cleared through them. The accounts of the provincial banks are guaranteed by the *Länder*; their difficulties arose from the fact that the short-term foreign credits of the big savings banks associated with them had not been prolonged, so that the provincial banks were forced to draw on their entire liquid reserve and were unable to come to the assistance of the savings banks which were in need of cash.

During the period in which the banks remained subject to restrictions, two important new credit institutions were organised. The Berlin Lombard Bank, set up with a capital of 1 million RM. subscribed by the *Grossbanken* and leading Stock-Exchange firms, was established for the purpose of enabling medium-sized and small bankers, who were unable to sell their securities holdings on account of the closing of the Stock Exchange, to get liquid funds. The maximum credit which this institution was authorised to extend to one firm was set at 100,000 RM.; shares and bonds were taken as collateral security, the shares being valued at 50 per cent and bonds at 75 per cent of their last official quotation. In addition, the borrowing bank was itself required to give a note for 10 per cent of the amount borrowed, these notes to constitute a guarantee fund. At the same time, measures were taken in other parts of Germany to provide bankers with Lombard credits, generally through banking consortiums and not special institutions.

The Acceptance and Guarantee Bank, established a few days before, started to function on August 1st. Of its capital of 200 million RM., 80 millions were subscribed by the Reich, 12 millions by the Prussian State and 66 millions by other credit institutions. It was originally intended to help the Danat and Dresdner Banks, but its purpose was extended to relieve the difficulties of all the banks due to the scarcity of liquid funds. The banks could take two-name paper, which would not be acceptable to the Reichsbank, to this institution and, if the bank in question could show a real lack of cash, the Acceptance Bank would endorse the paper (which would then be eligible for discount at the Reichsbank) for a commission of one-sixth per cent per month. The Reichsbank helped to investigate the solvency of the drawer and the acceptor of the bills, and the borrower engaged himself, if required, to redeem the bill in a period of ten days regardless of its currency.

The Darmstädter und Nationalbank resumed payments on August 5th in the same way as the other banks; the only distinction was that all its obligations, old and new, were guaranteed by the

State. A plan for the reorganisation of the bank was published, details of which are given below. At the same time, the Reich came to the assistance of the Dresdner Bank (which was, next to the Danat Bank, most heavily involved — to the extent of 25 million RM. — in the Nordwolle concern) by buying its special 7 per cent preferred stock to the extent of 300 million RM. The Reich paid for this preferred stock in 7 per cent Treasury certificates convertible into cash through the Acceptance and Guarantee Bank. This transaction, which took place early in August, made the Reich the principal shareholder in the Dresdner Bank. It accounts for the increase shown in Table 5 for Government securities and capital and reserves in the column for November 1931. The State also intervened in bringing about the amalgamation of the Saxon State Bank and the Allgemeine Deutsche Kreditanstalt of Leipzig ("Adca") under joint guarantee of the State of Saxony, and in effecting the reorganisation of the Schroeder Bank in Bremen. This institution was involved in the Nordwolle failure and suffered heavy losses as a result of the depression in shipping; its total losses were estimated at 43 million RM., of which 30 millions were covered by capital and reserves and the remainder contributed by the State of Bremen. The capital of the new bank (called the Norddeutsche Vereinsbank A.G.) was 12 million RM., of which 7 millions were provided by the State of Bremen, 3 millions by Bremen economic circles and 1 million each by the Reichs-Kredit-Gesellschaft and the Berliner Handels Gesellschaft. The Reich, however, advanced a large portion of the funds subscribed to the Bremen State and industrialists.

With the re-opening of the banks at the beginning of August, the banking situation gradually became more normal. The runs on the big Berlin banks ceased and credit liquidation proceeded in more orderly fashion. The most significant change in the character of the credit contraction after the financial crisis is to be found in the item "loans on current account" to non-banks. After displaying considerable stability during the first period of the depression, these loans declined by almost 1,600 million RM., or 33 per cent, between May 1931 and October 1933.

Stress has repeatedly been laid above on the fact that large sums advanced by the German banks to industrial customers were either lost or completely immobilised as a result of the economic depression. The capital and accumulated reserves of the banks were not sufficient to write these assets down to their actual value, and a complete reorganisation of the banks' capital structure was necessary before this could be done. The first steps in the banking reconstruction (viz., the purchase by the Reich of 300 million RM. of preferred stock in the Dresdner Bank, the amalgamation of the "Adca" Bank and the Saxon State Bank and the reconstruction of the Schroeder Bank) have already been described above.

It was, however, not until the end of 1931 that general reorganisation and the writing-down of capital funds and assets were undertaken. It is this reorganisation which explains the sharp decline in the big Berlin banks' loans on current account.

An analysis of the reconstruction measures taken may begin with the amalgamation of the Darmstädter und Nationalbank and the Dresdner Bank in December 1931. The Reich had become involved in both these institutions in the summer of that year; in the first by guaranteeing its deposits, and in the second by exchanging 300 million RM. of Treasury certificates for preference stock of equal nominal value. Before the amalgamation, the combined share capital of these two banks (excluding the above-mentioned 300 million RM.) was 160 million RM., and their combined published reserves 94 million RM. The banks themselves held 90 million RM. of their own share capital, which they had purchased in 1930 and 1931. The reorganisation was effected as follows: Of the shares of the Dresdner Bank held by the bank itself (55 millions out of 100 millions issued) 22 millions were transferred to the Reich, which destroyed them. The total remaining outstanding issue (45 millions) was then written down to 12.5 million RM. The publicly-held share capital of the Danat Bank, amounting to 25 million RM. (60 millions less 35 millions held by the bank) was written down to 7.5 million RM., and the Reich bought and cancelled these shares, paying 7.5 million RM. to the Dresdner Bank. The combined reserves of the two banks were written down from 94 million RM. to 30 million RM. In return for the 300 million RM. of Treasury certificates originally given the Dresdner Bank against preferred stock, the Reich now took 200 million RM. of ordinary shares; it sold 48 millions of these to the Golddiskontbank and transferred the proceeds to the Dresdner Bank. The reconstructed Dresdner Bank was therefore constituted with a share capital of 220 million RM. (of which 20 are privately held, 152 by the Reich and 48 by the Golddiskontbank) and published reserves of 30 million RM. Through these operations, 282.5 million RM. became available for writing off losses (63 millions from the reduction of share capital, 64 millions from the reduction of reserves, 100 millions from the book-keeping profit arising from the exchange of 200 million RM. share capital for 300 million RM. Treasury certificates, 48 millions from the proceeds of the Reich's sale of 48 millions of share capital to the Golddiskontbank and 7½ millions from the sale of the capital stock of the Danat Bank to Government). Moreover, before the amalgamation, the Government gave the Danat Bank Treasury certificates to a value of 115 million RM., which was used for writing off losses. In addition, the banks' current profits in 1931 (20 million RM.) were devoted to this purpose. Through all these sources, a total of 417.5 million RM. became available, of

which 416 million RM. was used to write off losses. It will be seen that the total contribution of the Reich was 445½ million RM. (300+22+7½+115), in return for which it got shares of a nominal value of 152 million RM.; the cash contribution of the Golddiskontbank was 48 millions, in return for which it got shares of an equal nominal value. In 1932, the Dresdner Bank further reduced its capital by 70 million RM. and its reserves by 15 million RM. and used these sums, along with current profits, to write off bad debts amounting to 95 million RM.

The Deutsche Bank und Diskontgesellschaft is the largest of the German banks. Before its reorganisation, its total share capital was 285 million RM. and its published reserves 160 million RM. During 1930 and 1931, it purchased out of hidden reserves its own shares to a nominal amount by 105 millions and wrote off assets to a nominal value of 125 million RM. Under the reorganisation, its real share capital of 180 million RM. was written down to 72 millions and its reserves to 25 millions. New capital was raised to the extent of 72 million RM., of which 22 millions was privately subscribed, and 50 million RM. by the Golddiskontbank (with the option of repurchase by the bank). Through the reduction in publicly-held share capital and its reserves, 254 million RM. (108+146) became available, which was used along with the current profits for 1931 (21 million RM.) to write off losses. Of the off-writings, 240 million RM. were on account of loans on current account and 35 million RM. on account of investments and participations.

The fourth of the big Berlin banks, the Commerz- und Privat-Bank, was amalgamated with the Barmer Bank-Verein, an important institution operating in Düsseldorf. Before the reorganisation, the Commerz- und Privat-Bank had share capital amounting to 75 million RM. (of which half held by itself) and reserves of 40 million RM. The share capital held by the bank was transferred to the Reich at par and then repurchased by the bank and written down to 11.25 million RM., giving the bank a book profit of 26 million RM. Publicly-held shares were also written down to the same amount. The Barmer Bank-Verein had share capital of 36 million RM., of which 23.5 millions were held by itself, having been recently purchased; these shares were cancelled at the time of the reorganisation.

The combined capital of the two banks, as written down, was thus 35 million RM., of which 11.25 million RM. were held by the Reich. New shares were issued to the Golddiskontbank to the extent of 45 million RM., so that the total capital of the reorganised Commerz- und Privat-Bank is 80 million RM. The combined reserve funds of the two banks, amounting to 58 million RM., were entirely written off and the Reich provided, gratis, a new reserve fund of 30 million RM. As a result of these reductions in capital, etc., it was possible to write off losses amounting to 107 million RM.

The other two big Berlin banks, the Reichs-Kredit-Gesellschaft and the Berliner Handels Gesellschaft did not take part in the amalgamation movement during the reconstruction period. They have no branches and do not accept small deposits. Neither was subject to a heavy run in 1931, and the former was able to write off its losses without reducing its share capital or reserves. While none of the reconstructed banks paid dividends for 1931 and 1932, both the Berliner Handels Gesellschaft and Reichs-Kredit-Gesellschaft distributed a dividend of 4 per cent in 1931, which was increased to 5 per cent for 1932.

By the end of 1933, the paid-up capital of the big Berlin banks had been reduced to 442 million RM. and their published reserves to 100 million RM. In 1931, losses were written off to the extent of over 700 million RM. and, in 1932, to the extent of 130 million RM. The most striking feature of the reorganisation of the capital structure of the banks and the writing-off of losses was the participation of the Reich and the Golddiskontbank. As a result of their participation, the Reich secured control of the new Dresdner Bank and the new Commerz- und Privat-Bank; it already controlled the Reichs-Kredit-Gesellschaft through its ownership of the Vereinigte Industrie Unternehmungen. The Golddiskontbank held a substantial block of stock in the Deutsche Bank; only the Berliner Handels Gesellschaft, the smallest of the big Berlin banks, was not directly or indirectly owned wholly or in part by the State or the Golddiskontbank.

The following table shows the amounts of capital stock in the five big Berlin banks held privately, by the Reich and by the Golddiskontbank in 1933.

Table 6. — DISTRIBUTION OF CAPITAL STOCK OF BIG BERLIN BANKS.

Capital stock held	RM. (000,000's)					Total
	Deutsche Bank und Diskontgesellschaft	Dresdner Bank	Commerz- und Privat-Bank	Reichs-Kredit-Gesellschaft	Berliner Handels Gesellschaft	
Privately	94	14	24	—	28	160
By Reich	—	103	11	40	—	154
By Golddiskontbank	50	33	45	—	—	128
Total	144	150	80	40	28	442

Table 7. — PRINCIPAL ACCOUNTS OF VARIOUS GROUPS OF GERMAN BANKS.

	Big Berlin banks		Provincial banks having branches		Other commercial banks		Special banks		Total (a+b+c+d)		Mortgage banks		Public banks		Grand total (e+f+g)	
	(a)	(a)	(b)	(b)	(c)	(c)	(d)	(d)	(e)	(e)	(f)	(f)	(g)	(g)	(h)	(h)
End of	1929	1931	1929	1931	1929	1931	1929	1931	1929	1931	1929	1931	1929	1931	1929	1931
Number of banks	6	5	60	50	202	159	138	111	406	325	42	36	90	93	538	454
ASSETS.																
RM. (000,000's)																
Cash, balances with Central Bank and other clearing balances	426	365	85	42	104	79	19	30	634	516	38	41	102	103	774	660
Bill portfolio	3,038	1,534	323	164	369	172	450	700	4,180	2,570	89	50	528	639	4,797	3,259
Securities and industrial participations	379	641	69	60	139	103	360	444	947	1,248	199	147	585	610	1,731	2,005
Due from banks and banking firms	1,763	706	178	67	253	158	512	519	2,706	1,450	221	193	3,367	2,592	6,294	4,235
Advances	7,832	5,884	1,230	670	1,339	858	1,005	908	11,406	8,320	408	342	2,851	2,506	14,687	11,168
Long-term loans, including mortgages	—	—	8	5	11	17	283	234	302	256	6,308	7,462	5,727	7,695	12,337	15,413
Premises, etc.	213	215	57	49	59	62	60	63	389	389	38	46	58	81	485	516
Bank participations	111	133	15	10	34	26	13	30	173	199	32	32	73	87	278	318
Other accounts	3	12	5	8	17	33	85	83	110	136	84	96	165	237	359	469
Total assets	13,765	9,490	1,970	1,075	2,331	1,508	2,787	3,011	20,853	15,084	7,433	8,409	13,456	14,550	41,742	38,043
LIABILITIES.																
Capital and reserves	917	499	257	127	356	301	429	520	1,959	1,447	476	477	934	1,487	3,369	3,411
Profits	78	7	24	3	24	4	30	24	156	38	52	30	55	32	263	100
Due to banks	2,820	2,268	339	105	232	104	234	307	3,625	2,784	283	206	3,944	3,177	7,852	6,167
Deposits, etc.	9,218	5,555	1,264	764	1,606	883	1,742	1,700	13,830	8,902	597	442	2,840	2,692	17,267	12,036
Acceptances	513	947	80	72	90	197	17	72	700	1,288	47	53	20	557	767	1,898
Long-term borrowings, including mortgage bonds	189	189	2	1	6	8	303	237	500	435	5,789	7,006	5,392	6,328	11,681	13,769
Other accounts	30	25	4	3	17	11	32	151	83	190	189	195	271	277	543	662
Total liabilities	13,765	9,490	1,970	1,075	2,331	1,508	2,787	3,011	20,853	15,084	7,433	8,409	13,456	14,550	41,742	38,043
Rediscounts	1,070	1,637	509	170	45	78	104	207	1,728	2,092	101	66	256	1,825	2,085	3,983
Guarantees	676	545	88	51	156	112	80	119	1,000	827	29	22	190	132	1,219	981

GERMANY

The participation of the Golddiskontbank in the reorganisation of the big banks was made possible by the Reichsbank increasing the capital of its subsidiary from 200 to 400 million RM. The Reich was authorised to issue Treasury certificates up to 400 million RM. to help in the reorganisation of the banks. The total outlay of the Reich was about 500 million RM., of which almost 300 million RM. were contributions *à fonds perdu* and the remainder contributions which are ultimately to be repaid out of the banks' profits.

**

The analysis up to this point has been largely based upon the accounts of the big Berlin banks. Table 7 summarises the principal assets and liabilities of all groups of banks (excluding note issuing, savings and co-operative banks) operating in Germany at the end of 1929 and 1931 and enables a comparison to be made between the development of their accounts and those of the big Berlin banks during this period.

It may first be observed that, with the exception of public banks, all groups were reduced in number between the end of 1929 and the end of 1931. The decline is particularly marked in the case of "other commercial banks" (column *c*) and special banks (column *d*). The latter group includes banks established to finance particular industries or economic groups — *e.g.*, banks for the building trade, labour banks, civil servants' banks, etc. The decline in these and other groups is chiefly due to amalgamations and in only few cases to failures. The increase in the number of public banks is chiefly to be attributed to the organisation of the Deutsche Gesellschaft für Öffentliche Arbeiten and the Deutsche Siedlungsbank.

An examination of the figures given for total assets and liabilities will show that the chief shrinkage occurred in the case of the first three groups — namely, the big Berlin banks, the provincial and other commercial banks; the total balance-sheet of the special banks, mortgage banks

and public banks rose between 1929 and 1931. Like the Berlin banks, the provincial and other commercial banks experienced heavy withdrawals of deposits which they met by contracting their bill portfolio and advances. The combined capital, reserves and undivided profits of the first three groups were written down by some 700 million RM. in this period and, as shown above, the Reich made substantial contributions to enable them to write off losses.

Between 1929 and 1931, the mortgage banks issued new bonds, etc., to the extent of 1,200 million RM. and used the funds so acquired to increase their long-term loans, while at the same time reducing their other advances, bill portfolio and security holdings sufficient to compensate for the decline in their deposits. The changes in the figures for public banks are, of course, largely explained by the operations of the new institutions mentioned above. New capital was raised to the extent of 550 million RM., long-term borrowings were increased by 930 million RM. and long-term loans were increased by twice that amount.

As a result of these divergent movements, the relative importance of the various groups of banks in the German credit structure underwent marked variations between the end of 1929 and the end of 1931. The share of the big Berlin banks in the total balance-sheet of the banks included in Table 7 fell from one-third to one-quarter, and that of the other joint-stock banks (excluding joint-stock mortgage banks) from 17 to 15 per cent. The share of all the institutions which may be regarded as commercial banks therefore fell from 50 to 40 per cent. The mortgage banks increased their share from 18 to 22 per cent; and the public banks, rising from 32 to 38 per cent, became the largest single group of banks, and only slightly less important (as measured by total balance-sheet) than all the commercial banks combined.

Table 8 below, given in continuation of a similar table included in the first edition of this memorandum, shows the movements of deposits in savings banks and *Kreditgenossenschaften* (co-operative credit societies) in recent years.

Table 8. — TOTAL DEPOSITS IN SAVINGS BANKS AND CO-OPERATIVE CREDIT SOCIETIES.

End of	SAVINGS BANKS			KREDITGENOSSENSCHAFTEN			TOTAL		
	RM. (000,000's)								
	Savings accounts	Current cheque and deposit accounts	Total	Savings accounts ¹	Current cheque and deposit accounts	Total	Savings accounts	Current cheque and deposit accounts	Total
1929	9,314	1,401	10,715	3,024	766	3,790	12,338	2,167	14,505
1930	10,752	1,497	12,249	3,249	763	4,012	14,001	2,260	16,261
1931	10,123	1,293	11,416	2,868	594	3,462	12,991	1,887	14,878
1932	10,180 ²	1,140 ²	11,320 ²						

¹ Including savings deposits with consumers' co-operatives.

² Provisional figure.

In the course of 1930, deposits in both savings banks and *Kreditgenossenschaften* increased; the increase was almost entirely confined to savings accounts. There were considerable withdrawals during the financial crisis in 1931, and, on account of the illiquid nature of the savings banks' investments, the limitations placed on their depositors had to be more severe and maintained longer than in the case of the commercial banks. Their position was greatly relieved by the establishment of the Acceptance and Guarantee Bank which, as mentioned above, enabled them to secure liquid funds on the basis of paper ineligible for rediscount at the Reichsbank. In 1932, there was a slight net increase in savings accounts with savings banks.

Finally, mention may be made of two new institutions established at the end of 1932. The Deutsche Industriefinanzierungsins'titut A.G. has a capital of 10 million preference shares subscribed by the Golddiskontbank and the Akzept und Kreditbank für Industrieobligationen, and 25 million ordinary shares subscribed by a large consortium of banks, including the Golddiskontbank, but later to be disposed of on the open market. All shares are 25 per cent paid. The object of this institution is to take over from the banks for gradual liquidation negotiable securities which, if disposed of too rapidly on the Stock Exchange, might lead to considerable losses.

The Tilgungskasse für gewerbliche Kredite is to take over from small and medium-sized banks 150 million RM. of "debtors" which would otherwise have to be written off. The banks remain responsible for the recovery of the debts and are to hand over in cash to the Tilgungskasse for writing-off purposes 1½ per cent of the total debts taken over by it in each of the first four years and ½ per cent per year thereafter. Debts which are paid will be passed back to the banks according to the rate of redemption and all must be redeemed within twenty-five years, when the Tilgungskasse is to be liquidated. This institution enables the banks to maintain unrealisable assets at their book values; in return for a pledge of part of their future earnings, they can substitute for such doubtful debts a holding at the Tilgungskasse. It is estimated¹ that proposals exceeding 100 million RM. have been submitted to the Tilgungskasse, and the 1932 report of the Deutsche Bank states that this bank has made use of the Tilgungskasse "for an amount small in relation to total 'debtors', but sufficient to relieve the balance-sheet".

A banking enquiry is being carried on with a view to a complete reorganisation of the whole credit system of Germany. It is expected that the report will be published in the first months of 1934.

Balance-sheet Summary.

As in the previous edition, three separate summary balance-sheets are given in the foregoing tables. Table 9 (a) I summarises (1) the statistics of the *Statistisches Jahrbuch* covering all the commercial banks of the country and (2) the interim reports of the *Kreditbanken*, as published in the *Reichsanzeiger*. The former include the big Berlin banks, provincial banks having branches, other commercial banks and special banks for building, etc. (see Table 7 of the introductory note). The *Kreditbanken* covered appear to account for about 95 per cent of the total balance-sheet of all commercial banks in 1931. Table 9 (a) II

summarises the annual balance-sheets of the big Berlin banks.

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

1 and 2. Cash and Cash Assets.

The detailed composition of this item is as follows:

	'RM. (000,000's)							
	<i>Kreditbanken</i>				Big Berlin banks			
	November 1929	November 1930	November 1931	November 1932	1929	1930	1931	1932
Cash, foreign money and coupons.	133	126	101	92	166	170	128	111
Balances with banks of issue. . . .	91	109	116	110	252	253	264	143
Balances with clearing institutions.	34	28	20	14	8	8	8	—
Not specified.	—	—	—	—	—	—	—	—
Total	258	263	237	216	426	431	400	254

¹ The London Times, Trade and Engineering Supplement, June 24th, 1933, page 22.

ACCOUNTS	Source : " Official Statistics " (Statistisches Reichsamt)				Source : Reichsanzeiger Bilanzübersichten.			
	SUMMARY OF POSITION AT THE END OF :							
	1925	1929	1930	1931	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932
Number of Banks	453	406	364	325	96	91	78	71
ASSETS.		RM. (ooo,ooo's omitted)						
I. Cash								
(a) Gold, silver and small coins								
(b) Inland notes and balances with Central Bank	489	634	643	516	258	263	237	216
2. Other Items of a Cash Nature								
3. Bills discounted and bought	2,157	4,180	3,767	2,570	3,363	2,847	2,092	2,208
(a) Treasury bills	—	646	797	604	491	551	377	500
(b) Commercial bills, Inland	—	3,534	2,970	1,966	2,872	2,296	1,715	1,708
(c) Commercial bills, Foreign	—	—	—	—	—	—	—	—
4. Investments and Securities	263	731	709	1,050	430	411	859	912
(a) Government	—	23	29	382	29	41	345	505
(b) Other	—	708	680	668	401	370	514	407
5. Participations	260	389	386	397	408	393	436	419
6. Due from Banks (Correspondents)	1,406	2,706	2,416	1,450	1,948	1,753	996	722
(a) At home	—	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—	—
7. Loans and Advances	4,937	11,014	10,690	7,287	10,252	10,413	8,126	6,815
(a) On current account	—	7,490	7,323	5,383	6,442	6,563	5,336	4,416
(b) Other	—	3,524	3,367	1,904	3,810	3,850	2,790	2,399
8. Cover for Acceptances	328	700	940	1,288	624	808	1,039	859
9. Premises, etc.	520	389	389	390	292	296	290	302
10. Sundry Assets	—	110	80	136	89	55	94	266
II. Total Assets	10,360	20,853	20,020	15,084	17,664	17,239	14,169	12,719
LIABILITIES.								
12. Capital paid up	1,128	1,408	1,422	1,124	982	980	1,450	1,183
13. Reserve Funds	295	551	568	323	450	453	514	27
14. Profit-and-Loss Accounts, Undivided Profits, etc.	118	156	118	38	—	—	—	—
15. Cheques and Drafts, etc., in circulation	8	—	—	—	—	—	—	—
16. Due to Banks (Correspondents)	1,238	3,600	3,813	2,770	3,270	3,691	2,546	2,635
(a) At home	—	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—	—
17. Deposits	7,103	13,831	12,653	8,902	10,965	9,814	7,041	6,357
(a) Current accounts and sight deposits	—	—	—	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—	—	—	—
(d) Other deposits	—	—	—	—	—	—	—	—
18. Borrowings	—	524	443	449	1,159	1,341	1,409	1,332
19. Acceptances and Endorsements	328	700	940	1,288	624	808	1,039	859
20. Sundry Liabilities	142	83	63	190	214	152	170	81
21. Total Liabilities	10,360	20,853	20,020	15,084	17,664	17,239	14,169	12,719
22. Guarantees, etc. (Avale und Bürgschaften)	406	1,000	858	827	828	776	703	837
23. Rediscounts	—	1,728	1,785	2,092	1,816	1,877	1,912	1,037
24. Value of the Currency in Cents of a U.S. Dollar at the End of Each Year	23.8	23.8	23.8	23.8	23.8	23.8	23.7	23.8

GERMANY. PRINCIPAL COMMERCIAL BANKS (BERLINER GROSSBANKEN) Table 9 (a) II.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1925	1929	1930	1931	1932
Number of Banks	7	6	6	5	5
ASSETS.					
RM. (ooo,ooo's omitted)					
1. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	256	426	431	400	254
2. Other Items of a Cash Nature					
3. Bills discounted and bought	1,321	3,038	2,573	1,478	1,718
(a) Treasury bills	—	380	549	374	497
(b) Commercial bills, Inland	—	2,658	2,024	1,104	1,221
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	66	211	173	170	213
(a) Government	1	15	19	56	66
(b) Other	65	196	154	114	147
5. Participations	216	279	280	289	313
6. Due from Banks (Correspondents)	678	1,674	1,479	664	586
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	2,735	7,407	7,128	4,788	4,270
(a) On current account	2,136	4,769	4,554	3,518	3,275
(b) Other	599	2,638	2,574	1,270	995
8. Cover for Acceptances	240	513	701	919	770
9. Premises, etc.	185	213	207	208	235
10. Sundry Assets	2	4	4	321	444
11. Total Assets	5,699	13,765	12,976	9,237	8,803
LIABILITIES.					
12. Capital paid up	474	588	553	429	442
13. Reserve Funds	186	330	330	115	100
14. Profit-and-Loss Accounts	57	79	51	7	7
15. Cheques and Draft in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	928	2,809	3,137	2,161	2,380
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	3,802	9,228	7,993	5,398	4,946
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	—	189	189	189	128
19. Acceptances and Endorsements	240	513	701	919	770
20. Sundry Liabilities	12	30	22	19	30
21. Total Liabilities	5,699	13,765	12,976	9,237	8,803
22. Guarantees (<i>Avale und Bürgschaften</i>)	—	676	642	528	448
23. Value of the Currency in Cents of a U.S. Dollar at the End of Each Year	23.8	23.8	23.8	23.8	23.8

GERMANY. PRINCIPAL COMMERCIAL BANKS (BERLINER GROSSBANKEN) Table 9 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1925	1929	1930	1931	1932
Number of Banks	7	6	6	5	5
	RM. (000,000's omitted)				
Capital paid up	474	588	553	429	442
Reserves and Undivided Profits	190	338	340	125	104
1. Gross Profits	384	480	450	368	320
<i>To be deducted :</i>					
2. Expenses	317	394	350	300	255
(a) Salaries, etc.	287	340	310	270	231
(b) Other working expenses	30	54	40	30	24
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pensions Funds, etc.	11	19	17	16	16
4. Written off on (Depreciation Accounts for)	6	2	43	706	131
(a) Premises, etc.	—	2	1	—	1
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	42	706	130
5. Remaining Net Profit or Loss	+ 50	+ 65	+ 40	- 654	- 82
6. Carried forward from Preceding Year	4	9	10	10	4
7. Taken from Reserves or Capital	—	—	—	651	85
8. Total Amount disposed of for Dividends, etc.	54	74	50	7	7
9. Carried to Reserves	2	—	—	—	—
10. Dividends	44	61	38	3	4
11. Directors' Fees, etc.	2	3	2	—	—
12. Other Purposes	—	—	—	—	—
13. Carried forward to Following Year	6	10	10	4	3
14. Total as above	54	74	50	7	7
15. Value of Currency in Cents of a U.S. Dollar at the End of Each Year	23.8	23.8	23.8	23.8	23.8

3. Discounts.

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

	x1/1929	x1/1930	x1/1931	x1/1932
	RM. (000,000's)			
Treasury bills :				
Redisable at Reichsbank	245	73	140	110
Other	246	478	237	390
Total 3 (a)	491	551	377	500

	x1/1929	x1/1930	x1/1931	x1/1932
	RM. (000,000's)			
Commercial bills :				
Cheques and bills (ordinary discounts)	2,863	2,288	1,706	1,670
Own acceptances	5	2	2	15
Own drawings	3	1	3	3
Promissory notes drawn by customers to bank's order	1	5	4	20
Total 3 (b)	2,872	2,296	1,715	1,708
Grand total	3,363	2,847	2,092	2,208

Treasury bills are non-interest-bearing and are issued by the States as well as by the Reich. The

commercial bill portfolio as shown above excludes bills rediscounted, which are not included under liabilities, but are shown separately outside the balance-sheet.

4. Investments and Securities.

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

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

	RM. (000,000's)							
	Kreditbanken				Big Berlin banks			
	November 1929	November 1930	November 1931	November 1932	1929	1930	1931	1932
Pledgeable at Reichsbank and other central banks.	57	69	219	183	12	12	9	7
Other quoted securities	273	226	230	161	152	120	80	99
Sundry securities.	71	75	65	63	32	22	25	41
Total	401	370	514	407	196	154	114	147

5. Participations.

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

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

	RM. (000,000's)							
	Kreditbanken				Big Berlin banks			
	November 1929	November 1930	November 1931	November 1932	1929	1930	1931	1932
Bank participations.	187	181	205	198	111	114	127	144
Syndicate participations.	221	212	231	221	168	166	162	169
Total	408	393	436	419	279	280	289	313

The increase in both bank and syndicate participations of the Berlin banks in recent years is a result of the mutual assistance that the banks were obliged to give under the three institutions created in 1931 and 1932 — namely, the Garantie und Akzept Bank, the Deutsche Finanzierungsanstalt and the Tilgungskasse für gewerbliche Kredite.

6. Due from Banks (Correspondents).

In the official statistics, the banks' "advances to

banks, banking firms, savings banks and other credit institutions" are included with other advances on current account. In the summary tables, this item has been carried to group 6 and added to "nostro" balances, which represent balances accruing in the ordinary course of banking transactions. (They do not include sums due after more than three months.) This division is shown below :

	RM. (000,000's)							
	Kreditbanken				Big Berlin banks			
	November 1929	November 1930	November 1931	November 1932	1929	1930	1931	1932
"Nostro" balances.	1,507	1,290	485	354	1,305	1,011	373	249
Advances to credit institutions.	441	463	511	368	369	468	291	337
Total	1,948	1,753	996	722	1,674	1,479	664	586

The bulk of the "nostro" balances are due within seven days. No distinction is made in the official statistics between such balances at home and

abroad ; the proportion held abroad was substantial in 1929, but it has probably declined in recent years.

7. *Loans and Advances.*

The sums given under (a) in the summary tables represent "debtors in current account", less

cover for acceptances. The latter item is not shown separately by the banks, but amounts equal to the acceptance liabilities shown in the balance-sheets have been deducted from "debtors" and carried

	RM. (000,000's)							
	Kreditbanken				Big Berlin banks			
	November 1929	November 1930	November 1931	November 1932	1929	1930	1931	1932
<i>Debtors in current account:</i>								
1. Covered by:								
Stock-Exchange security.	1,587	1,536	989	744	1,363	1,298	721	618
Other security	3,993	4,437	4,113	3,686	2,863	3,095	2,775	2,753
2. Uncovered	1,927	1,801	1,784	1,213	1,425	1,330	1,232	1,011
3. Total	7,507	7,834	6,886	5,643	5,651	5,723	4,728	4,382
<i>Less:</i>								
Advances to credit in- stitutions	441	463	511	368	369	468	291	337
Cover for acceptances	624	808	1,039	859	513	701	919	770
4. Total 7 (a)	6,442	6,563	5,336	4,416	4,769	4,554	3,518	3,275
<i>Other loans and advances:</i>								
5. Advances on Stock-Ex- change securities:								
Contangos	318	196	58	1	298	166	60	1
Lombards	284	227	131	40	264	187	69	31
Total	602	423	189	41	562	353	129	32
6. Reimbursement credits:								
Secured by shipping or warehouse warrants	238	182	99	130	211	189	75	89
Otherwise secured	859	967	679	543	791	955	568	486
Unsecured	966	1,000	540	407	799	821	427	326
Total	2,063	2,149	1,318	1,080	1,801	1,965	1,070	901
7. Other short-term credits on pledge of marketable goods	185	170	75	65	171	152	71	62
8. Total short-term loans (5+6+7)	2,850	2,742	1,582	1,186	2,534	2,470	1,270	995
9. Long-term loans	960	1,108	1,208	1,213	104	104	—	—
10. Total 7 (b)	3,810	3,850	2,790	2,399	2,638	2,574	1,270	995
Grand total (4+10)	10,252	10,413	8,126	6,815	7,407	7,128	4,788	4,270

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

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

8. *Cover for Acceptances.*

See note to previous group.

10. *Sundry Assets.*

The amounts shown under this heading for the Berlin banks in 1931 and 1932 include 300 and 410 million RM. respectively of Treasury certificates

given by the Reich in connection with their reorganisation (see introductory note).

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

The capital account involves double counting in respect of the bank participations included under assets. The decline in the capital resources in recent years is due to the writing-down of assets during the bank reorganisations described in the introductory note.

16. *Due to Banks (Correspondents).*

Sums due to foreign banks are not shown separately, but the bulk of the credits obtained with other banks for the account of customers

(seitens der Kundschaft bei Dritten benutzte Kredite) probably represents liabilities to foreign banks. The decline in this item in 1931 and 1932 has been

commented on in the introductory note.

The detailed composition of the sums shown in the summary tables is given below :

	RM. (000,000's)							
	<i>Kreditbanken</i>				Big Berlin banks			
	November 1929	November 1930	November 1931	November 1932	1929	1930	1931	1932
Credits obtained with other banks for the account of customers . . .	2,122	2,297	1,530	1,222	1,872	2,114	1,223	1,095
Due to German banks, banking firms, etc.	1,148	1,394	1,016	1,413	937	1,023	938	1,285
Total	3,270	3,691	2,546	2,635	2,809	3,137	2,161	2,380

17. Deposits.

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

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

	RM. (000,000's)							
	<i>Kreditbanken</i>				Big Berlin banks			
	November 1929	November 1930	November 1931	November 1932	1929	1930	1931	1932
Deposits	10,965	9,814	7,041	6,357	9,228	7,993	5,398	4,946
Due to German banks	1,148	1,394	1,016	1,413	937	1,023	938	1,285
Total	12,113	11,208	8,057	7,770	10,165	9,016	6,336	6,231
<i>Thereof:</i>								
Payable within seven days . . .	4,490	4,565	4,051	3,627	4,247	4,128	3,316	3,002
Payable after seven days and up to three months	6,679	5,827	3,139	2,953	5,419	4,538	2,535	2,621
Payable after three months . . .	944	816	867	1,190	499	350	485	608
Total, as above	12,113	11,208	8,057	7,770	10,165	9,016	6,336	6,231

18. Borrowings.

The sums shown in the summary table for *Kreditbanken* are composed as follows :

	<i>Kreditbanken</i>			
	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932
	RM. (000,000's)			
Mortgage and municipal bond issues	861	1,045	1,141	1,086
Other long-term borrowings	298	296	268	246
Total	1,159	1,341	1,409	1,332

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

22 and 23. Guarantees and Rediscounts.

These items are classified as contingent liabilities and excluded from the balance-sheet. Rediscount

liabilities arise in respect of bank acceptances and other bills, shown separately by the *Kreditbanken* as follows :

	<i>Kreditbanken</i>			
	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932
	RM. (000,000's)			
Rediscount liabilities in respect of :				
Bank acceptances	974	1,135	1,009	348
Other bills	842	742	903	689
Total	1,816	1,877	1,912	1,037
<i>Thereof</i> due within fifteen days	562	486	468	246

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

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

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

1. Gross Profits.

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

	RM. (000,000's)			
	1929	1930	1931	1932
Net interest from discounts and loans	227	208	170	160
Commissions	244	237	193	157
Profits from investments and participations . . .	9	5	5	3
Total	480	450	368	320

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

2. Expenses.

The German banks do not distinguish in their published profit-and-loss accounts between salaries and other working expenses. The reports of the Berlin banks for 1932 show that considerable reductions have been effected in expenses and state that further substantial reductions are expected in 1933. The ratio of tax payments to gross profits fell from 11 per cent in 1929 to 8 per cent in 1931 and 1932.

4 and 7. Depreciation Accounts and Taken from Reserves or Capital.

It will be observed that, in the years 1930-1932, the big Berlin banks wrote off assets to the extent of 890 million RM. Item 7 of the summary table suggests that the greater part of this reduction was accomplished by reducing capital and drawing on reserves and accumulated profits. The figures given at the top of the table show, however, that these items were not reduced to the same extent as off-writings were effected. The difference lies, of course, in the contributions of the Reich and the Golddiskontbank, which have been set out in detail in the introductory note. In Summary Table 9 (b), these contributions are included in item 7.

5. Net Profit or Loss.

In 1931 and 1932, the banks as a whole showed a net loss, after making provision for the depreciation of assets. In 1931, this was due to the Dresdner (and Danat) Bank, the Deutsche Bank and the Commerz- und Privat-Bank. In 1932, the Dresdner Bank made further provision for doubtful debts by drawing on its capital and reserves, and it is responsible for almost the whole of the net loss shown in that year. One million RM. is due to the Deutsche Bank, which wrote off assets to the extent of 27 million RM. The Commerz- und Privat-Bank used the whole of its operating profit (8 million RM.) to write off losses.

10. Dividends.

Only the Reichs-Kredit-Gesellschaft and the Berliner Handels Gesellschaft distributed dividends in 1931 and 1932.

11. Directors' Fees, etc.

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

GREECE.

Introductory Note.

A brief account of the structure and history of the Greek banking system was given in the last edition of this *Memorandum*. It may be recalled that the drachma was legally stabilised at about one-fifteenth of its pre-war parity in connection with the establishment of the new central bank in 1928. The new parity was maintained throughout the first years of depression, but difficulties arose as a result of the United Kingdom's abandonment of the gold standard in September 1931. A system of exchange control was then introduced in Greece, but it did not work successfully. The inflow of foreign capital (mainly through Government borrowing), which had hitherto helped to support the drachma exchange, dried up by the end of

1931 and a flight from the drachma seriously affected, not only the cover reserve of the Bank of Greece, but also the position of the commercial banks.

Even after the legal stabilisation of the drachma, the Greek public had largely maintained the practice of attaching a foreign gold currency clause to their drachma deposits with banks. This practice was officially recognised, and, in the bank returns, ordinary drachma deposits were distinguished from deposits in terms of foreign currencies, as is shown in the following summary statement (excluding mortgage and agricultural banks):

End of	Drachmæ (000,000's)						
	Deposits in terms of foreign currency	Other deposits	Total deposits	Cash in hand and at the Bank of Greece	Bill portfolio	Loans and advances	Securities
December 1930.	5,598	8,963	14,561	1,316	2,414	10,276	1,906
September 1931	6,206	8,277	14,483	1,033	2,508	9,915	2,042
December 1931.	5,685	8,466	14,151	1,105	2,054	9,726	1,980
April 1932.	5,671	7,471	13,142	646	1,638	9,513	1,975
December 1932.	1,765	11,754	13,519	857	1,467	9,592	1,838
November 1933.	1,346	13,352	14,698	1,786	2,536	8,598	1,590

In the first three to four months of 1932, the flight from the drachma assumed alarming proportions; the price of foreign exchange on the "black market" rose rapidly, the net cover reserve of the Bank of Greece was almost wiped out and apprehensions regarding the maintenance of the official parity led to heavy withdrawals of drachma deposits with the banks, while deposits in terms of foreign currency were well maintained. The banks were able to meet only part of the sudden withdrawals of drachma deposits by calling in credits — discount credits in particular — and, although recourse was had on a large scale to the central bank for supplementary cash, total cash reserves of the banks were heavily reduced. The attempt to maintain the official parity was ultimately given up at the end of April 1932; the exchange value of the drachma was allowed to depreciate rapidly to a level at which a balance between the supply of and the demand for foreign exchange could be more effectively secured, while, towards the same end, a system of direct restriction of imports was introduced.

The rapid rise in foreign exchange quotations,

however, entailed a heavy increase in the liabilities devolving upon the banks from their obligation to repay depositors the drachma equivalent of the very large deposits previously contracted in terms of foreign currency. On July 29th, 1932, a decree-law was passed which stipulated that debts of all kinds, including bank deposits, contracted in terms of foreign currency before April 26th, 1932 (the date of the official abandonment of the stabilisation parity), were to be considered as having been converted into drachmæ at the rate of \$1=100 drachmæ. It may be mentioned that the exchange rate of the dollar had risen to 125 drachmæ on April 27th and to 146.5 drachmæ on July 29th, as against the par rate of 77 drachmæ, at which most of the deposits in question had been contracted. The banks were partly covered, however, as they disposed of a minor reserve in *devisen* (about 15 per cent of their foreign currency deposits), and as some 2 milliard drachmæ¹ of their outstanding advances and discounts were likewise expressed in terms of foreign currency. On the other hand, certain *devisen* deposits, including those of foreign subjects permanently

¹ Excluding mortgage and agricultural banks.

residing abroad, as well as those of the members of the diplomatic corps and foreign missions, were exempted from so-called "drachmification" under the above decree-law.

The effects of this legislation upon the position of the commercial banks are reflected in the figures given above for the end of 1932 and 1933¹ respectively. The "drachmification" of deposits greatly relieved the internal banking position. Unlike the banks in most Central and Eastern European countries, those of Greece are purely commercial banks and are not tied up in loans to industry or agriculture to any great extent. Most of their credits are granted on short-term for financing commercial or similar transactions, and are thus, in principle, self-liquidating over comparatively short periods of time. The rise in internal prices which took place until the beginning of 1933 enabled certain debtors to repay bank advances which had previously been frozen. It will be observed that the total of outstanding loans and advances had been considerably reduced by the end of 1933, while the bill portfolio, which, in fact, continued to shrink until the end of February of that year (it then reached 1,366 million drachmæ),

rose sharply (by 1,170 million drachmæ, or 85 per cent) during the next nine months. As a result, the total volume of loans and discounts at the end of November 1933 practically equalled that outstanding at the end of April 1932. Meanwhile, total deposits increased very considerably and the banks were soon able to repay the credits received from the central bank in the spring of 1932; in addition, they accumulated large surplus balances with that institution. The official bank rate, which stood as high as 12 per cent in the beginning of 1932, was gradually reduced to 7 per cent in the autumn of 1933, and the loan rate charged by the commercial banks on first-class risks had fallen to 6 per cent, an exceptionally low loan-rate in Greece.

As in the preceding edition of this *Memorandum*, the summary tables are based on the statistics published in the *Monthly Bulletin of the Bank of Greece*. They cover all commercial banks operating in the country² and exclude the mortgage and agricultural banks, which are given separately in the basic statistics. Since 1930, these statistics are confined to the banks' principal accounts only. Profit-and-loss accounts for 1930 are not available for all the banks.

Balance-sheet Summary.

1. Cash.

The composition of this item is as follows:

	1929	1930	1931	1932
	Drachmæ (000,000's)			
Notes and coins	562	573	365	448
Balances with Bank of Greece	547	742	740	409
Total	1,109	1,315	1,105	857

4 and 5. Investments and Securities: Participations.

The statistics of the Bank of Greece do not distinguish between Government and other securities, nor is the nature of the participations indicated.

6. Due from Banks (Correspondents).

As a rule, domestic correspondents' accounts are included in ordinary current accounts. The sums given under (a) are shown among cash reserves under the heading "balances with other banks" in the statistics published by the Bank of Greece. Such balances may constitute a cash reserve from the point of view of the individual banks, but not for the banking system as a whole.

The sums given under (b) are shown in the statistics of the Bank of Greece under the heading "Ad, foreign banknotes and exchange" and appear to represent chiefly claims on banks

abroad, though they may also include a considerable proportion of foreign bills which are ultimately transformed into such claims.

7. Loans and Advances.

The composition of loans and advances according to periods of maturity is shown below:

	1929	1930	1931	1932
	Drachmæ (000,000's)			
Short-term (up to 3 months).		7,076	6,597	6,729
Long-term (over 3 months).		3,201	3,129	2,963
Total	6,857	10,277	9,726	9,692

12 and 13. Capital and Reserves.

These items are not shown in the statistics published by the Bank of Greece since 1930.

16. Due to Banks (Correspondents).

Inter-bank accounts are included in ordinary current accounts in the statistics published by the Bank of Greece.

17. Deposits.

All Greek banks accept deposits on savings-bank conditions, and there are no independent savings

¹ The figures for the end of November 1933 are the latest available at the time of writing.

² In the case of the foreign banks, only the accounts of Greek branches are taken into consideration.

GREECE.

COMMERCIAL BANKS

Table 10 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :			
	1929	1930	1931	1932
Number of Banks	35	33	31	27
ASSETS.				
Drachmæ (000,000's omitted)				
1. Cash.	1,109	1,315	1,105	857
(a) Gold, silver and small coins	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—
3. Bills discounted and bought.	3,523	2,414	2,054	1,467
(a) Treasury bills.	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—
4. Investments and Securities.	1,906	1,906	1,980	1,838
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations	410	939	879	719
6. Due from Banks (Correspondents).	1,627	1,344	809	918
(a) At home.	249	231	68	45
(b) Abroad	1,387	1,113	741	873
7. Loans and Advances.	6,857	10,277	9,726	9,692
(a) On current account	—	—	—	—
(b) Other	—	—	—	—
8. Cover for Acceptances.	—	—	—	—
9. Premises, etc.	439	—	—	—
10. Sundry Assets	4,324	—	—	—
11. Total Assets	20,195	—	—	—
LIABILITIES.				
12. Capital paid up.	688	—	—	—
13. Reserve Funds	2,099	—	—	—
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—
15. Cheques and Drafts, etc., in Circulation	109	—	—	—
16. Due to Banks (Correspondents)	—	—	—	—
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
17. Deposits	13,235	15,287	14,151	13,519
(a) Current accounts and sight deposits	8,317	12,115	10,567	9,786
(b) Savings accounts	3,088			
(c) Time or fixed deposits	1,830			
(d) Other deposits	—	3,172	3,584	3,733
18. Rediscounts and Other Borrowings	345	—	—	—
19. Acceptances and Endorsements.	—	—	—	—
20. Sundry Liabilities.	3,719	—	—	—
21. Total Liabilities.	20,195	—	—	—
22. Value of currency in cents of a U.S. dollar at the end of each year.	1.33	1.29	1.29	0.54

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :			
	1929	1930	1931	1932
Number of Banks.	28	.	23	21
	Drachmæ (000,000's omitted)			
Capital paid up.	662	.	525	622
Reserves and Undivided Profits.	2,098	.	1,843	1,571
1. Gross Profits.	1,563	.	1,307	1,168
<i>To be deducted:</i>				
2. Expenses.	1,214	.	1,008	903
(a) Salaries, etc.	512	.	—	—
(b) Other working expenses	609	.	—	—
(c) Taxes, etc.	93	.	—	—
3. Reserved for Pension Funds, etc.	—	.	—	—
4. Written off on Depreciation Accounts for.	141	.	169	167
(a) Premises, etc.	—	.	—	—
(b) Investments and securities.	—	.	—	—
(c) Other assets	—	.	—	—
5. Remaining Net Profit or Loss (—)	208	.	130	98
6. Carried forward from preceding year.	—	.	—	—
7. Taken from Reserves or Capital.	—	.	—	—
8. Total Amount disposed of for Dividends, etc.	208	.	130	98
9. Carried to Reserves.	20	.	7	4
10. Dividends	188	.	123	80
11. Directors' Fees, etc.	—	.	—	—
12. Carried forward to following year.	—	.	—	14
13. Total as above	208	.	130	98
14. Value of currency in cents of a U.S. dollar at the end of each year.	1.33	1.29	1.29	0.54

banks apart from the Post Office savings system. Since 1930, savings accounts are not shown separately from sight deposits in the statistics

published by the Bank of Greece, which also include borrowings through bond issues (345 million drachmæ at the end of 1929) under time deposits.

Summary of Profit-and-Loss Accounts.

The foreign banks operating in Greece do not publish separate profit-and-loss accounts for their Greek branches, the profits of which are transferred to the headquarters abroad and are not disposed of in Greece. The summary table therefore relates to domestic banks only.

The profit-and-loss statements available do not

contain any information regarding directors' fees, sums reserved for staff pension funds and undistributed profits carried forward. The amounts shown under 4 in the summary table include depreciation of premises, but appear to consist chiefly of sums written off loans, investments and participations.

HUNGARY.

Introductory Note.

The predominance of agriculture in the economic life of Hungary has largely determined the evolution and present organisation of the Hungarian banking system. The extension of long-term mortgage credit has always been one of the most important branches of the activity of many of the banks; but all banks enjoy full freedom to undertake any form of savings, current commercial or industrial banking business. So frequently are several or all branches of banking carried on conjointly by single institutions and so slight are often the differences in character between the operations of banks irrespective of their designation as savings, commercial or mortgage banks, that no true distinction can be made between these types of credit institutions. The relations between the banks and the industries created by them are closer in Hungary than in almost any other country. Although preference is normally given to industries closely connected with, or of immediate interest to, agriculture, nevertheless the banks extend their financial support to a whole range of other enterprises, whose products are destined both for domestic consumption and for export.

During the period of rapid recovery following the early post-war currency chaos, the principal banks in Hungary, as in Austria, obtained extensive foreign short-term credits¹ which were re-lent, directly or indirectly, to industry and agriculture and became part of the working capital of the country. The volume of bank credit increased without interruption from 1925 up to the end of 1930. During this period total current account loans were doubled, and the banks' bill portfolios increased more than threefold. Mortgage loans, which before the war constituted by far the most important branch of bank credit in Hungary, had been practically annihilated as a result of the post-war inflation and only amounted to 6 million pengö at the end of 1925. In subsequent years they were partly reconstituted and reached in 1929 a maximum

of 668 millions; by the end of 1932 they had declined only fractionally to 639 millions. Foreign credits were available to the provincial institutions indirectly through the rediscount facilities offered to them by the Budapest banks. In the balance-sheets of the provincial banks rediscounts increased rapidly up to the end of 1931 and scarcely dropped in the following year; in 1932 they were by far the most important liability, exceeding the total of current and savings deposits and "Creditors".

The *crise de confiance* in the summer of 1931 found the Hungarian banks in a highly illiquid position which called for measures of support on the part of the Government. Following the Creditanstalt disclosures, a withdrawal of deposits from the Hungarian banks and considerable selling of pengö set in. The majority of the Budapest banks — in particular, the General Credit Bank — was forced, in order to meet the calls made on them, to rediscount heavily with the National Bank. The total rediscounts of these banks, which had been 63.4 million pengö at the end of 1930, had risen to 206.3 millions a year later.² The closing of the German banks in July precipitated the crisis. The Hungarian Government declared a three-day Bank holiday, strictly limited withdrawals of deposits and instituted a control of foreign exchange dealings by the National Bank.

In the following month, in order to obviate distrust in the currency and consequent domestic withdrawals of deposits and speculative borrowing, the Gold-Pengö Law³ was passed, which attached a gold clause to bank deposits and certain other obligations expressed in pengö. At the same time, the *Hungarian Guarantee Bank* with a share capital of 50 million pengö, subscribed by the Government, the big banks and the principal industrialists, was established in order to support banks which might find themselves in difficulties. This institution, which was constituted on the model of the recently established German *Garantie- und Akzeptbank*, did

¹ In the autumn of 1931, the total medium- and short-term foreign liabilities of Hungarian commercial banks amounted to 823 million pengö and their corresponding foreign assets to approximately 120 millions. (League of Nations: Report of the Financial Committee on the Financial Position of Hungary. Document C.749(1).M.348(1).1931.) Comparable figures for earlier years are not available.

² The customary half-yearly balance-sheets were not published by the majority of the Budapest banks in the summer of 1931.

³ The gold-pengö law (Emergency Decree No. 4560/1931. M.E.) provides that all old money debts are to be considered gold debts, notwithstanding the legal-tender quality of bank-notes, and that future private debts protected by a gold clause shall also be regarded as gold debts. All debts to the State, past and future, are to be regarded as gold debts. The value of the gold pengö is set at 0.26315789 gramme of fine gold; the law is to become operative only if the price of 1 kilogramme of gold rises above 3,840 pengö. A later Decree provided that the paper pengö is to be regarded as equal to the gold pengö until such time as the Government decides otherwise.

not begin operations until the autumn of 1932. In August 1931, the foreign exchange control was extended and a census taken of all assets and liabilities in foreign currencies, the declaration of which was made obligatory.

Upon the introduction of the gold-pengő law the limitation on the withdrawal of domestic deposits was raised, but foreign bank credits remained in large measure immobilised. Negotiations for standstill agreements with the principal creditor countries¹ were opened in July. A three-month prolongation of existing acceptance and current account credits was soon arranged with the British creditors on condition that interest and commission should continue to be transferred; and on the basis of this agreement individual arrangements were made with other countries. The partial moratorium of December put an end to the transfer of interest and commission; negotiations were again opened, which resulted in general agreements with the British creditors at the end of March and with the American creditors in June 1932. According to these agreements the pengő equivalent of interest and commission were to be deposited by the debtor banks in a blocked account at the National Bank, the sums so accumulated to be at the disposal of the creditors for the purpose of certain forms of investment within Hungary. No capital repayment was provided for, and transfer of interest and commission might only be effected in so far as debtors had balances in the creditor countries or (October 1932) by means of the foreign balances obtained against "additional exports". These agreements were renewed in November. A supplementary agreement was negotiated in March 1933 with the American, British and Swiss creditors, providing for the compulsory repayment in pengő of 5 per cent of the outstanding principal, and further voluntary repayments, subject to the approval of the National Bank.

The Hungarian standstill arrangements have been far more complete than either the Austrian or the German. While in Austria the greater part of the short-term foreign debt of banks, other than the Creditanstalt, outstanding in May 1931 had been repaid in foreign currency by the end of that year, very little capital repayment, even in pengő, was effected by the Hungarian banks before the spring of 1933.

Although the number of banks in Hungary has declined steadily in the past few years,² there has been no important liquidation or merger among the Budapest banks.

Deposits have contracted considerably — by roughly 19 per cent in the course of 1931 and 10 per cent in 1932. This contraction is entirely due to domestic withdrawals, foreign loan moneys having been completely immobilised. It is stated³ that, although part of the sums withdrawn has been hoarded, a large part has been used for current consumption.

The Security portfolio of the Budapest banks expanded greatly in 1932 owing to their purchases of Treasury Bonds and subscriptions to the share-capital of the *Guarantee Bank*. To this item alone, however, has any considerable measure of revaluation been applied. Securities quoted on the Budapest Stock-Exchange were entered at 10 per cent below their value quoted at the end of June 1931 in the 1931 annual balance-sheets and at 30 per cent, or in certain circumstances 20 per cent, below that value in the 1932 accounts.⁴ From debtors and mortgage loans — both of which are of far greater importance in the balance-sheets of the banks than securities — no considerable losses have been written off.

Various measures have been passed, since the summer of 1931, to protect agricultural debtors — to prevent foreclosure for default, to reduce interest charges on mortgage loans and to establish a procedure for compulsory composition in certain cases. In the autumn of 1933, a law was passed under which any farmer whose registered debt exceeds fifteenfold the net cadastral income of his land may not be sold up for non-payment of debt. The maximum interest rate to be paid on any agricultural debt during the currency of the law (two years as from January 1st, 1934) is fixed at 5½ per cent, and farmers under protection are to pay interest at 4 per cent. Part of the principal of debts of farmers owning less than 10 *joch* of land is to be taken over by the State, which will pay off certain portions in cash to banking creditors having a first charge.

From the profit-and-loss accounts of the larger banks it would appear that expenses have been considerably reduced since 1930, and a Decree was passed in the summer of 1933 facilitating a further reduction of personnel costs. But the earning capacity of the banks, already seriously curtailed through the unprofitableness of investment, the insolvency of debtors, etc., has been further diminished by the reduction of interest margins resulting both from the legislation mentioned above and the rulings of the National Credit Council, a body set up in the latter part of 1931 for the purpose of "maintaining the proper functioning

¹ The number of autonomous institutions covered by the statistics of the Central Corporation of Banking Companies fell from 636 at the end of 1925 to 506 at the end of 1929 and to 450 three years later. The ten most important Budapest banks accounted at the end of 1932 for well over one-half of the total resources of Hungarian banks.

² Report of the National Bank of Hungary 1932.

³ This procedure was adopted in view of the long closure of the Budapest Stock Exchange. See *Economic Bulletin of the Central Corporation of Banking Companies*, No. 1, 1932 and 1933.

HUNGARY.

COMMERCIAL BANKS

Table 11 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1925	1929	1930	1931	1932
Number of banks	636	529	506	474	450
ASSETS.					
Pengö (ooo,ooo's omitted)					
I. Cash.					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank.	79	301	277	234	208
2. Other Items of a Cash Nature					
3. Bills discounted and bought.	651	1,836	2,010	1,894	1,714
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities.	105	123	121	118	262
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations. . . . .	.	.	.	.	.
6. Due from Banks (Correspondents). . . . .	.	.	.	.	.
(a) At home. . . . .	.	.	.	.	.
(b) Abroad . . . . .	.	.	.	.	.
7. Loans and Advances.	735	1,974	2,066	1,793	1,531
(a) On current account	729	1,310	1,409	1,147	892
(b) Other	6	664	657	646	639
8. Cover for Acceptances.	—	—	—	—	—
9. Premises, etc.	103	118	114	115	125
10. Sundry Assets	15	70	45	104	197
II. Total Assets	1,688	4,422	4,633	4,258	4,037
LIABILITIES.					
12. Capital paid up.	237	394	386	386	383
13. Reserve Funds	157	219	225	249	231
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	25	62	59	35	27
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents). . . . .	.	.	.	.	.
(a) At home. . . . .	.	.	.	.	.
(b) Abroad . . . . .	.	.	.	.	.
17. Deposits	1,125	2,820	2,970	2,413	2,164
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits.	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
18. Rediscounts and other Borrowings	126	818	895	1,071	1,077
19. Acceptances and Endorsements.	—	—	—	—	—
20. Sundry Liabilities.	18	100	08	104	155
21. Total Liabilities.	1,688	4,422	4,633	4,258	4,037
22. Value of currency in cents of a U.S. dollar at the end of each year.	17.49	17.49	17.49	17.49	17.49

of the credit system of the country". The Council has fixed maximum rates enforceable by law on loans and on discounts of various categories and payable for different classes of deposits. At the end of 1932 the maximum rates chargeable for loans and discounts respectively were fixed at 11.5% and 9.5-10.5% (according to the category of the discounting institute), and those for time-deposits at 6.5-7.75% and for sight deposits 5.75-7%. The discount rate of the National Bank stood at that date at 4.5%.¹

In pursuance of the programme contained in the Hungarian Government's declaration to the Financial Committee of the League of Nations, the Government introduced in June 1932 certain changes in banking legislation. Monthly balance-sheets were henceforth to be communicated regularly to the National Bank and the Central

Corporation of Banking Companies. The National Bank may further require any information it may desire regarding the assets of the banks and their various transactions and audit their books either directly or through the Central Corporation.

The latter body comprises practically the whole banking system of the country apart from the co-operative credit system and the Post Office Savings Bank (see introductory note given in the last edition of this *Memorandum*). Its statistics have been utilised for the attached summary table. It does not publish any detailed profit-and-loss figures.

As the character of the operations of the Budapest and the provincial banks differs markedly, separate figures for certain items of the balance-sheet are shown in the notes below.

Balance-sheet Summary.

3. Bills discounted and bought.

Agricultural bills, the average period of maturity of which considerably exceeds that of commercial bills proper, constitute a substantial proportion of the bill portfolios of the banks — more especially the provincial banks. Bills rediscounted are maintained under assets and are shown as a separate item under liabilities.

4. Investments and Securities.

The sharp rise in this item in 1932 is stated to have been due to purchases of Treasury bills and shares in the Hungarian Guarantee Bank.²

7. Loans and Advances.

The basic statistics give no details regarding the composition of the sums shown under (a) which include participations. The sums under (b) represent mortgage loans (including long-term loans to municipalities, etc.), the greater part of which is granted by means of issue of mortgage and "communal" bonds (included in group 18 of the summary table).

17. Deposits.

The following details are available :

	Pengö (000,000's)				
	31. XII 1929	31. XII 1930	31. XII 1931	31. XII 1932	30. VI 1933
Current accounts :					
Budapest	845	828	765	722	723
Provinces	75	70	65	48	43
Total	920	898	830	770	766
Savings accounts :					
Budapest	635	641	536	499	493
Provinces	357	378	275	220	209
Total	992	1,019	811	719	702
Cooperators³ :					
Budapest	799	885	694	600	619
Provinces	110	107	110	111	98
Total	909	992	804	711	717
Grand Total	2,821	2,909	2,445	2,200	2,185

¹ See *Economic Bulletin of the Central Corporation of Banking Companies*, No. 4, 1931 and No. 1, 1932.

² *Economic Bulletin of the Central Corporation of Banking Companies*, No. 1, 1933.

The discrepancy between these totals and the figures shown in the summary table is stated to be "due to reasons of a technical nature in constructing the balance-sheets of some institutes".¹

The distinction between "Creditors" (Kreditoren) and other deposit accounts is somewhat obscure. Although applied differently by individual banks, in practice it appears to reflect the character of the clientele, "creditors" representing mainly the big customers, with whom the banks maintain close business relations, and foreign short-term creditors, while the deposits of

other customers are shown under current and savings accounts.

The distinction between current and savings accounts would appear to be mainly formal in character, the latter being in practice current accounts (of small customers) subject to pass-books. As will be seen from the following statement, most of the deposits, even with institutions such as the Postal and Municipal Savings Banks and the Co-operative Credit Societies, which transact most of their business with customers of small means, are on current account.

End of year	Pengö (000,000's)									
	Savings deposits				Current accounts and cheque deposits			Total dep. of P. O. and Municipal Savings Banks and Co-oper. Cred. Soc.	Total deposits of commercial and ordinary savings banks	Grand Total
	P. O. Savings Bank	Municipal Savings Banks	Co-oper. Credit Soc.	Total	P. O. Savings Bank	Co-oper. Credit Soc.	Total			
1925	10	3	10	23	164	156	320	343	1,125	1,468
1929	55	7	43	105	164	272	436	341	2,820	3,361
1930	73	7	48	128	135	296	431	559	2,970	3,529
1931	54	6	40	100	147	280	427	527	2,413	2,940
1932	61	.	.	.	153	.	.	.	2,164	.

18. Rediscounts and Borrowings.

The sums shown in this group of the summary table are composed as follows :

	Pengö (000,000's)				
	End of :				
	1925	1929	1930	1931	1932
1. Rediscounts:					
Budapest	24	83	63	206	169
Provinces	101	364	394	415	412
2. Own bond issues (Budapest banks)					
Total	126	818	895	1,071	1,077

The second item represents the mortgage and "communal" bonds issued in connection with the long-term loan operations of the banks.

¹ *Economic Bulletin* of the Central Corporation of Banking Companies, No. 3, 1933.

² Of which provincial banks accounted for 0.2 million.

ITALY.

Introductory Note.

The outstanding features in the development of commercial banking in Italy during the past few years, apart from the credit contraction common to most countries, have been a reduction in the number of institutions carrying on ordinary banking transactions and an increased specialisation of function, partly brought about by the creation of a few new institutions of a special character. Between the end of 1929 and the end of 1932, the number of credit institutions inscribed on the register of the Ministry of Finance fell from 4,079 to 3,547, or by 532 banks. The very large number of Italian credit institutions is accounted for by the inclusion of rural banks or credit associations in the above figures; in 1932, these numbered 2,233. The following table summarises the principal accounts of the ordinary joint-stock banks for 1929-1931,¹ as published in the annual reports of the Bank of Italy.

	1929	1930	1931
Number of banks . . .	404	396	347
	Lire (100,000's)		
PRINCIPAL ASSETS			
Cash	1,178	1,223	1,092
Sight balances with other banks	1,178	1,294	1,466
Bill portfolio	14,722	15,311	15,050
Loans and advances	5,931	5,315	3,149
Correspondents, etc. . . .	9,379	9,584	8,047
Sundry debtors	1,031	821	833
Securities	4,417	4,579	3,444
Participations	1,068	1,085	649
Premises	500	478	458
Total of above assets	39,404	39,690	34,188
PRINCIPAL LIABILITIES			
Capital and reserves	4,786	4,670	4,511
Deposits	10,868	10,973	9,164
Correspondents, etc. . . .	19,936	20,006	17,649
Sundry creditors	960	729	627
Cheques in circulation	791	718	587
Re-discounts	1,814	2,180	2,081
Borrowings	1,467	1,312	632
Total of above liabilities	40,622	40,588	35,251

¹ Figures for 1932 not yet published.

The decline in the number of banks is partly due to bankruptcies and partly to amalgamations. The contraction in bank credit appears to have begun only in 1931, during which year the banks suffered large withdrawals of deposits, the ordinary deposit accounts falling by 1.8 milliard and correspondents and sundry creditors by 2.5 milliards. As explained in the previous edition of this memorandum, the item "correspondents" consists largely of the accounts of the industrial and commercial concerns which are (or have until recently been) financed directly by the banks. As the large enterprises were on the whole more severely affected by the economic depression than the smaller customers of the banks, it seems natural that the correspondent accounts should contract more sharply than the ordinary deposit accounts. The sharp decline in the former was also due in part to withdrawals on the part of foreign banks of credits in respect of which the Italian banks served as intermediaries between their customers and the foreign creditors. Under assets, this seems to be reflected in the greater decline in loans and advances than in correspondent debtors, the fall in the former being 2.2 milliard lire and in the latter 1.5 milliard lire between December 1930 and December 1931. Security holdings and participations also declined by an aggregate of 1.6 milliard lire. As a result, the total balance-sheet of the banks under review was reduced by over 5 milliard lire in 1931, a measure of the deflation of commercial bank credit which took place in that year. The bill portfolio was relatively little reduced, presumably on account of purchases of Treasury bills effected by the banks with a view to strengthening their liquidity. (Treasury bills are not shown separately in the statistics.)

In the early stages of the economic crisis, the banks attempted to assist the industrial enterprises with which they had relatively close connections by granting them direct advances and by supporting their securities on the Stock Exchange. The joint-stock banks' holdings of securities on own account increased by 100 million lire in the course of 1930 and their participations also rose. Direct loans to important customers are reflected by the increase in the item "correspondent debtors" during this year.

It is clear from the foregoing that the credit contraction which occurred in 1931 was largely a reflection of the European financial crisis of that year. In addition to the withdrawal of foreign funds, there were domestic withdrawals of deposits

seeking safety in non-commercial credit institutions or permanent investment in fixed interest bearing stock.

A more detailed examination of the development of bank credit during the period under review may

be made on the basis of the following figures, published in the *Bollettino di Notizie Economiche*, which relate to the three largest banks operating in Italy — namely, the Banca Commerciale Italiana, the Credito Italiano and the Banco di Roma.

End of	Lire (000,000's)							
	Cash	Bill portfolio	Contango loans	Correspondent debtors	Investments	Participations	Deposit accounts	Correspondent creditors
December 1929	1,257	8,536	1,692	5,656	1,264	1,026	3,164	13,746
December 1930	1,307	9,029	1,483	6,410	1,292	901	3,219	14,746
April 1931	1,139	8,892	1,412	6,392	1,275	—	3,019	14,674
December 1931.....	1,160	10,292	866	4,915	950	511	2,796	13,539
June 1932.....	934	9,926	686	4,868	1,048	—	2,734	13,100
December 1932	1,197	9,605	603	5,447	1,119	473	2,893	13,116
August 1933	1,038	9,212	776	4,992	1,152	—	3,262	12,378

The contraction of credit was very moderate until the period of financial crisis which began in May 1931. Between the end of 1929 and the end of April 1931, the ordinary deposit accounts fell by only 150 million lire, while correspondent creditors rose by 900 millions. The only credit item to show any appreciable decline was contango loans, which fell by 280 million lire. The total of bills and investments was slightly higher, and that of correspondent debtors considerably higher, a reflection of the support given to industrial firms, which has been mentioned above. The cash holdings of the three large banks fell somewhat; on the other hand these banks (and, in particular, the Banca Commerciale Italiana) received considerable additional credits from foreign banks, as reflected in the large increase in correspondent creditors already referred to. The big three were able, during this period, to reduce their indebtedness at the Bank of Italy; the Italian bill portfolio of the latter fell from 4,319 million lire at the end of 1929 to 2,755 millions at the end of April 1931.

The financial crisis which broke out in Austria in May 1931 soon affected the Italian commercial banks. Between the end of April 1931 and the end of June 1932, the correspondent creditor accounts of the big three fell by over 1,500 million lire, and their deposit accounts by 285 millions. The fall in correspondents represents largely the withdrawal of foreign short-term credits to Italian banks. To meet these internal and external drains, the Italian banks sharply reduced their credits to important industrial customers, as is shown by the reduction in the correspondent debtors item by over 1,500 million lire between April 1931 and June 1932. The greater part of this reduction occurred during 1931, and the banks were able to mobilise their industrial holdings and participations (which the fall in prices and decline in business activity had rendered non-liquid) without loss, only through the assistance of certain

semi-public organisations set up especially for this purpose. These organisations are described below.

In the period mentioned, the banks also reduced their contango loans very sharply. Investments fell by 325 million lire in the last seven months of 1931, but increased by 100 millions in the next six months. Participations were half as high at the end of 1931 as two years earlier and continued to fall during 1932. On the other hand, the bill portfolio increased by 1,400 million lire from the end of April to the end of December 1931, and, though it has declined continuously since the latter date, it was substantially higher at the end of August 1933 than before the beginning of the financial crisis. The increase in this item would appear to be largely due to increased holdings of Treasury bills or other non-commercial paper acquired by the Banca Commerciale Italiana in connection with the operation with "Sofindit" to which reference is made below. The bill portfolio of the Banca Commerciale jumped by 1,550 million lire in the last two months of 1931.

In meeting the extraordinary demands on them during the financial crisis, the commercial banks allowed some depletion of their cash reserves to take place (cash holdings of the three banks covered in the above table fell by 225 million lire in the first half of 1932) and, moreover, had recourse to the Central Bank for assistance. The bill portfolio of the Bank of Italy increased from 2,750 million lire at the end of April 1931 to 4,600 millions at the end of the year and 5,500 millions at the end of May 1932.

During the second half of 1932, there was some slight tendency towards an expansion of the volume of commercial bank credit outstanding. Deposits and correspondent creditors both rose slightly, and an increase in correspondent debtors and investments more than counterbalanced the continued decline in the big banks' contango loans and the fall in the bill portfolio (since December 1931). There were, in the course of 1932, fewer

bank failures and fewer cases of loss of confidence on the part of the public than in the previous year. Consequently, the banks were not called upon to face any large internal drain on deposits. In the first eight months of 1933, however, there was a fresh contraction of most credit items.

As in many other countries, the withdrawal of deposits from commercial banks in Italy during

the period of economic depression, and particularly during the months of financial panic, was accompanied by an increase in deposits in postal and private savings banks and in other institutions of a similar character. The following table shows the amounts to the credit of depositors in various classes of institution at selected dates during the period covered by the present chapter :

	Lire (000,000's)								
	COMMERCIAL BANKS			SAVINGS BANKS, ETC.					GRAND TOTAL ^a
	Big three ^b (1)	Regional banks (2)	Total (3)	Ordinary savings banks (4)	Postal savings banks (5)	Monti di Pieta (6)	People's banks (7)	Total (8)	
December 1929	16,910	3,631	20,541	16,362	11,648	1,004	994	30,008	50,549
December 1930	17,965	3,243	21,208	17,229	12,919	1,090	1,105	32,343	53,551
April 1931	17,693	3,321	21,013	17,766	13,607	1,162	1,156	33,695	54,704
December 1931	16,335	3,159	19,494	17,801	14,552	1,395	1,121	34,869	54,363
June 1932	15,834	2,846	18,680	18,256	15,290	1,402	1,053	36,001	54,681
December 1932	16,009	2,647	18,656	18,428	16,288	.	1,062	.	.
June 1933	15,669	2,696	18,365	18,772	17,650	.	1,075	.	.

The first column in the above table refers to the three large banks on which the attached summary table is based, and includes correspondent creditors, as well as ordinary deposit accounts. It will be observed that deposits in the regional commercial banks declined particularly sharply during the depression, being almost 1,000 million lire (or more than 25 per cent) lower in June 1933 than at the end of 1929. Deposits in the big three (including correspondent creditors) were 1,200 million lire (or less than 10 per cent) lower. On the other hand, deposits in all the various groups of savings institutions were considerably higher. The rise was particularly marked in the case of the postal savings banks, whose deposits increased by 6,000 million lire, or over 50 per cent, between the end of 1929 and the end of June 1933. The increase in deposits in the ordinary savings banks, though somewhat less striking, was also substantial — 2,400 million lire, or some 15 per cent. Deposits

in the small *monti di pieta* increased by 400 million lire, or 40 per cent, between the end of 1929 and the middle of 1932 ; since the latter date, comparable figures have not been available. Deposits in the ordinary and postal savings banks, which, in 1929, amounted to 57 per cent of the total deposits recorded in the above table (excluding the *monti di pieta*), accounted for 65 per cent in June 1933.

Reference has been made above to the growing specialisation of function in Italian commercial banking. During the past few years, there has been a tendency away from "universal" banking and towards deposit banking. The banks have attempted to divest themselves, to a considerable extent, of direct industrial participations. In several cases, the resources immobilised in these

^a Including correspondent creditors.

^b If all commercial banks covered by the statement on the first page of this chapter and, in addition, five special credit institutions covered by the annual statistics of the Bank of Italy be included, the totals relating to the end of the years 1929-1931 would be as follows (figures for 1932 not yet available):

End of :	Lire (000,000's)							
	ORDINARY DEPOSIT ACCOUNTS				CORRESPONDENT ACCOUNTS AND SUNDRY CREDITORS			GRAND TOTAL
	Commer- cial banks	Special credit in- stitutions	Savings banks, etc.	Total	Commer- cial banks	Special credit in- stitutions	Total	
1/29	10,868	3,616	30,008	44,492	20,896	2,047	22,943	67,435
1930	10,973	3,611	32,343	46,927	20,735	1,566	22,301	67,228
1931	9,164	3,843	34,869	47,876	18,276	1,705	19,981	67,857

The group of "Special Credit Institutions" includes the Bank of Naples and the Bank of Sicily, which ceased to function as banks of note issue in 1926, and three semi-public banking institutions. It will be noted that the deposits with these institutions increased in 1931, the year of financial crisis.

advances could be freed only through the assistance of institutions of a quasi-public nature.

The first steps in the increased specialisation of function within the Italian banking system were described in the first issue of this memorandum in connection with the amalgamation of the Credito Italiano with the Banco Nazionale di Credito. The Credito Italiano disposed of the greater part of its industrial investments and participations to a newly created investment trust which took over the name Banco Nazionale di Credito. In 1931, a somewhat similar transaction took place when the Banca Commerciale Italiana, the largest commercial bank in Italy, sold to the Societa Finanziaria Industriale Italiana ("Sofindit"), a private investment trust, all its industrial shares and those of holding companies entirely controlled by it for an aggregate sum of 4,000 million lire. The immediate reason for this sale, which did not entail any loss to the Banca Commerciale Italiana, was to place the bank in possession of a large amount of liquid capital and easily realisable assets, in order to enable it to meet withdrawals of deposits. About one-quarter of the purchase price was paid over to the bank in cash, and it was agreed that it could demand further payments in accordance with its cash requirements. The "Sofindit", which is a private organisation, obtained the funds required for this operation by borrowing from the Istituto Mobiliare Italiano (see below) with the guarantee of the State Treasury. At the same time, its own capital was raised from 100 to 300 million lire, the additional capital being subscribed by a group of Italian industrial firms and immobilised in a syndicate for a considerable number of years.

The Istituto Mobiliare Italiano is a semi-governmental credit institution, founded in November 1931. Its capital stock, on which the State guarantees an annual dividend of 5 per cent, is held by public bodies of various kinds, but by no private banks. Its object is to relieve the

commercial banks of the necessity of immobilising their funds in long-term advances to industry by carrying out this function itself. Its capital is 550 million lire, and it is authorised to issue debentures up to ten times that amount. In special circumstances, these debentures may be guaranteed by the State. Issues are made as funds are required to make loans to industrial concerns. These loans are made on real or collateral security for a maximum period of ten years.

Towards the end of 1932, a new governmental credit institute, the Istituto per la Ricostruzione Industriale, was established. This organisation is divided into two sections, one of which is concerned with the financing of industry, and the other with the unfreezing of credit. The former provides credit for longer terms than the Istituto Mobiliare and raises its funds through the issue of bonds redeemable in fifteen to twenty years. The latter section has taken over the assets and liabilities of the Istituto di Liquidazioni, which was organised in 1926 to take over from the Bank of Italy the frozen assets which it had discounted for the Banco di Sconto and other financial institutes. The advances of the Bank of Italy to this institute, which had been reduced from 2,650 million lire at the end of 1926 to 625 millions in May 1931, rose to 1,500 millions lire at the end of 1931 and 1,900 millions at the end of 1932. With the organisation of the Istituto per la Ricostruzione Industriale, the Istituto di Liquidazioni was wound up. The unfreezing section of the Istituto di Liquidazioni has been given a Government grant of 85 million lire a year for twenty years. For the purpose of obtaining savings to be transferred to this section, the Institute has issued one milliard lire of special 4½% bonds in denominations of 1,000 lire through the Credit Consortium for Public Works, to which it has transferred part of the twenty-year Government grant.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1925	1929	1930	1931	1932
Number of : Banks	4	4	3	3	3
Branches and Sub-Branches	317	350	360	370	399
ASSETS.					
; Lire (ooo,ooo's omitted)					
1. Cash.					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	1,296.7	1,814.3	1,528.7	1,392.8	1,431.3
2. Other Items of a Cash Nature					
3. Bills discounted and bought	8,716.0	8,362.0	8,967.4	10,216.4	9,535.8
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities.	951.8	1,264.3	1,423.6	983.6	1,148.9
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations.	656.9	1,026.4	901.2	510.8	473.3
6. Due from Banks (Correspondents).	4,713.3	5,928.6	6,563.0	4,914.8	5,022.3
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances.	1,547.5	1,999.6	1,682.5	1,085.5	842.7
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances.	1,500.6	1,254.4	1,100.5	498.4	394.6
9. Premises, etc.	98.5	114.1	119.0	121.8	125.4
10. Sundry Assets	425.8	662.9	483.0	548.0	528.7
11. Total Assets	19,907.1	22,426.6	22,768.9	20,272.1	19,503.0
LIABILITIES.					
12. Capital paid up.	1,383.4	1,554.9	1,400.0	1,400.0	1,400.0
13. Reserve Funds	640.0	880.0	935.0	939.0	942.0
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	239.2	253.7	190.6	154.2	132.8
15. Cheques and Drafts, etc., in circulation	781.9	604.1	545.7	469.6	421.6
16. Due to Banks (Correspondents)	12,405.5	14,163.9	14,999.1	13,539.2	12,805.6
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits.	2,562.5	3,268.8	3,226.5	2,904.8	3,019.2
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
18. Rediscounts and other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements.	1,500.6	1,254.4	1,100.5	498.4	394.6
20. Sundry Liabilities.	394.0	446.8	371.5	366.9	387.2
21. Total Liabilities.	19,907.1	22,426.6	22,768.9	20,272.1	19,503.0
22. Guarantees.	764.3	1,252.1	1,327.2	1,479.3	1,251.5
23. Value of currency in cents of a U.S. dollar at the end of each year.	4.03	5.24	5.24	5.11	5.11

ITALY.

PRINCIPAL COMMERCIAL BANKS

Table 12 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1925	1929	1930	1931	1932
Number of Banks,	4	4	3	3	3
	Lire (ooo,ooo's omitted)				
Capital paid up.	1,383.4	1,554.9	1,400.0	1,400.0	1,400.0
Reserves and Undivided Profits.	683.0	917.5	974.9	983.7	992.8
1. Gross Profits.	600.3	621.0	552.4	461.6	427.1
<i>To be deducted:</i>					
2. Expenses.	385.4	395.4	391.6	343.3	336.8
(a) Salaries, etc.	322.1	328.0	317.6	281.6	269.0
(b) Other working expenses	63.3	67.4	74.0	61.7	67.8
(c) Taxes, etc.	10.7	3.7	4.1	2.8	2.7
3. Reserved for Pension Funds, etc.	10.7	3.7	4.1	2.8	2.7
4. Written off on (Depreciation Accounts for).	8.0	8.0	7.3	6.4	5.8
(a) Premises, etc.	—	—	—	—	—
(b) Investments and securities.	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit (+) or Loss (—)	+196.2	+213.9	+149.4	+109.1	+81.8
6. Carried forward from preceding year.	43.0	37.5	39.9	44.7	50.8
7. Taken from Reserves or Capital.	—	—	—	—	—
8. Deficit left uncovered	—	—	—	—	—
9. Total Amount disposed of for Dividends, etc.	239.2	251.4	189.3	153.8	132.6
10. Carried to Reserves.	75.0	55.0	4.0	3.0	3.0
11. Dividends	122.2	149.4	136.0	96.0	70.0
12. Directors' Fees, etc.	7.6	7.0	4.6	2.4	0.9
13. Carried forward to following year.	34.4	40.0	44.7	52.4	58.7
14. Total as above	239.2	251.4	189.3	153.8	132.6
15. Value of currency in cents of a U.S. dollar at the end of each year.	4.03	5.24	5.24	5.11	5.11

Balance-sheet Summary.

1 and 2. Cash Assets, etc.

The banks do not all draw a distinction between cash in hand and with the Central Bank and sight claims on other banks at home and abroad. For

the purpose of uniformity, therefore, these claims have been included under cash even when they are indicated separately in the balance-sheets. Since 1929 the position has been as follows :

	Lire (000,000's)				
	1925	1929	1930	1931	1932
<i>Two banks:</i>					
Cash in hand and with Central Bank	88.5	299.0	226.7	247.1	275.7
Sight claims on other banks	159.4	557.2	221.7	232.9	234.6
Total	247.9	856.2	448.4	480.0	510.3
<i>Two banks:</i>					
Cash, including sight claims on other banks	1,048.8	958.2	1,080.3	912.8	921.0
Grand total (<i>four banks</i>)	1,296.7	1,814.4	1,528.7	1,392.8	1,431.3

3. Bills discounted.

The Treasury bills held by the banks are not shown separately in the published balance-sheets, though they probably constitute the greater part of the sums given in the table. The foreign bills are likewise not shown separately.

All the banks include in the end-of-year balance-sheets rebate on bills maturing in the following year. In order to arrive at the actual value of the portfolio this rebate, which the banks show separately under liabilities, has been excluded from the balance-sheets at the compilation of the summary table. The sums thus deducted from the discounts are given below :

Year	Lire (000,000's)
1925	81.0
1929	63.0
1930	61.7
1931	75.5
1932	69.5

The figures for the bill portfolio given in the table include considerable amounts of rediscounts, which are not shown separately in the balance-sheets of the banks, the liability for these bills being included in the correspondent creditor account.

4. Investments and Securities.

The banks do not show their holdings of Government securities separately and it is not

possible to judge what proportion of the sums given in this group of the table represent industrial investments. The investments of Staff pension funds, where shown separately, are entered under "Sundry assets" in the table.

5. Participations.

The sums given in this group represent mainly participations in industrial enterprises controlled by the banks, but also include participations in banks and financial undertakings.

6. Due from Correspondents.

The term *corrispondente* is given a much wider sense by Italian banks than is generally applied to the word "correspondent" in other countries. The sums in this group of the summary table include the accounts of important customers, mainly industrial concerns, with which the banks maintain close relations. Thus, it is not unlikely that, in post-war years, a very considerable proportion of the sums given represents long-term industrial credits. As a result, no distinct line of demarcation exists between the sums shown in this group and those given in the following group of the summary table. This item also includes bills for collection, which are rarely shown separately.

7. Loans and Advances.

The sums given in this group of the summary table are composed as follows :

	Lire (000,000's)				
	1925	1929	1930	1931	1932
Exchange loans	1,351.8	1,692.1	1,483.5	865.6	602.7
Other loans and advances	195.7	202.8	199.0	219.9	240.0
Total	1,547.5	1,894.9	1,682.5	1,085.5	842.7

11 and 21. Total Assets and Liabilities.

Uncalled capital, amounting to 216.6 and 45.1 million lire in 1925 and 1929, respectively, has been excluded both from assets and liabilities.

The guarantees ("Avalli") likewise included in the balance-sheets proper of all the banks are shown in a separate group outside the balance-sheet at the bottom of the summary table (group 22).

All other forms of self-cancelling accounts representing purely nominal assets and liabilities and consisting mainly of safe deposit accounts, etc., which some of the banks include and the others show in separate statements outside the balance-sheets proper, have been entirely left out of account in the summary table.

12 and 13. Capital paid up and Reserve Funds.

When the Credito Italiano was amalgamated with the Banca Nazionale di Credito in 1930, 75 million lire of the capital of the old Banca Nazionale was transferred to reserves and the remaining joint capital of the two banks, 625 million lire (of which 45.1 million uncalled), was written down to 500 million lire.

16. Due to Correspondents.

As explained in the note to group (6), the sums

entered under the heading "correspondents" largely consist of the current accounts of the industrial and commercial concerns, which are financed by the banks and deposit with them surplus funds in excess of their needs for the day. It also includes the creditors for bills surrendered for collection, shown separately only by some of the banks.

17. Deposits.

This item comprises current and savings accounts and time deposits. In post-war years the banks have not shown the time deposits separately; but these deposits appear to constitute only a small proportion of the sums given in the table. In contrast to the current accounts included in the preceding group, which result mainly from the financing of big industrial and commercial undertakings, the sums shown under the heading "current and savings accounts" consist of the accounts of the numerous small depositors who constitute the greater part of the clientele of the ordinary banking business of the banks.

18. Rediscounts and Other Borrowings by the Banks.

As mentioned in the note to group (3) above, the banks do not show their rediscounts separately in their balance-sheets.

Summary of Profit-and-Loss Accounts.**1. Gross Profits.**

The composition of the gross profits of the banks is shown below :

	Lire (000,000's)				
	1925	1929	1930	1931	1932
Net interest from discounts and loans.	394.0	411.1	368.0	292.3	309.3
Profits from securities and participations	115.9	149.9	123.0	115.9	74.0
Commissions and other profits	90.4	60.0	61.4	53.4	43.8
Total	600.3	621.0	552.4	461.6	427.1

The first item represents *net* interest earned, calculated by deducting interest due and rebate on bills from total interest earned as shown in the profit and loss accounts of the banks.

2. Expenses.

The banks do not show salaries separately from other working expenses in their published reports. Moreover, some of the banks appear to include depreciation of assets and allocations to staff pension funds in their current expenses ("Spese d'Amministrazione").

3. Reserved for Pension Funds, etc.

Some banks do not show allocations to staff pension funds separately in their profit-and-loss accounts. The figures given under this heading in the table, therefore, are not complete.

4. Depreciation of Assets (Sums written off).

The sums given in this group of the summary table refer almost exclusively to the "Banca Commerciale", the only bank which always gives these details separately.

LATVIA.

Introductory Note.

At the time of the outbreak of the great war there existed in Latvia a fairly well-developed banking system comprising a considerable number of local commercial banks (some of which had been established as early as in the sixties and seventies of last century), municipal savings banks and mutual credit societies and, in addition, numerous branches of the big St. Petersburg banks and other important Russian credit institutions.

The pre-war system was, however, almost completely destroyed during the war and the early post-war years. The branches of the Russian banks were closed in connection with the nationalisation of banking by the Soviet Government, and the few local banking institutions which survived the war of independence suffered heavy losses on

account of the rapid depreciation first of the Russian rouble, which remained the currency of the country up to March 1920, and subsequently of the Latvian rouble. It was only with the successful stabilisation of that currency towards the end of 1921, and the introduction of the Lat currency at the time of the establishment of the Bank of Latvia, the new central bank of note issue, in 1922, that conditions became favourable for the building-up of a new banking system.

The composition of the Latvian credit system (apart from the central bank, special mortgage credit institutions, the Post Office Savings Bank and the People's Bank) and its development since 1921 are shown below :

Number of Latvian Credit Institutions and their Total Assets (in millions of Lats) at the end of

		1921	1923	1925	1927	1929	1930	1931	1932
Joint stock banks.	Number.	4	17	21	20	19	19	18	17
	Assets.	8.9	49.4	112.7	142.5	182.9	167.5	104.1	84.0
Riga Exchange Bank	Number.	1	1	1	1	1	1	1	1
	Assets.	2.5	4.3	8.4	11.0	16.8	16.9	8.0	9.0
Communal banks	Number.	3	3	4	4	4	3	3	3
	Assets.	1.4	3.2	7.4	8.4	12.5	14.2	9.2	7.4
Communal savings banks	Number.	3	3	4	7	7	8	8	8
	Assets.	0.4	0.7	2.5	3.2	5.7	6.5	5.8	5.4
Mutual credit societies	Number.	25	26	33	33	35	36	36	34
	Assets.	3.4	12.1	21.7	28.3	40.4	45.6	35.7	33.6
Loan and savings bureaux	Number.	117	250	523	588	608	623	628	.
	Assets.	1.7	12.8	59.3	82.1	101.8	112.9	101.8	.
Total	Number.	154	300	586	653	674	691	694	.
	Assets.	18.3	82.5	212.0	275.5	360.1	363.6	264.6	.

The number of joint-stock banks increased rapidly until 1925 ; since that year, it has been somewhat reduced, while total assets continued to increase up to 1929. These private institutions, together with the Riga Exchange Bank — a public credit institution — constitute the real commercial banks of the country, but the various communal (town) banks and savings banks, the mutual credit societies, and the very numerous co-operative loan and savings bureaux all carry on certain forms of current commercial banking alongside the special activities for which they have been established. The co-operative banks, whose clientele consists

chiefly of small agriculturalists, etc., have indeed developed very rapidly over the period considered. No distinct movement towards internal concentration can as yet be discerned in Latvian banking ; the credit system is still in the early stage of external expansion following upon its recent organisation on a national basis. The relative importance of the various groups of banks is shown in greater detail in the following summary statement of the balance-sheet position of each group and of the credit system as a whole at the end of 1925 and 1930.

	Lats (000,000's).									
	Joint-stock banks and Riga Exchange Bank		Communal banks and savings banks		Mutual credit societies		Loan and savings bureaux		Total	
	1925	1930	1925	1930	1925	1930	1925	1930	1925	1930
<i>Assets:</i>										
Cash and other reserve items	6.5	16.4	1.5	2.1	1.5	3.6	2.5	2.7	12.0	24.8
Securities	1.5	4.5	—	0.2	0.2	0.8	0.3	0.9	2.0	6.4
Discounts	25.8	44.6	3.2	8.4	13.3	26.6	16.6	29.4	58.9	109.0
Current account advances	42.0	78.0	1.1	3.9	1.9	6.7	0.3	3.6	45.3	92.2
Other loans and credits	8.0	3.0	1.4	4.4	1.9	1.3	35.0	60.7	46.3	69.4
(Total discounts, loans and advances)	(75.8)	(125.6)	(5.7)	(16.7)	(17.1)	(34.6)	(51.9)	(93.7)	(150.5)	(270.6)
Due from banks	17.2	14.2	2.0	0.6	0.6	0.5	0.2	4.1	20.0	19.4
Premises	7.6	13.0	0.2	0.5	1.8	4.7	2.3	5.2	11.9	23.4
Sundry accounts	12.5	10.7	0.5	0.6	0.5	1.4	2.1	8.0	15.6	20.7
Total assets	121.1	184.4	9.9	20.7	21.7	45.6	59.3	114.6	212.0	365.3
<i>Liabilities:</i>										
Capital and reserves	27.5	34.4	1.1	2.1	2.5	8.1	7.8	19.3	38.9	63.9
Current accounts and sight deposits	26.3	59.6	3.8	10.5	7.4	18.0	9.3	30.4	46.8	118.5
Time deposits	2.5	4.0	2.2	2.9	0.6	3.8	3.0	7.8	8.3	18.5
(Total deposits)	(28.8)	(63.6)	(6.0)	(13.4)	(8.0)	(21.8)	(12.3)	(38.2)	(55.1)	(137.0)
Rediscounts	10.3	23.2	1.5	2.0	6.2	8.6	16.3	15.4	34.3	49.2
Borrowings	5.2	11.5	0.2	1.8	2.6	3.1	19.4	31.3	27.4	47.7
(Total rediscounts and borrowings)	(15.5)	(34.7)	(1.7)	(3.8)	(8.8)	(11.7)	(35.7)	(46.7)	(61.7)	(96.9)
Due to banks	30.4	25.3	0.5	0.4	0.4	1.9	—	0.6	31.3	28.2
Sundry accounts	18.9	26.4	0.6	1.0	2.0	2.1	3.5	9.8	25.0	39.3
Total liabilities	121.1	184.4	9.9	20.7	21.7	45.6	59.3	114.6	212.0	365.3

A comparison of the balance-sheets of the mutual credit societies and of the communal credit institutions with those of the joint-stock banks will show few differences in the general character of their activities. These three groups all rely principally on deposits for their banking resources and extend credits mainly on short term, in the form of discounts or current account advances. The loan and savings bureaux, on the other hand, raise their working funds chiefly by means of rediscounts or borrowings with the central bank and other credit institutions. They use these funds, together with the relatively less important deposits, mainly for longer-term loans (presumably for agricultural purposes). None of the groups considered is involved in direct financing of industrial undertakings to any appreciable extent.

Although no true specialisation seems to be applied as between the different groups of credit institutions, it has been thought convenient for the purpose of international comparison to confine

the main tables and the detailed analysis of the present chapter to the larger banks only — *i.e.*, the joint-stock banks and the Riga Exchange Bank. Almost all of these banks have their head offices in Riga. Branch banking is little developed; but numerous smaller banks in the provinces act as local correspondents for the Riga institutions.

The greater part of the share capital (over 60 per cent in 1928) of the joint-stock banks is held abroad, mainly in Germany, the United States of America and the United Kingdom. Moreover, these institutions operate to a considerable extent by means of credits received from foreign banks. The amount of domestic deposits and their share in the total liabilities of the banks, however, increased steadily until the outbreak of the financial crisis in Germany in July 1931. This crisis rapidly spread to Latvia owing to the close association of some Latvian banks with German credit institutions. A general run on bank deposits ensued and, as the central bank did not consider itself in a position to satisfy the demand of the private banks for

additional credits to replenish their depleted cash resources, the Government issued an emergency decree limiting weekly withdrawals at first to 5 and later to 2½ per cent of total deposits. The closing of the banks was thus avoided. When confidence had again been generally restored, the emergency regulations were revoked, and since the end of 1931 there have been no excess withdrawals, the total amount of commercial bank deposits having remained practically constant. Among the various groups of credit institutions, the larger banks here considered were most seriously exposed during the crisis. Their aggregate deposits were reduced between December 1930 and December 1931 by no less than 56 per cent and their borrowings by 41 per cent; the latter reduction resulted in part from credit restrictions imposed by the central bank, and in part from the re-calling of foreign credits enjoyed by the banks. Cash reserves shrunk by over one-third, but the banks were able to reduce the volume of their loans and discounts outstanding by 48 per cent. By the end of 1932, they had not yet been forced to offset losses to any appreciable extent by drawing on their own capital or reserves.

Apart from the laws concerning the central bank and the mortgage institutions, etc., there is no special banking legislation in force in Latvia. All credit institutions are, however, obliged to submit to the Ministry of Finance annual balance-sheets and profit-and-loss accounts on standard forms and also — except in the case of the co-operative loan and savings bureaux — monthly returns of their position. On the basis of this information, official banking statistics are prepared by the Central Bureau of Statistics and published in its *Statistical Year-Book* and its *Monthly Bulletin of Statistics*. These publications have been used as sources for the tables of the present chapter. The annual banking data referring to January 1st of each year are throughout this chapter shown for December 31st of the preceding year. In 1929, the Central Bureau of Statistics issued a special publication on the credit institutions of Latvia covering the whole period 1919 to 1927.¹ The Bank of Latvia gives in its annual report each year a statistical review of the position and activities of the private credit institutions.

Balance-sheet Summary.

1. Cash.

Balances with the central bank are shown separately from notes and coins as follows :

	Lats (000,000's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Notes and coins	2.8	2.6	3.2	4.0	5.3	5.0	1.4	1.6
Balances with Bank of Latvia.	1.4	1.4	1.8	2.1	1.9	2.4	3.5	3.3
Total	4.2	4.0	5.0	6.1	7.2	7.4	4.9	4.9

2. Other Items of a Cash Nature.

The sums shown represent sight claims on credit institutions other than the Bank of Latvia.

3. Bills discounted and bought.

The domestic bill portfolio (b) includes

rediscounts, which are shown separately under liabilities (see note to group 18 below). The net balance of domestic discounts held at the end of each year is given below.

The foreign bill portfolio (c) includes foreign cheques and bank-notes not shown separately in the statistics.

	Lats (000,000's).							
	1925	1926	1927	1928	1929	1930	1931	1932
<i>Inland Bills:</i>								
Discounted	25.7	32.1	35.6	41.3	49.2	44.7	21.7	16.5
Rediscounted	10.3	11.8	10.9	13.4	14.2	14.4	9.4	8.7
Net balance	15.4	20.3	24.7	27.9	35.0	30.3	12.3	7.8

¹ Bureau de Statistique de l'État letton : Institutions de Crédit de 1919 à 1927, Riga, 1929, Cadä.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS							
	1925	1926	1927	1928	1929	1930	1931	1932
Number of Banks	22	21	21	20	20	20	19	18
	Lats (ooo,ooo's omitted).							
Capital paid up	25.7	27.0	31.1	31.7	30.3	30.4	29.6	27.7
Reserves and Undivided Profits	1.8	2.4	2.4	2.8	3.4	4.0	4.2	3.7
1. Gross Profits	10.3	10.3	7.7	8.4	9.3	9.3	6.3	3.7
<i>To be deducted:</i>								
2. Expenses	6.3	6.0	5.0	5.0	5.6	5.6	4.8	3.4
(a) Salaries, etc.	(3.8)	(3.8)	(3.4)	(3.4)	(3.6)	(3.7)	(3.1)	(2.1)
(b) Other working expenses	(2.5)	(3.1)	(1.6)	(1.6)	(2.0)	(1.9)	(1.7)	(1.3)
(c) Taxes, etc.	—	—	—	—	—	—	—	—
3. Reserved for Pensions Funds, etc.	—	—	—	—	—	—	—	—
4. Written off on (Depreciation Accounts)	1.4	3.6	2.3	1.4	1.6	3.8	4.0	1.8
(a) Premises, etc. . . . .	.	.	.	.	.	.	.	.
(b) Investments and securities . . . . .	.	.	.	.	.	.	.	.
(c) Other assets. . . . .	.	.	.	.	.	.	.	.
5. Remaining Net Profit (+) or Loss (-)	+2.6	-0.2	+0.4	+2.0	+2.1	-0.1	-3.4	-1.5
6. Carried forward from preceding year . . . . .	.	.	.	.	.	.	.	.
7. Taken from Reserves or Capital . . . . .	.	.	.	.	.	.	.	.
8. Total Amount disposed of for Dividends, etc. . . . .	.	.	.	.	.	.	.	.
9. Carried to Reserves . . . . .	.	.	.	.	.	.	.	.
10. Dividends	1.2	0.8	0.8	1.0	1.2	0.4	—	—
11. Directors' Fees, etc. . . . .	.	.	.	.	.	.	.	.
12. Carried forward to following year . . . . .	.	.	.	.	.	.	.	.
13. Total as above . . . . .	.	.	.	.	.	.	.	.
14. Value of currency in cents of a U.S. dollar at the end of each year	19.3	19.3	19.3	19.3	19.3	19.3	19.3	19.3

4 and 5. *Investments and Securities. Participations.* 7. *Loans and Advances.*

Government and other public securities are not shown separately in the statistics; nor are participations, if any, shown separately.

The advances given under (a) consist of "special current accounts" and other credits, shown separately in the statistics as follows:

	Lats (ooo,ooo's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Special current accounts	42.0	45.2	56.0	58.2	78.9	78.0	42.2	33.8
Other credits (Akreditivi)	3.4	3.3	2.0	2.6	3.6	0.7	—	—
Total	45.4	48.5	58.0	60.8	82.5	78.7	42.2	33.8

The sums given under (b) consist of long-term loans.

10. *Sundry Assets.*

The composition of the aggregates given in the summary table is shown below :

	Lats (ooo,ooo's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Branch accounts	6.3	5.6	4.7	4.3	4.6	4.8	3.1	2.8
Transitory items	2.6	3.8	4.8	4.3	3.1	2.9	3.4	2.7
Expenditure accounts	0.2	0.1	0.7	0.7	0.7	0.1	0.6	—
Protested bills	0.1	0.2	—	—	0.1	0.1	0.2	0.1
Other accounts	3.4	2.6	2.2	0.6	1.2	2.7	4.0	2.5
Total	12.6	12.3	12.4	9.9	9.7	10.6	11.3	8.1

11 and 12. *Total Assets and Liabilities.*

The totals do not include collection and guarantee accounts, which, being of the nature of *comptes d'ordre*, are shown outside the balance-sheet proper in the Latvian statistics as well as in the

present summary table (see items 22 and 23 of the table).

13. *Reserve Funds.*

The official statistics make the following specification of the reserves :

	Lats (ooo,ooo's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Ordinary reserve funds	0.6	0.8	0.8	0.9	1.2	1.5	1.6	0.6
Special reserves	0.8	0.9	0.8	0.5	0.5	0.6	0.6	1.3
Other capital accounts	0.4	0.7	0.8	1.4	1.7	1.9	2.0	1.8
Total	1.8	2.4	2.4	2.8	3.4	4.0	4.2	3.7

14. *Profit and Loss, etc.*

The sums shown in this group of the summary table are given in the official statistics under the heading "interest and commissions". The total net balance of the profit-and-loss accounts of the banks is not shown in the official balance-sheet summaries, but the amount of this balance will be seen from the special profit-and-loss table.

in group 6 of the summary table, it will be seen that the net indebtedness to banks abroad has been relatively important in all the years considered, a reflection of the fact that certain Latvian banks largely rely upon working credits from the foreign institutions participating in their share capital. It is not stated in the statistics to what extent the rediscounts and borrowings with credit institutions other than the Bank of Latvia (see note to group 18 below) have been effected with banks abroad.

16. *Due to Banks (Correspondents).*

From a comparison between the sums shown under (b) in this group and those shown under (b)

17. *Deposits.*

The sums shown under (a) are composed of current accounts and demand deposits as follows :

	Lats (ooo,ooo's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Current accounts	25.3	33.6	41.4	46.6	56.6	58.2	24.0	24.8
Demand deposits	1.0	1.3	1.1	1.1	1.3	1.4	1.1	0.9
Total	26.3	34.9	42.5	47.7	57.9	59.6	25.1	25.7

18. *Rediscounts and Borrowings.*

The detailed composition of the aggregates given in the summary table is shown below :

	Lats (ooo,ooo's).							
	1925	1926	1927	1928	1929	1930	1931	1932
<i>Bills rediscounted:</i>								
With the Bank of Latvia . . .	8.4	9.0	10.9	13.3	14.1	14.1	9.3	8.5
With other credit institutions	1.9	2.8	—	0.1	0.1	0.3	0.1	0.2
Total rediscounts.	10.3	11.8	10.9	13.4	14.2	14.4	9.4	8.7
<i>Borrowings on special current accounts:</i>								
With the Bank of Latvia . . .	3.5	4.7	5.4	5.4	8.4	6.0	3.6	2.1
With other credit institutions	1.2	3.2	—	—	—	—	—	—
Total special current accounts.	4.7	7.9	5.4	5.4	8.4	6.0	3.6	2.1
<i>Borrowings abroad</i>	.	.	14.6	17.7	35.0	27.5	12.9	5.2
<i>Other borrowings</i>	0.5	0.7	0.3	0.4	0.2	0.3	0.5	0.4
<i>Total rediscounts and borrowings</i>	15.5	20.4	31.2	36.9	57.8	48.2	26.4	16.4
Thereof with:								
Bank of Latvia.	11.9	13.7	16.3	18.7	22.5	20.1	12.9	10.6
Other credit institutions. . .	3.1	6.0	—	0.1	0.1	0.3	0.1	0.2

In 1925 and 1926, borrowings abroad are included partly under borrowings with "other credit institutions" and partly under sundry liabilities.

It will be noted that the total of correspondent creditor accounts (group 16 of the summary table) and of the rediscounts and borrowings with the Bank of Latvia and other credit institutions

exceeded total deposits in all the years considered except 1932, when they were about equal in amount.

20. *Sundry Liabilities.*

The aggregates shown in the summary table are composed as follows :

	Lats (ooo,ooo's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Branch accounts	6.4	5.7	4.7	4.3	4.5	4.8	3.1	2.7
Transitory items	3.3	3.1	2.2	2.8	2.6	2.8	2.6	2.2
Other accounts.	8.6	9.8	6.9	6.9	9.5	4.5	2.2	1.9
Total	18.3	18.6	13.8	14.0	16.6	12.1	7.9	6.8

The detailed composition of the "other accounts" is not shown in the statistics.

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

The composition of gross profits according to main sources of revenue is shown below :

	Lats (ooo,ooo's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Interest received	9.7	10.8	9.9	11.5	13.8	14.5	8.8	4.8
Less interest paid	4.6	5.9	5.6	6.3	8.1	8.5	5.3	3.2
Net interest from discounts and loans	5.1	4.9	4.3	5.2	5.7	6.0	3.5	1.6
Commissions	3.1	3.1	1.6	1.6	1.9	1.7	0.9	0.6
Profit on exchange	0.9	0.7	1.0	0.9	1.0	0.8	0.9	0.6
Profit from real estate	0.2	0.3	0.5	0.4	0.3	0.4	0.4	0.3
Profit from securities	—	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Sundry profits	1.0	1.2	0.2	0.2	0.3	0.3	0.4	0.4
Total	10.3	10.3	7.7	8.4	9.3	9.3	6.3	3.7

2. *Expenses.*

The sums shown for salaries (*a*) include special remunerations to directors, etc., which, if they had been shown separately in the statistics, would have been given in group II of the summary table and would thus have been deducted before calculating the net profit or loss.

The aggregates shown for other working expenses and taxation, particularly in 1925 and 1926, may

include allocations for special purposes which are not of the nature of ordinary expenses.

5. *Net Profit or Loss.*

The figures represent the net balance of the banks considered as a whole. Even in years when there was a loss, certain banks actually made a net profit which, however, was exceeded by the loss of the others. In this respect, the official statistics furnish the following detail :

	Lats (ooo,ooo's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Aggregate net profits	2.6	1.8	1.6	2.0	2.2	1.2	0.1	0.2
Aggregate loss	—	2.0	1.2	—	0.1	1.3	3.5	1.7
Balance	+2.6	-0.2	+0.4	+2.0	+2.1	-0.1	-3.4	-1.5

6 to 13. *Profits carried forward from Previous Years — Sums drawn from Reserves or Capital — Profit Distribution Accounts.*

The losses shown in the preceding statement have been met in part from profits carried over from previous years and in part from the reserves or the

capital of the banks concerned. Neither of these two items (groups 6 and 7 of the summary table) are, however, given in the official statistics, nor are sums carried to reserves, directors' fees and "carry over" to following years shown. The dividends indicated do not include those of the Riga Exchange Bank.

LITHUANIA.

Introductory Note.

The local banking system existing in Lithuania before the world war was practically annihilated as a result of the social disturbances and currency inflation in Russia towards the end of the war. An entirely new banking system had therefore to be created in the newly constituted State of Lithuania. As early as 1919, attempts were made to revive the co-operative credit societies; several joint-stock commercial banks were also established at an early date. It was not, however, until the monetary reform of 1922 had introduced a stable national currency in Lithuania that a sound basis was provided for the reconstitution of the credit system.

The Bank of Lithuania (Lietuvos Bankas), established in the autumn of 1922, is essentially a bank of note issue acting as banker to the Government, which holds the greater part of its share capital. In recent years, and particularly during the financial crisis of 1931, its central banking functions have assumed increasing importance. It also grants credits directly to industry and commerce on a considerable scale; but the funds

used for this purpose are mainly derived from State deposits or from its own note issue, while private deposits with the bank are comparatively unimportant. The Land Bank (Žemės Bankas), which was established in 1924, specialises chiefly in agricultural mortgage business. It also receives private deposits and grants short-term commercial credits on a limited scale. Practically the whole of its share capital is held by the State.

Some of the joint-stock commercial banks and most of the private banking houses established in the early years of Lithuania's independence were subsequently liquidated. At the end of 1925 there were sixteen joint-stock and five private banks, and, in addition, five co-operative banks engaged chiefly in commercial banking. After 1925, there was a further concentration within the commercial banking system. But the number of small credit associations and other institutions operating chiefly as savings banks continued to increase to the end of 1930,¹ as will be seen from the following statement (figures of deposit in millions of litas):

	Joint-stock banks		Co-operative banks		Private banks		Total commercial banks		Mutual credit societies		Co-operative credit associations		Savings banks		Total savings institutions		Grand total	
	Number	Deposits	Number	Deposits	Number	Deposits	Number	Deposits	Number	Deposits	Number	Deposits	Number	Deposits	Number	Deposits	Number	Deposits
" Great Lithuania " :																		
1925	7	38.7	2	3.2	4	0.5	13	42.4	13	3.4	302	4.8	1 ¹	0.5	316	8.7	329	51.1
1930	5	72.2	1	6.3	2	5.1	8	83.6	23	14.6	399	39.1	1 ¹	5.1	423	58.8	431	142.4
1932	5	—	1	—	1	—	7	63.6	21	9.4	403	38.4	1 ¹	20.0	425	67.8	432	131.4
Memel Territory :																		
1925	9	14.1 ²	3	1.6	1	—	13	15.7	—	—	39	4.3	4	8.1	43	12.4	56	28.1
1930	7	34.4	3	8.9	—	—	10	43.3	—	—	39	17.3	4	18.0	43	35.3	53	78.6
1932	5	31.6	2	6.7	—	—	7	38.3	—	—	39	18.7	4	21.6	43	40.3	50	78.6
Total :																		
1925	16	52.8	5	4.8	5	0.5	26	58.1	13	3.4	341	9.1	5	8.6	359	21.1	385	79.2
1930	12	106.6	4	15.2	2	5.1	18	126.9	23	14.6	438	56.4	5	23.1	466	94.1	484	221.0
1932	10	—	3	—	1	—	14	101.9	21	9.4	442	57.1	5	41.6	468	108.1	482	210.0

¹ Post Office Savings Bank; State deposits excluded.

² Excluding the deposits with a minor joint-stock bank, subsequently disappeared, which had not submitted its accounts.

³ Accounts not submitted, but deposits insignificant.

The official banking statistics distinguish between credit institutions having their head office in "Great Lithuania" and those having their head

office in the Memel (Klaipėda) Territory.³ Somewhat different balance-sheet forms are used for the two regions and no joint statistics are given.

¹ Lithuania was almost unaffected by the world economic depression until the latter half of 1931.

² "Great Lithuania" comprises the whole country with the exception of the Memel (Klaipėda) Territory, which is also called "Little Lithuania". Some of the banks of "Great Lithuania" have established branches in the Memel Territory, whereas the Memel banks have no branches in "Great Lithuania".

Joint figures have, however, been calculated above and in the attached summary table for purposes of comparison.

In 1932, the Memel institutions held between 37 and 38 per cent of the aggregate deposits of both commercial banks and savings institutions. The latter, whose clientele consists largely of the agricultural population and of craftsmen and small traders in the towns, have steadily gained in relative importance. At the end of 1932, their deposits in both regions exceeded those of the commercial banks. The savings institutions were only slightly affected by the financial crisis which arose in Lithuania during the autumn of 1931 as a result of the banking developments in certain Central and Eastern European countries in the summer of that year. The commercial banks, on the other hand, and particularly those in "Great Lithuania", suffered heavy withdrawals of deposits. Most of the funds withdrawn were, however, re-deposited with the Post Office Savings Bank, whose deposits enjoy a State guarantee. Runs were particularly marked on commercial banks reputed to have close relations with foreign (especially German) banks.¹ They did not, however, give rise to moratoria or legal restrictions on withdrawals, as in many other countries. The power of resistance shown by the commercial banking system during this difficult period is due to several factors. As a rule, Lithuanian joint-stock banks do not grant long-term credits to industry and agriculture, but confine themselves to short-term commercial advances and discounts. Further, Lithuania had, up to the time of the financial crisis, been relatively little affected by the economic depression, so that a large proportion of the loans outstanding could be successfully liquidated. Finally, the Bank of Lithuania was able to grant the necessary rediscount facilities. Consequently, only one bank, a private banking

firm, which had become largely involved in a particular industry, was forced to suspend payments at the time of the financial crisis of 1931.

The attached summary table, which is based on the official banking statistics published in the *Statistical Year-Book of Lithuania*² covers only the institutions classified above as commercial banks. Thus, it does not include the Bank of Lithuania and the Land Bank. At the end of June 1933, private deposits amounted to 11 million litas in each of these banks; these deposits represented only 7 and 9 per cent respectively of their total balance-sheet. Prior to the financial crisis of 1931, hardly any private deposits were lodged with these institutions.

The Lithuanian Co-operative Bank, which is included among the commercial banks of "Great Lithuania", is the centre of the system of agricultural co-operative credit associations of the Raiffeisen type, numbering 292 in that region at the end of 1932. The Jewish Central Bank of Lithuania, a joint-stock institution, is the centre of the (Jewish) urban co-operative credit associations of the Schulze-Delitsch type, numbering 111 at the same date. The urban associations account for almost half of the joint deposits of the two systems in "Great Lithuania". The co-operative credit associations in the Memel Territory are all of the Raiffeisen type.

All credit institutions are required to submit periodic returns of their position to the Ministry of Finance. The balance-sheet forms have been modified from time to time; greater detail has been given since 1931, particularly as regards the banks in "Great Lithuania". The summary form applied to the Memel institutions is less detailed throughout the period considered. The official banking statistics do not contain any comprehensive summaries of profit - and - loss accounts.

¹ Foreign participation in the share capital of Lithuanian commercial banks is slight.

² The Central Bureau of Statistics publishes, in addition, in its *Statistical Bulletin*, monthly statements showing the position of the banks in "Great Lithuania".

Balance-sheet Summary.

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

The detailed composition of the cash assets of the Memel banks is not shown in the statistics. These banks would appear to hold very small balances, if any, with the Bank of Lithuania. The balances held with that institution by the banks in "Great Lithuania" are shown separately only since 1931.

	Litais (000,000's)	
	1931	1932
"Great Lithuania"		
Inland notes and coins	4.1	2.6
Balances with the Central Bank	1.6	1.3
Total	5.7	3.9

The sums given in the summary table under (2) consist of foreign bank notes and cheques. They are not shown separately in the statistics for 1929 and 1930.

3. *Bills Discounted.*

No details are given regarding the nature of the bills discounted. The bill portfolio includes re-discounts. The liability of the banks of "Great Lithuania" for bills rediscounted is given in group 18 of the summary table (see note to that group). The net portfolio of these banks is shown below.

	Litais (000,000's)							
	1925	1926	1927	1928	1929	1930	1931	1932
"Great Lithuania"								
Bills discounted	12.0	13.3	17.6	20.9	21.7	37.2	24.9	21.3
Bills rediscounted	4.2	4.6	6.6	4.2	2.4	1.4	3.2	1.2
Net portfolio	7.8	8.7	11.0	16.7	19.3	35.8	21.7	20.1

Rediscounts are not shown separately in the statistics relating to the Memel banks. They do not, however, rediscount with the Bank of Lithuania to any appreciable extent.

greater part of the securities held by the banks would appear to consist of industrial shares.

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

Participations are not shown separately. The

7. *Loans and Advances.*

The composition of the loans and advances according to the nature of their cover is shown below:

	Litais (000,000's)						
	1925	1926	1927	1928	1929	1930	1931
"Great Lithuania"							
Current accounts and loans secured by:							
Bills and securities	29.7	27.8	30.2	35.9	35.9	44.1	39.7
Merchandise	2.0	1.5	1.6	2.7	2.6	1.7	0.9
Real estate	—	—	—	3.6	7.3	6.5	7.9
Total	31.7	29.3	31.8	42.2	45.8	52.3	48.5

Corresponding details are not given in the statistics relating to the Memel banks, nor are they given for 1932 in the case of the banks of "Great Lithuania". The bills serving as security for advances are generally of longer maturity than those discounted by the banks. When their maturity falls to five or six months, the advances granted against them are frequently changed to discounts.

"Great Lithuanian" banks. Their amount rose from less than half a million litais in 1925 to over one million in 1931 and 1932. Protested bills are not shown separately in the statistics relating to the Memel banks.

10. *Sundry Assets.*

This item includes protested bills in the case of

11 and 21. *Total Assets and Liabilities.*

Excluding guarantees and collection accounts, shown as items 22 and 23 of the summary table.

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

The sums given under this heading for the banks of "Great Lithuania" do not show the true profit position of the commercial banks as a whole. The figures given for the years 1926-1930 represent aggregates of the net profits made by individual banks in those years, while the net losses incurred by some of the banks are included under sundry assets, without being shown separately in the annual statistics. According to information published elsewhere, it would appear that, in certain years, the latter exceeded the former in amount. The basic statistics relating to the years 1925, 1931 and 1932 do not contain any separate heading for net profits.

16. *Due to Banks (Correspondents).*

It will be observed that the inter-bank accounts of the banks of "Great Lithuania" have contracted very considerably in amount and relative importance in recent years as compared with 1925 and 1926 (see also group 6 of the summary table).

17. *Deposits.*

The sums shown consist of the following items given separately in the basic statistics :

	Litais (000,000's)							
	1925	1926	1927	1928	1929	1930	1931	1932
"Great Lithuania":								
Sight and time deposits:								
National currency	—	—	—	—	—	—	22.8	20.8
Foreign currency	—	—	—	—	—	—	8.8	6.3
Total	25.2	16.4	17.6	23.0	31.9	38.5	31.6	27.1
Current accounts:								
National currency	—	—	—	—	—	—	29.0	33.1
Foreign currency	—	—	—	—	—	—	3.6	3.4
Total	17.2	16.3	21.3	24.5	33.4	45.1	32.6	36.5
Grand total	42.4	32.7	38.9	47.5	65.3	83.6	64.2	63.6
Thereof:								
National currency	—	—	—	—	—	—	51.8	53.9
Foreign currency	—	—	—	—	—	—	12.4	9.7
Memel Territory:								
Deposits	—	—	—	—	—	—	32.0	27.8
Creditors	—	—	—	—	—	—	9.2	10.5
Total	15.7	21.4	28.9	30.5	35.8	43.3	41.2	38.3

In the banking statistics relating to the Memel Territory, foreign currency deposits are not shown separately, nor are they shown in the annual statistics relating to "Great Lithuania" before 1931. In the *Bulletin* of the Bank of Lithuania, however, separate figures for deposits and other liabilities in foreign currency have been published

periodically since the end of 1928. These figures, which cover the mutual credit societies (see introductory note above) in addition to the commercial banks proper, are reproduced below. The corresponding accounts in national currency are also given for purposes of comparison.

Commercial Banks and Mutual Credit Societies in "Great Lithuania".

	Litais (000,000's)								
	DEPOSITS			DUE TO BANKS, REDISCOUNTS AND OTHER BORROWINGS			GRAND TOTAL		
	Foreign currency	National currency	Total	Foreign currency	National currency	Total	Foreign currency	National currency	Total
End of:									
1928	21.1	35.7	56.8	12.2	15.1	27.3	33.3	50.8	84.1
1929	31.9	45.1	77.0	6.9	13.1	20.0	38.8	58.2	97.0
1930	25.6	72.6	98.2	5.9	14.6	20.5	31.5	87.2	118.7
June 1931	25.6	—	—	7.1	—	—	32.7	—	—
December 1931	14.4	58.6	73.0	1.3	15.6	16.9	15.7	74.2	89.9
June 1932	11.9	—	—	0.7	—	—	12.6	—	—
December 1932	11.1	61.9	73.0	0.5	10.6	11.1	11.6	72.5	84.1

It will be seen that, at the end of 1929, no less than 40 per cent of the banks' liabilities on deposit and correspondent accounts (including rediscounts and other borrowings) were incurred in terms of foreign currency. By the end of June 1931, when confidence in foreign currencies had not yet been shaken, only a minor part of the foreign currency deposits had been converted into national currency deposits. The rapid increase in the latter reflects in the main a steady inflow of savings into the banks during this period of sustained prosperity. The run on banks which subsequently occurred in connection with the banking crisis in Germany was chiefly directed to the foreign currency accounts, which, by the end of December 1932, had

shrunk by almost 60 per cent. The drop in national currency deposits did not exceed 15 per cent. Since the end of 1931, total deposits have remained constant; the share of foreign currency deposits in the total has, however, gradually declined as a result of conversions into national currency deposits.

Foreign currency deposits with the Memel banks only amounted to a few million litas at the middle of 1931.

18. *Rediscounts and Other Borrowings.*

The composition of this item is shown below :

" Great Lithuania "	Litas (000,000's)							
	1925	1926	1927	1928	1929	1930	1931	1932
Rediscounts	4.2	4.6	6.6	4.2	2.4	1.4	3.2	1.2
Borrowings	8.2	5.1	5.2	9.2	5.1	4.1	6.7	4.0
Total	12.4	9.7	11.8	13.4	7.5	5.5	9.9	5.2

The above sums represent in part foreign credits, the amount of which, however, is not shown separately in the statistics.

NETHERLANDS.

Introductory Note.

The history, structure and main characteristics of the Dutch banking system were described in some detail in the introductory note given in the last edition of this publication. It was there observed that, although the number of banking units is comparatively large, the movement towards concentration is in evidence since a few years before the war had, by 1925, resulted in the centralisation of the greater part of the country's commercial banking power in the hands of some six or seven large banks. In the absence of any comprehensive banking statistics in the Netherlands, the attached summary tables have been prepared from the annual reports of these banks, which are enumerated in the statement opposite, showing the capital and reserves, deposits and total assets of each bank individually at the end of 1932.

A comparison with the corresponding figures for 1925 and 1929 given in the last edition shows a striking contraction in the banks' balance-sheets, a reflection of the severe deflation which has taken place in the Netherlands during the recent years of depression. The only bank whose balance-sheet was not considerably reduced between 1929 and 1932 is the Twentsche Bank (Amsterdam) which, however, absorbed a certain number of smaller

1932	Capital and reserves	Current account and time deposits	Total assets
Gulden (000,000's)			
1. Nederlandsche Handel-Maatschappij	100	301	447
2. Rotterdamsche Bankvereniging	70	204	293
3. Amsterdamsche Bank	103	146	388
4. Twentsche Bank	55	184	286
5. Incasso-Bank	39	70	122
6. Bank-Associatie	9	11	35
Total	376	916	1,571

provincial banks in 1930 and 1931. These had either been affiliated to it before or, while previously independent, were taken over in connection with liquidation on account of failure. The Nationale Bankvereniging, which operated since 1925 as a formally autonomous affiliation of the Rotterdamsche Bankvereniging, was amalgamated with the latter in 1929.

Balance-sheet Summary.

1 and 2. Cash Assets, etc.

Most of the banks under review do not separate cash and money on call, etc., in their balance-sheets. Joint figures for groups 1 and 2 are therefore given in the summary table. On the other hand, the banks generally regard balances with foreign banks and, in some cases, Treasury bills as cash items. In conformity with the principles applied throughout this *Memorandum*, when these items are shown separately, they have

been included in groups 3 and 6 of the summary table.

3. Bills discounted and bought.

Treasury bills and foreign commercial bills are not shown separately by the majority of the banks under review. For those banks (Amsterdamsche Bank, Twentsche Bank and, since 1930, Bank Associatie) which do show their holdings of Treasury bills separately, the composition of the portfolio was as follows :

	1925	1929	1930	1931	1932
Gulden (000,000's)					
Treasury bills	23.0	29.0	57.4	59.3	62.7
Commercial bills, inland and foreign	117.1	109.4	69.2	68.2	34.6
Total	140.1	138.4	126.6	127.5	97.3
Total portfolio of all the banks	392.6	414.1	419.0	341.1	334.3

It is impossible to determine whether the composition of the portfolio of the banks showing Treasury bills separately from commercial bills is typical of that of the other banks.

4 and 5. Investments and Securities ; Participations.

The banks make no distinction between Govern-

ment and other securities in their balance-sheets. The figures shown include securities borrowed (especially by the Twentsche Bank) from their shareholders for the banks' own use.

The figures for participation include the investments of the Nederlandsche Handel-Maatschappij in plantation enterprises. The participations of the other banks are not only in

NETHERLANDS.

LEADING COMMERCIAL BANKS

Table 15 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1925	1929	1930	1931	1932
Number of banks	7	6	6	6	6
ASSETS.					
Gulden (000,000's omitted)					
1. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	101.5	93.0	105.8	120.6	211.7
2. Other Items of a Cash Nature					
3. Bills discounted and bought	392.6	414.1	419.0	341.1	334.3
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	138.5	101.1	120.3	110.8	91.6
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	46.1	41.2	70.2	96.4	89.9
6. Due from Banks (Correspondents)	101.7	110.5	236.3	91.7	78.4
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	952.4	1,062.8	964.1	875.7	686.8
(a) On current account	565.2	582.9	646.9	593.3	476.8
(b) Other	387.2	479.9	317.2	282.4	210.0
8. Cover for Acceptances	105.3	128.8	106.3	65.2	40.2
9. Premises, etc.	36.7	29.1	31.5	35.5	36.1
10. Sundry Assets	7.2	2.1	1.5	1.7	1.4
11. Total Assets	1,882.0	1,982.7	2,055.0	1,738.7	1,570.4
LIABILITIES.					
12. Capital paid up	262.4	258.3	262.8	262.8	262.4
13. Reserve Funds	149.4	139.7	135.5	116.8	113.8
14. Profit and Loss Accounts, Undivided Profits, etc.	20.9	27.5	21.4	7.1	10.2
15. Cheques and Drafts, etc., in circulation	32.0	45.2	40.1	25.0	14.5
16. Due to Banks (Correspondents)	45.3	19.2	5.9	10.1	6.0
(a) At home	—	—	—	—	—
(b) Abroad	45.3	19.2	5.9	10.1	6.0
17. Deposits	1,261.0	1,355.2	1,473.1	1,241.2	1,112.0
(a) Current accounts and sight deposits	681.2	634.4	711.9	584.0	605.8
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	351.2	458.1	510.5	381.9	311.1
(d) Other deposits	228.6	262.7	250.7	275.3	195.1
18. Rediscounts and other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements	105.3	128.8	106.3	65.2	40.2
20. Sundry Liabilities	5.7	8.8	9.9	10.5	11.3
21. Total Liabilities	1,882.0	1,982.7	2,055.0	1,738.7	1,570.4
22. Guarantees	40.7	42.2	46.1	38.2	35.7
23. Value of currency in cents of a U.S. dollar at the end of each year	40.2	40.2	40.2	40.2	40.2

NETHERLANDS.

LEADING COMMERCIAL BANKS

Table 15 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1925	1929	1930	1931	1932
Number of Banks.	7	6	6	6	6
	Gulden (ooo,ooo's omitted)				
Capital paid up.	262.4	258.3	262.8	262.8	262.4
Reserves and Undivided Profits.	150.9	141.2	137.1	118.2	115.1
I. Gross Profits	70.8	81.2	70.2	60.8	60.7
<i>To be deducted :</i>					
2. Expenses.	34.9	37.4	34.2	33.3	31.3
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Staff Funds, etc.	1.3	2.2	1.7	1.6	1.5
4. Written off on Depreciation Accounts for.	14.4	17.3	15.0	27.8	19.8
(a) Premises, etc.	2.5	4.8	4.0	2.2	3.1
(b) Investments and securities :	11.9	12.5	11.0	25.6	16.7
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit (+) or Loss (—)	20.2	24.3	19.3	—1.9	8.1
6. Carried forward from preceding year.	1.5	1.5	1.6	1.4	1.3
7. Taken from Reserves or Capital.	0.6	1.4	—	6.0	—
8. Total Amount disposed of for Dividends, etc.	22.3	27.2	20.9	5.5	9.4
9. Carried to Reserves	3.7	2.1	1.2	0.2	1.2
10. Dividends	14.6	20.5	16.5	4.0	6.8
11. Directors' Fees, etc.	2.1	3.0	1.8	—	0.5
12. Carried forward to following year	1.0	1.6	1.4	1.3	0.9
13. Total as above	22.3	27.2	20.9	5.5	9.4
14. Value of currency in cents of a U.S. dollar at the end of each year.	40.2	40.2	40.2	40.2	40.2

industrial and trading undertakings, but also in financial institutions, and thus include bank affiliations. As a rule, a clear distinction between those two classes of participations is not made in the balance-sheets of the banks.

6. Due from Banks (Correspondents).

The sums shown in this group of the summary table are incomplete. They represent almost exclusively foreign accounts (mainly the balances with foreign banks to which reference is made in the note to groups 1 and 2 above) and deposits abroad for the account of third parties. Accounts

with domestic banks are, as a rule, not separated from the ordinary current accounts, shown as item 7(a) of the summary table.

7 and 8. Loans and Advances; Cover for Acceptances.

In the case of banks which do not distinguish cover for acceptances among their assets, a sum equivalent to the amount of their acceptance liabilities has been deducted from their loans and advances and carried to group 8 in the summary table.

As stated in the preceding note, advances on

current account shown under (a) in this group of the summary table include accounts with other banks, mainly domestic. The sums under (b) include contango loans, which represent a very important branch of activity of the Dutch banks, other forms of loans against securities and unspecified debtor accounts. Contango liabilities are included under (d) in group 17 of the table. Guarantees (*Borgtochten*) are excluded altogether and are shown under a separate heading (Item 22) outside the balance-sheet summary proper.

16. *Due to Banks (Correspondents).*

See note to group 6 above.

17. *Deposits.*

Current accounts include sums due to domestic

banks. Several of the banks under review established special savings bank departments after the war, but the deposits in these departments are not separated in the balance-sheets from ordinary deposit accounts, which are shown under (c) in this group of the summary table. These include both sight and short-term deposits and time or fixed deposits, since no distinction is made by the banks between these groups. No uniform principle is followed by the banks with regard to the distinction between "creditor current accounts" and "deposit accounts". The relative importance of the deposits of the general banks compared with those of the savings banks and of the Agricultural Credit Societies may be seen from the following statement.

Years	Gulden (000,000's)								
	Leading General Banks			Post office savings bank deposits	Other savings bank deposits	Agricultural societies deposits	Total savings bank deposits (d)+(e)+(f)	Grand totals	
	Current acc.	Deposit acc.	Total (a)+(b)					(c)+(g)	(b)+(g)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1925	681	351	1,032	312	281	343	936	1,968	1,287
1929	634	458	1,092	351	381	456	1,188	2,280	1,646
1930	712	511	1,223	375	430	480	1,285	2,508	1,796
1931	584	382	966	439	449	—	—	—	—
1932	606	311	917	500	—	—	—	—	—

The sums shown under 17 (d) in the summary table do not in their entirety represent deposits in the same sense as those discussed above. They include the liabilities of the banks to their contango customers, etc., the deposit liability for securities

borrowed for the banks' own use (cf. note to group 4 above), some rediscounts not shown separately and certain other creditor accounts not clearly specified in the balance-sheets.

Summary of Profit-and-Loss Accounts.

I. *Gross Profits.*

The source of the gross profits according to classes of assets and nature of operations is not uniformly shown by the banks, and in some cases no specified information is given. It cannot, therefore, be summarised. Some of the banks would appear to make certain provision for depreciation and contingencies before disclosing their profit figures. Therefore, the sums given in this and in certain other groups of the summary table may not be complete.

2. *Expenses.*

As a rule, an itemised account of expenses is not given in the statements published by the banks. Some provision for depreciation may be concealed in the aggregates given — at least, for certain years. No uniform principles are followed by the banks with regard to the accounting of dividend taxes; when these are shown separately, they have been included under expenses in the summary table.

3. *Reserved for Pension Funds, etc.*

The sums given include a small proportion representing bonus to the staff.

4, 5 and 7. *Depreciation: Net Profit or Loss: Taken from Reserves or Capital.*

As stated above, the figures for depreciation provisions may not be complete. It will be noticed that the banks covered by the Summary Table showed a net loss in 1931.

10. *Dividends.*

The sums shown include a small proportion of dividend taxes not deducted by some of the banks under review.

II. *Directors' Fees, etc.*

The sums given in this group of the table are not complete, as some of the banks include at least part of the fees and remunerations to directors under expenses.

NORWAY.

Introductory Note.

In the first edition of this *Memorandum*, a detailed analysis was given of the evolution of Norwegian commercial banking, particularly during the long-extended period of painful liquidation of the inflation which occurred during and immediately after the war. Attention was directed to the measures taken in accordance with the Law of March 1923, whereby a large number of insolvent banks were enabled to continue certain operations under public control pending ultimate liquidation or reconstruction, instead of entering into imme-

mediate liquidation. In the summary tables and the detailed notes, the accounts of these banks were shown separately from those of the "free" banks. For reasons of space, however, this distinction (though still maintained in the official statistics) is no longer made in the attached summary tables and detailed notes, which refer exclusively to the "free" banks; the following statement, however, indicates the relative importance of banks in liquidation and under public administration in the years covered in the present edition:

	NUMBER OF BANKS		DEPOSITS				TOTAL ASSETS			
	Free	Administered and in liquidation	Free banks		Banks administered and in liquidation		Free banks		Banks administered and in liquidation	
			Kr. 000,000's	%	Kr. 000,000's	%	Kr. 000,000's	%	Kr. 000,000's	%
1925	127	33	1,246	60	831	40	2,281	63	1,353	37
1929	112	39	1,058	64	605	36	1,710	66	875	34
1930	112	39	1,048	68	501	32	1,723	72	678	28
1931	112	33	994	69	448	31	1,612	73	601	27
1932	105	28	883	69	397	31	1,564	75	533	25

Between 1929 and 1931, there was no change in the number of free banks in operation, while the number of institutions in public liquidation or under public administration has been falling since 1930. For several years, the policy of the responsible organs has been not to authorise any attempts to reconstruct the latter banks (reduced to 28 in 1932), which will therefore all be completely

wound up.

The relative position of the commercial banks in the Norwegian banking system is shown in the following statement comparing the deposits, loans and advances (including discounts less rediscounts) and security holdings of the commercial and of the savings banks on selected dates:

END OF	COMMERCIAL BANKS				SAVINGS BANKS			
	Number of banks	Deposits	Loans	Securities	Number of banks	Deposits	Loans	Securities
		Kr. (000,000's)				Kr. (000,000's)		
1925	160(127)	1,994(1,196)	2,069(1,438)	548(327)	584(577)	2,541	1,805	651
1929	151(112)	1,596(1,019)	1,320(1,093)	374(286)	633(613)	2,287(2,221)	1,547(1,507)	731(721)
1930	151(112)	1,498(1,025)	1,225(1,116)	359(290)	627(612)	2,234(2,182)	1,492(1,463)	740(732)
1931	145(112)	1,373 (948)	1,176(1,114)	299(249)	622(611)	2,150(2,110)	1,458	724
1932	133(105)	1,246 (852)	1,095(1,043)	276(232)	617(610)	2,114(2,088)	1,444	729

The figures in parentheses refer to the so-called "free" banks. It will be observed that, between 1925 and 1929, the credit structure of the

commercial banks contracted quite sharply, while that of the savings banks fell considerably less, both absolutely and relatively. This tendency

NORWAY.

COMMERCIAL BANKS.

Table 16 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1925	1929	1930	1931	1932
	Free banks	Free banks	Free banks	Free banks	Free banks
Number of Banks.	127	112	112	112	105
ASSETS.					
	Kroner (000,000's omitted)				
I. Cash.	55.4	56.5	56.1	45.3	53.7
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank.					
2. Other Items of a Cash Nature	0.2	0.6	0.6	0.4	0.4
3. Bills discounted and bought.	439.2	357.8	373.4	357.2	343.7
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland.	425.3	338.1	361.2	345.9	332.7
(c) Commercial bills, Foreign	13.9	19.7	12.2	11.3	11.0
4. Investments and Securities.	326.8	285.9	289.7	248.6	232.0
(a) Government	—	84.1	81.8	72.2	63.9
(b) Other	—	201.8	207.9	176.4	168.1
5. Participations.	—	—	—	—	—
6. Due from Banks (Correspondents).	222.4	176.8	173.7	138.9	158.5
(a) At home.	109.0	93.1	98.8	81.4	106.0
(b) Abroad	113.4	83.7	74.9	57.5	52.5
7. Loans and Advances.	1,062.3	754.7	753.8	755.4	708.2
(a) On current account	995.4	674.6	672.0	668.0	627.4
(b) Other	66.9	80.1	81.8	87.4	80.8
8. Cover for Acceptances	22.1	17.8	16.9	9.4	10.4
9. Premises, etc.	23.2	23.1	23.4	23.5	22.7
10. Sundry Assets	129.7	36.6	35.6	33.0	33.9
II. Total Assets	2,281.3	1,709.8	1,723.2	1,611.7	1,563.5
LIABILITIES.					
12. Capital paid up.	227.8	196.1	200.8	170.5	183.3
13. Reserve Funds	114.1	66.6	70.8	51.3	53.1
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	14.7	12.0	—	—	—
15. Cheques and Drafts, etc., in circulation.	11.5	13.1	10.5	9.6	10.4
16. Due to Banks (Correspondents)	452.8	321.0	320.2	348.3	399.9
(a) At home.	210.2	263.3	269.9	306.2	348.8
(b) Abroad	242.6	57.7	50.3	42.1	51.1
17. Deposits	1,245.6	1,058.2	1,084.1	993.7	883.2
(a) Current accounts and sight deposits	89.8	124.1	127.8	112.7	99.5
(b) Savings accounts	1,106.6	894.4	897.0	835.4	752.1
(c) Time or fixed deposits.	—	—	—	—	—
(d) Other deposits	49.2	39.7	59.3	45.6	31.6
18. Rediscounts and Other Borrowings	86.9	9.8	8.5	15.7	10.0
19. Acceptances and Endorsements.	19.1	17.0	15.6	9.2	12.3
20. Sundry Liabilities.	108.8	16.0	12.7	13.4	11.3
21. Total Liabilities.	2,281.3	1,709.8	1,723.2	1,611.7	1,563.5
22. Value of currency in cents of a U. S. dollar at the end of each year.	20.3	26.6	26.6	18.5	16.9

NORWAY.

COMMERCIAL BANKS.

Table 16 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1925	1929	1930	1931	1932
	Free banks	Free banks	Free banks	Free banks	Free banks
Number of Banks	127	112	112	112	105
	Kroner (000,000's omitted)				
Capital paid up	227.8	196.1	200.8	170.5	183.3
Reserves and Undivided Profits	115.1	67.4	71.9	52.3	53.8
1. Gross Profits	55.5	42.6	44.7	44.8	43.2
<i>To be deducted.</i>					
2. Expenses	23.3	21.2	22.0	23.9	22.7
(a) Salaries, etc.	18.6	13.4	13.8	14.3	13.4
(b) Other working expenses		4.5	4.4	4.6	4.4
(c) Taxes, etc.	4.7	3.3	3.8	5.0	4.9
3. Reserved for Pension Funds, etc.	—	—	—	—	—
4. Written off on (Depreciation Accounts for)	39.3	8.8	9.1	63.8	12.5
(a) Premises, etc.	1.4	0.7	—	—	—
(b) Investments and securities		1.4	—	—	—
(c) Other assets	37.9	6.7	—	—	—
5. Remaining Net Profit (+) or Loss (—).	—7.1	+12.6	+13.6	—42.9	+8.0
6. Carried forward from preceding year.	1.0	0.8	1.1	1.0	0.7
7. Taken from Reserves or Capital.	23.3	3.6	1.4	22.9	0.5
8. Deficit left uncovered	—	—	—	32.6	4.2
9. Total Amount disposed of for Dividends, etc.	17.2	17.0	16.1	13.6	13.4
10. Carried to Reserves	3.3	5.8	4.6	6.9	5.5
11. Dividends	12.6	10.1	10.5	6.0	6.1
12. Directors' Fees, etc	—	—	—	—	—
13. Carried forward to following year	1.3	1.1	1.0	0.7	1.8
14. Total as above	17.2	17.0	16.1	13.6	13.4
15. Value of currency in cents of a U.S. dollar at the end of each year	20.3	26.6	26.6	18.5	16.9

was intensified during the economic depression, and, at the end of 1932, deposits in the "free" commercial banks were less than half as great as those in the "free" savings banks.

In addition to the commercial and savings

banks, there are a number of mortgage institutions operating in the country, the aggregate loans of which, at the end of 1932, amounted to almost 900 million kroner granted practically exclusively against issue of mortgage bonds.

Balance-Sheet Summary.

1. Cash

Norway in addition to coins and notes. Details are shown below :

This item includes balances with the Bank of

	Kr. (000,000's)				
	1925	1929	1930	1931	1932
Gold, subsidiary coins and notes	21.5	23.3	24.2	28.2	20.7
Balances with Central Bank	33.9	33.2	31.9	17.1	33.0
Totals	55.4	56.5	56.1	45.3	53.7

2. Other Items of a Cash Nature.

This item represents coins and notes in foreign currency.

3. Bills discounted and bought.

Treasury bills are little used in Norway. All banks have to report their rediscounts, which are included in the statistics in the bill portfolio as follows :

	Kr. (000,000's)				
	1925	1929	1930	1931	1932
<i>Inland Bills :</i>					
Discounted	365.2	334.5	358.2	335.8	328.8
Rediscounted	60.1	3.6	3.0	10.1	3.9
Totals	425.3	338.1	361.2	345.9	332.7

The rediscounts are likewise included under liabilities in group 18 of the summary table.

The protested bills are also shown separately and are included in the summary table in Sundry Assets (see note to group 10 below).

4 and 5. Investments and Securities : Participations.

The investments and securities other than Government bonds shown in the summary table (group 4 (b)) are composed as follows :

	Kr. (000,000's)			
	1929	1930	1931	1932
<i>Norwegian securities :</i>				
Municipal bonds	64.7	57.8	45.7	42.3
Bonds of Mortgage and Fisher Banks, etc.	45.1	39.3	37.7	35.9
Other bonds	38.9	40.0	40.6	35.3
Shares	40.1	43.8	37.7	40.4
Totals	188.8	180.9	161.7	153.0
<i>Foreign securities :</i>				
Government bonds	7.8	13.6	7.4	7.2
Other bonds and shares	5.2	13.4	7.3	7.0
Totals	13.0	27.0	14.7	14.2
Total Norwegian and foreign securities	201.8	207.9	176.4	168.1

The statistics for 1925 do not give the detailed composition of the securities and investments of the banks.

The balance-sheet model of the banking statistics does not contain any separate heading for participations, but the greater part of the share holdings would appear to represent industrial participations.

6. *Due from Banks (Correspondents).*

The sums shown in the summary table as due

from foreign banks (group 6 (b)) include debtors in foreign currency :

	Kr. (000,000's)				
	1925	1929	1930	1931	1932
Due from banks abroad	25.2	57.9	43.4	21.7	19.3
Debtors in foreign currency	88.2	25.8	31.5	35.8	33.2
Total	113.4	83.7	74.9	57.5	52.5

7. *Loans and Advances.*

The sums given under (a) in this group of the summary table represent sundry debtors, cash credits, etc. Since 1925, an amount equal to the acceptances has been deducted from this item and carried to group 8 of the table (see note below).

The figures shown under (b) represent collateral loans.

8. *Cover for Acceptances and Reimbursement Credits.*

The composition of this group of the summary table is given below :

	Kr. (000,000's)				
	1925	1929	1930	1931	1932
Cover for acceptances	4.9	1.0	1.5	0.5	0.6
Current reimbursements	17.2	16.8	15.4	8.9	9.8
Total	22.1	17.8	16.9	9.4	10.4

10. *Sundry Assets.*

Details are shown below :

	Kr. (000,000's)				
	1925	1929	1930	1931	1932
Real estate taken over by the banks	5.5	4.1	3.7	3.6	4.2
Protested bills	5.2	2.6	2.1	2.1	1.8
Inter-accounts with branches	70.1	3.1	9.9	6.3	11.9
Other assets	48.9	26.8	19.9	21.0	16.0
Total	129.7	36.6	35.6	33.0	33.9

Only the net balance of the inter-accounts between head offices and branches figures in the statistics for 1929-1932, while gross amounts are given for 1925.

12 and 13. *Capital and Reserve Funds.*

Excluding uncalled capital and the banks holdings of their own shares.

The composition of the aggregate reserves shown in the summary table is given below :

	Kr. (000,000's)				
	1925	1929	1930	1931	1932
Ordinary reserve funds	86.9	57.1	60.0	40.1	43.0
Other reserve funds	27.2	9.5	10.8	11.2	10.1
Total	114.1	66.6	70.8	51.3	53.1

Pension funds are included in sundry liabilities (see note to group 20 below) in 1925 and 1929, but are not shown separately from "other reserve funds" since 1930.

In the banking law it is stipulated that, before any distribution of dividends, etc., is made, one-fifth of the annual profits must be carried to the ordinary reserve fund until it has reached half of the share capital.

The "other reserve funds" shown above consist of taxation, *del credere*, dividend regulation and building funds, etc.

In the beginning of the post-war crisis, some of the banks, with a view to strengthening their position, raised additional funds against the issue of special bonds. These funds are shown in the

statistics under the heading "Certificate capital" and are included in group 18 of the summary table. See note to that group.

15. Cheques and Drafts in Circulation.

The sums given in this group of the summary table consist of post bills and notified cheques.

16. Due to Banks (Correspondents).

The amount shown as due to banks at home in 1925 include 9.6 million kroner specified as borrowings.

The sums shown in the summary table as due to banks abroad include creditors in foreign currency as follows:

	Kr. (000,000's)				
	1925	1929	1930	1931	1932
Due to banks abroad	138.0	41.3	37.2	17.3	15.0
Creditors in foreign currency	104.6	16.4	13.1	24.8	36.1
Total	242.6	57.7	50.3	42.1	51.1

The greater part of the sums due to creditors in foreign currency represents balances received from customers for deposit on exchange account with foreign banks. These balances are included in the assets under debtors in foreign currency (see note to group 6 above), and thus represent operations for third parties.

Of the amount due to banks abroad in 1925, 0.2 million kroner is indicated in the statistics as borrowings.

17. Deposits.

Savings accounts are not shown separately from time deposits. Other deposits (group 17 d) of

the summary table) are given in the statistics under the heading "Sundry creditors".

The unusually low ratio of demand to time deposits is due to the fact that, according to Norwegian banking practice, time deposits may be drawn upon to a large extent at sight, like current accounts.

Of the total demand and time deposits, 56.8 million kroner is indicated in the statistics of 1925 as held by foreigners.

18. Rediscounts and Other Borrowings.

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

	Kr. (000,000's)				
	1925	1929	1930	1931	1932
Capital borrowings	16.3	5.0	5.0	5.0	5.0
Rediscounts:					
At home	60.1	3.6	2.9	10.1	3.9
Abroad	6.6	0.7	0.2	0.5	0.4
Acceptances for own account	3.9	0.5	0.4	0.1	0.7
Total	86.9	9.8	8.5	15.7	10.0

It is stated in the official report that practically the whole of the amounts shown above as rediscounts abroad represent foreign bills.

19. Acceptances and Reimbursement Credits.

The acceptances (for the account of clients) and reimbursement liabilities included in this group of the summary table are given below:

	Kr. (000,000's)				
	1925	1929	1930	1931	1932
Acceptances	4.9	1.0	1.5	0.5	0.6
Current reimbursements	14.2	16.0	14.1	8.7	11.7
Total	19.1	17.0	15.6	9.2	12.3

20. Sundry Liabilities.

The composition of this group of the summary table is given below :

	Kr. (000,000's)				
	1925	1929	1930	1931	1932
Pension funds	1.6	0.3	.	.	.
Mortgage debts on premises and real estate taken over	1.2	1.2	0.7	0.7	0.9
Interest accounts	4.0	3.6	3.3	4.4	2.9
Inter-accounts with the branches	68.4	1.6	1.6	4.6	0.3
Other accounts	33.6	9.3	7.1	3.7	7.2
Total	108.8	16.0	12.7	13.4	11.3

Since 1930, Pensions Funds are included in "other reserve funds". See note to groups 12 and 13 above.

As already mentioned in the note to group 10

above, only the net balances of the inter-accounts between head offices and branches are included since 1929, whereas in 1925 gross balances are included.

Summary of Profit-and-Loss Accounts.

1. Gross Profits.

According to details given in the official statistics, about 75 to 80 per cent of gross profits are derived from net interest on loans and discounts and the remainder from commissions, securities and foreign exchange, etc. The figures shown in the summary table for 1925 and 1929 include small amounts recovered from assets previously written down.

2. Expenses.

The sums shown under the heading "Salaries, etc." include directors' fees, which are not shown separately in the statistics.

3. Reserved for Pension Funds.

The aggregate sums reserved for this purpose are too small to appear in the summary table.

5. Net Profit or Loss.

It will be noticed that, in 1925 and 1931, the "free" banks as a whole suffered a net loss.

10. Carried to Reserves.

The sums shown in this group of the summary table were divided as follows :

	Kr. (000,000's)				
	1925	1929	1930	1931	1932
Carried to:					
Ordinary reserves	1.1	4.4	3.1	3.4	3.1
Taxation and other funds	2.2	1.4	1.5	3.5	2.4
Total	3.3	5.8	4.6	6.9	5.5

POLAND.

Introductory Note.

The structure of the Polish credit system was described in some detail in the last edition of this *Memorandum*. During 1931 and 1932, a very sharp contraction of commercial bank credit took place in Poland; in these two years, the total balance-sheet of the joint-stock banks and principal private banking houses, on whose returns the summary table presented in this chapter is based, declined by over 1,000 million zloty, or more than one-third. This drastic liquidation was rendered possible by the fact that, in the evolution of the Polish banking system after the war, the State banks — the National Economic Bank and the State Land Bank — had taken over, in large measure, the task of meeting the long-term credit requirements of industry and agriculture, thus leaving the commercial banks free to specialise in commercial discounts and other short-term credits, which are more amenable to liquidation. The sharp credit deflation in Poland must be considered in conjunction with the fact that this country has, up to the present, maintained its currency on an unrestricted gold basis and has placed no legal restrictions in the way of the withdrawal of foreign short-term capital invested in Polish banks and industries.¹

Foreign short-term capital has, in fact, been extensively withdrawn from Polish banks since 1929. This capital was invested in Poland largely through the intermediary of the Polish branches or affiliates of foreign banks. Of the sixty-four

joint-stock banks and large private banking houses in existence at the end of 1930, the capital stock of some twenty-five was owned wholly or in part abroad. These banks transacted about half the business of all joint-stock banks operating in Poland. In addition, certain Polish institutions worked with large foreign credits. There are, at present, five branches of foreign banks operating in Poland; in particular, the German "D" banks maintain branches in Polish Upper Silesia. The most important foreign affiliate carrying on business in Poland is the Commercial Bank of Warsaw, founded in 1870 by the Niederösterreichische Escomptegesellschaft. In recent years, part of the ownership of this bank has passed into the hands of Italian, British, American, Belgian and Hungarian groups. The Discount Bank of Warsaw, until recently another important medium of foreign credits, is an affiliate of the Austrian Creditanstalt, as are the Mortgage Bank of Lemberg and the Silesia Creditanstalt in Bielitz. Austrian interests are further represented by the Allgemeine Bankverein, which was originally founded by the Wiener Bankverein, and is now supported by the Banque Belge de l'Etranger and the Basler Handelsbank. Of the other affiliates of foreign banks, the largest is the American Bank in Poland.

The magnitude of the withdrawals of foreign short-term credits which have taken place from Polish banks in recent years is illustrated in the following table:

Short-Term Foreign Borrowings of Polish Banks.

Country of creditor	Zloty (000,000's)				
	End of :				
	1929	1930	1931	1932	June 1933
England	135	179	95	56	46
Germany	116	83	93	72	62
France	99	104	66	56	59
Austria	97	64	43	31	28
United States	65	65	16	11	4
Others	161	145	88	66	63
Total	673	640	401	292	262

¹ In June 1932, the Union of Polish Banks adopted a resolution whereby they bound themselves to refrain from effecting purchases and sales of gold specie and bullion, and also from selling foreign exchange or foreign currencies presumably destined for speculative or hoarding purposes (see *Bulletin* of Bank of Poland, June 1932). According to the Bank of Poland, this resolution was never put into effect, as the demand for dollar notes, which had formerly played an important rôle in the economy of the country, diminished considerably.

Between the end of 1929 and the middle of 1933, foreign short-term capital in excess of 400 million zloty was withdrawn from Polish banks. Withdrawals were relatively slight during 1930, increases in British and French capital placed at the disposal of Polish banks partly offsetting reductions in credits from Germany, Austria and elsewhere. During the general liquidity crisis which followed the collapse of the Creditanstalt in Austria and the German banking holidays in the summer of 1931, British, French and American banks — as well as those of the Netherlands, Belgium and Switzerland — withdrew large portions of their credits to Polish banking institutions. In the second half of 1931, the Polish banks lost 258 million zloty in foreign credits. These withdrawals continued, with some alleviation, during the first half of 1932; in the second half of that year only 24 million zloty were withdrawn and 32 millions in the first half of 1933.

The foreign withdrawals from Polish banks were accompanied by domestic runs. Total deposits in private banks, which had increased by 94 million zloty in 1930 — due principally to time and savings accounts — fell by 450 million zloty, or nearly 40 per cent in 1931. The run was particularly violent in the case of the Warsaw Discount Bank, an affiliate of the Austrian Creditanstalt, whose deposits fell from 83 to 18 million zloty in the course of 1931. This institution, which had formerly been the second largest commercial bank in Poland, now became of secondary importance.

During 1931, the Polish private banks had therefore to meet domestic withdrawals of 450 million zloty in addition to foreign withdrawals of 240 millions. This they achieved without resort to the Central Bank for fresh rediscount credits, by contracting their bill portfolio and their loans on current account by equal amounts (335 million zloty each), and allowing some reduction in their cash holdings (23 millions). Several banks were unable to meet the mass withdrawals from foreign and domestic creditors and were forced to suspend payment. Among these, mention may be made of the Polish Industrial Bank in Lemberg, which came into difficulties through the failure of the Société financière de Paris (Devilder group), which held a majority of its capital stock, the Silesia Discount Bank in Bielitz and the Commercial Bank in Lodz.

In 1932, the private banks lost a further 100 million zloty in foreign credits and 85 millions in domestic deposits. They again contracted their bill portfolio very sharply (120 million zloty), bringing it to less than 45 per cent of its 1929 level, and reduced their outstanding current account credits by the same amount (120 million zloty). Through this sharp liquidation of credit, they were not only able to pay off depositors and foreign creditors, but to reduce their domestic rediscounts by 60 million zloty.

During the first half of 1933, short-term foreign credits granted to Polish banks have been withdrawn to the extent of 30 million zloty and domestic deposits in private banks have been reduced by a further 60 millions. In these six months, the short-term credits granted by private banks in Poland have fallen by 85 million zloty.

Some part of the sums withdrawn from private banks in recent years went into hoards, but the greater part would appear to have been transferred to public institutions. The following table shows the amounts outstanding to the credit of depositors in the main groups of credit institutions at the end of each year since 1929.

	Zloty (000,000's)			
	End of :			
	1929	1930	1931	1932
1. Private joint-stock banks	1,090	1,184	730	646
2. State and Municipal bank	384	379	361	385
3. Postal savings bank	384	431	510	623
4. Communal savings banks	446	582	603	628
5. Co-operative credit associations	338	392	346	307
Total	2,642	2,968	2,550	2,589

Total deposits in Polish credit institutions, after rising quite sharply in 1930 (due, as a detailed analysis of the basic statistics shows, to a large increase in time and savings deposits which more than offset a fall in the total of current accounts), declined during 1931 and rose slightly in 1932. At the end of the latter year, they were only slightly lower than their 1929 level. During this period, however, very marked changes took place in the distribution of deposits among the various classes of institution. In particular, the private banks lost very heavily to the savings institutions; deposits in the former fell by 450 million zloty, while deposits in the postal savings bank increased by 240 millions and in communal savings banks by 180 millions. At the end of 1932, the savings banks accounted for almost 50 per cent of total deposits, as compared with only about 30 per cent in 1929; the share of the private banks fell from 40 to 25 per cent. The shift of deposits to the public institutions primarily reflects the desire on the part of depositors to enjoy a public guarantee; it was also encouraged by the relatively high interest rates paid by the savings banks.

It will be observed that deposits in the State and municipal banks (which include the National Economic Bank, the State Land Bank and two municipal banks) have undergone but little fluctuation since 1929. Like the private banks, the State banks have reduced their short-term commercial credits; on the other hand, they have

POLAND.

COMMERCIAL BANKS

Table 17 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1925	1929	1930	1931	1932
Number of banks.	78	63	64	64	60
ASSETS.					
	Zloty (ooo,ooo's omitted)				
1. Cash	26	106	97	76	66
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	22	28	29	14	12
3. Bills discounted and bought	214	935	863	528	407
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities					
(a) Government	58	112	114	98	93
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	85	122	135	108	112
(a) At home	—	46	53	45	43
(b) Abroad	—	76	82	63	69
7. Loans and Advances	402	1,092	1,204	872	754
(a) On current account	327	904	988	656	533
(b) Other loans and advances	75	188	216	216	221
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	103	134	149	126	122
10. Sundry Assets	114	449	421	430	405
11. Total Assets	1,024	2,978	3,012	2,252	1,971
LIABILITIES.					
12. Capital paid up	131	239	263	250	243
13. Reserve Funds	25	66	74	72	68
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	215	563	561	344	307
(a) At home	—	102	90	64	88
(b) Abroad	—	461	471	280	219
17. Deposits	333	1,090	1,184	730	646
(a) Current accounts and sight deposits	256	536	544	375	322
(b) Savings accounts	11	141	178	87	78
(c) Time or fixed deposits	66	413	462	268	246
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	147	495	473	427	361
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	173	525	457	429	346
21. Total Liabilities	1,024	2,978	3,012	2,252	1,971
22. Value of currency in cents of a U.S. dollar at the end of each year	10.8	11.2	11.2	11.2	11.2

considerably increased their special loans from Government funds administered by them. The following table shows the net total of bills discounted (excluding rediscounts) and short-term loans and advances of the private banks and the State banks, and special loans by the State banks outstanding at the end of each year since 1929.

	Zloty (000,000's)				Per cent of total			
	1929	1930	1931	1932	1929	1930	1931	1932
Joint-stock banks and principal private banks	1,532	1,593	973	804	67	67	56	53
State banks :								
(a)	497	450	377	306	22	19	21	20
(b)	255	355	396	421	11	14	23	27
Total	2,284	2,398	1,746	1,531	100	100	100	100

Both the amount and the proportion of short-term loans made by the State Land Bank out of Government funds administered by it (shown alongside (b) above) have greatly increased in recent years, while the proportion made by the joint-stock banks has fallen.

Long-term (mortgage) loans are not included in the above table. As already mentioned, the joint-stock banks have never played an important part in the granting of long-term credits. During the years under review the National Economic

Bank increased its long-term loans by 470 million zloty, or over 40 per cent, and the State Land Bank increased its long-term loans by 75 million zloty, or nearly 30 per cent. The mortgage loans of the joint-stock banks were 11 million zloty, or 8 per cent, higher at the end of 1932 than at the end of 1929. In the first half of 1933, the National Economic Bank reduced its long-term loans outstanding by 20 million zloty, the State Land Bank by 50 millions and the joint-stock banks by 8 millions.

Balance-sheet Summary.

1 and 2. Cash Assets.

The official statistics give no specification of "Cash in hand"; foreign currency holdings are, however, shown separately in the *Polish Statistical Year-Book*. They are accordingly included in group 2 of the summary table.

3. Discounts.

No distinction is made in the Polish statistics

between domestic and foreign bills, nor are Treasury bills shown separately. The sums shown include that part of the portfolio which has been rediscounted by the banks either with the Central Bank and other domestic banks or abroad, and which is shown separately under liabilities (see note to group 18 of the summary table). Net figures excluding the rediscounts are given below :

	Zloty (000,000's)				
	1925	1929	1930	1931	1932
Total discounts	214	935	863	528	407
Less rediscounts	147	353	319	268	204
Net portfolio	67	582	544	260	203

6. Due from Banks (Correspondents).

The sums shown in the summary table since 1929 were composed of "loro" and "nostro" accounts, as follows :

	Zloty (000,000's)			
	1929	1930	1931	1932
Due from banks :				
At home. } Loro	17	21	18	20
} Nostro	29	32	27	22
Abroad .. } Loro	10	14	9	10
} Nostro	66	68	54	60
Total . . } Loro	27	35	27	30
} Nostro	95	100	81	82

7. *Loans and Advances.*

Of the advances on current account (a) at the end of 1929, 631 million zloty were covered and 273 million zloty uncovered (overdrafts). The sums shown under (b) since 1929 consist of time loans and long-term mortgage loans as follows :

	Zloty (000,000's)			
	1929	1930	1931	1932
Time loans	46	61	57	67
Mortgage loans	142	155	159	154
Total (b)	188	216	216	221

10. *Sundry Assets.*

These include expenditure accounts, inter-branch accounts, protested bills, movable property and various other transitory accounts.

11 and 21. *Total Assets and Liabilities.*

The sums shown exclude guarantees and collection accounts.

14. *Profit-and-Loss Accounts.*

The balance of profit-and-loss accounts is not shown in the banking summaries published in the *Statistical Bulletin of the Ministry of Finance*. But the difference between the expenditure accounts and the earnings (interest and commissions) constitutes a rough measure of the amount of the ordinary net profits of each year. This difference is shown below :

	Zloty (000,000's)			
	1929	1930	1931	1932
Interest and commissions	135	125	94	60
Expenditure	105	101	84	63
Net balance	30	24	10	— 3

These details are not shown for 1925. As the above figures do not include profits from investments and exchange profits on the one hand, and depreciation of securities and of foreign exchange and sums written off credits on the other, the balance shown does not represent actual net profits. These are shown in a special statement at the end of the present notes.

16. *Due to Banks (Correspondents).*

The "loro" and "nostro" accounts (the latter representing borrowings with credit institutions apart from rediscounts and pledging of own securities) are shown separately since 1929 as follows :

	Zloty (000,000's)			
	1929	1930	1931	1932
Due to banks :				
At home. { Loro	53	55	35	38
{ Nostro	49	35	29	50
Abroad. { Loro	83	89	59	36
{ Nostro	378	382	221	183
Total . . . { Loro	136	144	94	74
{ Nostro	427	417	250	233

17. *Deposits.*

The sums shown under (a) are composed of sight deposits and current accounts, as follows :

	Zloty (000,000's)				
	1925	1929	1930	1931	1932
Sight deposits	82	259	238	166	147
Current accounts	174	277	306	209	175
Total (a)	256	536	544	375	322

18. *Rediscounts and Other Borrowings.*

The sums shown since 1929 are composed as follows :

	Zloty (000,000's)			
	1929	1930	1931	1932
Bills rediscounted :				
At home	292	268	257	198
Abroad	61	51	11	6
Total	353	319	268	204
Mortgage and other bonds issued	142	154	159	157
Grand total	495	473	427	361

The amounts shown for 1925 in the summary table consist entirely of rediscounts ; in that year, bonds issues are included with Sundry Liabilities.

20. *Sundry Liabilities.*

The sums shown in this group of the summary table include interest and commission accounts, sundry profits, inter-branch accounts and various other accounts not representing liabilities to the public.

Profit-and-Loss Accounts.

Certain profit-and-loss statistics are published in the *Polish Statistical Year-Book*. The figures relating to the domestic joint-stock banks are summarised in the following statement, which gives, in addition, the amount of the capital and reserves of these banks at the end of each year.

Year	Number of banks (a)	Capital paid up (b)	Reserve funds (c)	Gross profits (d)	Working expenses (e)	DEPRECIATION OF ASSETS :				Total expenses and depreciation (e+i) (j)	Net profits (+) or loss (-) (d less j) (k)	Value of currency in cents of a U.S. dollar (l)
						Securities (f)	Foreign Exchange (g)	Other Assets (h)	Total (f+g+h) (i)			
Zloty (000,000's)												
1925.	69	132.1	32.6	86.1	81.1	8.2	6.5	23.0	37.7	118.8	-32.7	10.8
1929.	50	223.6	54.2	123.0	104.8	1.6	1.2	6.5	9.3	114.1	+ 8.9	11.2
1930.	49	221.0	55.0	124.9	74.6	.	.	.	37.5	112.1	+12.8	11.2

The composition of gross profits according to the sources from which they are derived, is shown opposite.

The first item has been calculated by deducting interest and commissions paid from those earned; gross amounts are shown in the Polish statistics. The disposal of net profits is not shown.

	1925	1929	1930
Zloty (000,000's)			
Net interest and commissions earned	64.3	102.1	93.0
Profits from securities.	2.5	5.4	3.9
Profits on exchange.	9.5	4.8	4.9
Sundry profits.	9.3	10.7	23.1
Brought forward from preceding years.	0.5		
Total.	86.1	123.0	124.9

PORTUGAL.

Introductory Note.

The history of modern banking in Portugal dates from the beginning of the nineteenth century, when the Bank of Lisbon was organised for the purpose of controlling the issue of paper money. This bank went into liquidation in 1846 and was subsequently re-organised as the Bank of Portugal.

Since the beginning of this century, the Bank of Portugal has enjoyed the exclusive right of note issue, and has gradually acquired and developed the functions of a central bank. It operates, in addition, as fiscal agent and banker to the Government.

In the middle of the nineteenth century there were only three banks operating in Portugal; this number rapidly increased to over 50 in 1875, but by 1889 the number had fallen to 41. By 1925 it had declined further to 22, mainly as a result of numerous absorptions and amalgamations.

The largest Portuguese commercial bank is the Banco Nacional Ultramarino. But the greater part of its business is carried on abroad, chiefly in Brazil and other South-American countries and in the Portuguese colonies. It issues notes in all the colonies except Angola, which has its own bank of issue, the Banco d'Angola. Other important Portuguese institutions are the Banco Lisboa y Açores, the Banco Pinto y Soto Maior and the Banco Aliança. Foreign capital is represented by the Bank of London and South America, which has established branches at Lisbon and Oporto, and the Crédit Franco-Portugais. The deposits of the Bank of London and South America are among the largest of any of the banking institutions of Portugal.

In addition to the joint-stock banks — whose business resembles the Anglo-Saxon system of short-term credit and deposit banking more closely than the continental type of investment and industrial banking — there are also a number of private banking houses and several savings banks in Portugal. The private bankers do not publish accounts. The accounts of the savings banks and similar institutions have been excluded, so far

as possible, from the attached summary table. The State maintains two important banking institutions, the Caixa Geral de Depositos and the Caixa Económica Postal, or Postal Savings Bank. The deposits in the former institution, which amounted to 1,567 million escudos at the end of 1931, are chiefly invested in loans and advances to the State. The deposits in all other savings banks and similar institutions amounted at the same date to some 1,100 million escudos and thus exceeded those in the commercial banks (excluding the Banco Nacional Ultramarino and the Banco d'Angola), as shown in the summary table attached. This table is based on the official balance-sheet summaries published in the *Situação Bancaria* for the years 1923-1927 and 1930-31 and in the *Anuário Estatístico* for 1928 and 1929. The former publication was temporarily discontinued for the last two years mentioned. As from 1930, it shows the accounts of the banks in greater detail than previously. At the same time, the principles of classification were somewhat changed, without, however, seriously affecting the comparability of the principal items as summarised in the attached table. Since the accounts of the Banco Nacional Ultramarino for 1930 and 1931 have not as yet been approved by the Government, no data for this bank are given in the official statistics relating to those years. Moreover, only a minor proportion of the business of this bank is carried on in Portugal, and this differs considerably in character from that of the ordinary commercial banks. Consequently the accounts of the Banco Nacional Ultramarino have been excluded throughout the whole period here considered. The Banco d'Angola, whose business also differs from that of the ordinary banks, and the Banco de Portugal, whose chief functions are those of a central bank of note issue, are likewise excluded from the summary table.

The official banking statistics do not contain any summary of the profit-and-loss accounts of commercial banks.

PORTUGAL.

COMMERCIAL BANKS¹

Table 18 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :						
	1925	1926	1927	1928	1929	1930	1931
Number of Banks.	21 ¹	21 ¹	21 ¹	21 ¹	23 ¹	22 ¹	23 ¹
ASSETS.							
	Escudos (ooo,ooo's omitted)						
I. Cash.							
(a) Gold, silver and small coins.							
(b) Notes of inland banks, State notes and balances with the Central Bank	143	128	154	148	162	145	210
2. Other Items of a Cash Nature.							
3. Bills discounted and bought.	406	442	461	525	581	386	320
(a) Treasury bills.	—	—	—	—	—	—	—
(b) Commercial bills, Inland.	390	425	444	512	565	371	308
(c) Commercial bills, Foreign.	16	17	17	13	16	15	12
4. Investments and Securities.	54	69	80	91	91	85	72
(a) Government	—	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—	—
6. Due from Banks (Correspondents).	88	99	121	134	131	140	107
(a) At home.	—	—	—	—	—	76	58
(b) Abroad.	—	—	—	—	—	64	49
7. Loans and Advances.	320	383	359	462	423	407	362
(a) On current account	—	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—	—	—
9. Premises, etc.	—	—	—	—	—	40	51
10. Sundry Assets	102	162	237	379	588	197	256
II. Total Assets	1,113	1,283	1,412	1,739	1,976	1,400	1,378
LIABILITIES.							
12. Capital paid up	128	170	170	184	198	198	223
13. Reserve Funds	45	45	47	49	51	82	84
14. Profit-and-Loss Balances, etc.	24	25	25	25	23	17	15
15. Cheques and Drafts, etc., in circulation	25	16	16	17	14	17	16
16. Due to Banks (Correspondents)	75	91	84	125	119	76	62
(a) At home	—	—	—	—	—	39	32
(b) Abroad	—	—	—	—	—	37	30
17. Deposits	736	821	872	986	1,044	885	812
(a) Current accounts and sight deposits	355	372	413	445	481	389	464
(b) Savings accounts	—	—	—	—	—	—	—
(c) Time or fixed deposits	130	153	181	223	273	255	225
(d) Other deposits	251	296	278	318	290	241	123
18. Rediscounts and Other Borrowings	—	—	—	—	—	—	—
19. Acceptances and Endorsements	—	—	—	—	—	—	—
20. Sundry Liabilities.	81	115	198	353	527	125	166
21. Total Liabilities.	1,113	1,283	1,412	1,739	1,976	1,400	1,378
22. Value of currency in cents of a U.S. dollar at end of each year.	5.12	5.12	4.96	4.41	4.51	4.48	3.23

¹ Excluding the Banco Nacional Ultramarino and the Banco d'Angola (see Introductory Note).

Balance-sheet Summary

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

The joint amounts shown for these two items are composed as follows :

	Escudos (000,000's)						
	1925	1926	1927	1928	1929	1930	1931
Cash in hand	70	77	66	67	80	73	126
Deposits in other banks	73	51	88	81	82	70	82
Foreign notes and coin	—	—	—	—	—	2	2
Total	143	128	154	148	162	145	210

Cash in hand consists exclusively of inland notes and coins. Balances with the central bank are not shown separately from deposits in other banks. Foreign notes and coins were not shown separately from foreign bills prior to 1930.

3. *Bills discounted and bought.*

The treasury bills — if any — taken up by the commercial banks are not shown separately in the statistics. The inland bill portfolio includes "bills receivable" in addition to bills discounted, as follows :

	Escudos (000,000's)						
	1925	1926	1927	1928	1929	1930	1931
Bills discounted	305	315	354	413	470	358	292
Bills receivable	85	110	90	99	95	13	16
Total	390	425	444	512	565	371	308

Bills for collection, etc., amounting to 75 and 92 million escudos respectively in 1930 and 1931 — which have been included under sundry assets for those years — were not shown separately in the statistics for the preceding years. They would appear to have been included under bills receivable.

would appear as a rule not to engage in direct participation in industrial undertakings.

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

Government securities are not shown separately from other securities in the statistics. The banks

6. *Due from Banks (Correspondents).*

Amounts due from banks abroad were not shown separately from domestic correspondents prior to 1930.

7. *Loans and Advances.*

The sums shown are composed as follows :

	Escudos (000,000's)						
	1925	1926	1927	1928	1929	1930	1931
Secured loans and advances	103	121	148	190	192	203	221
Sundry debtors :							
In national currency	217	262	211	272	231	117	112
In foreign currency						87	29
Total	320	383	359	462	423	407	362

A minor proportion of the first item above consists of mortgage loans which, however, are not shown in detail.

9. *Premises, etc.*

Not shown separately prior to 1930.

10. *Sundry Assets.*

Since 1930, this item includes bills for collection, etc., previously included in the bill portfolio (see note to group (3) above). Prior to 1930, sundry assets include premises, etc., and may, in addition, include certain accounts of third parties which are

subsequently shown separately in the statistics and have been entirely excluded from the balance-sheet in the summaries for 1930 and 1931.

11 and 21. *Total Assets and Liabilities.*

Excluding *comptes d'ordre* and, since 1930, accounts of third parties.

15. *Cheques and Drafts in Circulation.*

Amounts shown represent bills payable.

16. *Due to Banks (Correspondents).*

Amounts due to domestic and foreign banks are not shown separately prior to 1930.

17. *Deposits.*

The composition of deposits is shown in detail below :

	Escudos (000,000's)						
	1925	1926	1927	1928	1929	1930	1931
Demand deposits :							
National currency	—	—	—	—	—	356	433
Foreign currency	—	—	—	—	—	33	31
Total (a)	355	372	413	445	481	389	464
Time deposits :							
National currency	—	—	—	—	—	250	221
Foreign currency	—	—	—	—	—	5	4
Total (c)	130	153	181	223	273	255	225
Sundry creditors :							
National currency	—	—	—	—	—	182	82
Foreign currency	—	—	—	—	—	59	41
Total (d)	251	296	278	318	290	241	123
Grand total	736	821	872	986	1,044	885	812

The nature of the "sundry creditors," is not indicated in the statistics, but, like "sundry debtors" shown under assets (see note to group (7) above), they would appear chiefly to represent current accounts of the business community.

20. *Sundry Liabilities.*

This item includes collection accounts (shown separately only since 1930) in addition to unspecified sundry accounts.

ROUMANIA.

Introductory Note.

In the first edition of this publication, a brief account was given of the history, composition and post-war development of the commercial banking system of Roumania. It was pointed out that the larger domestic banks, like the relatively important branches or subsidiaries of foreign banking institutions operating in Roumania, are essentially mixed industrial (investment) and deposit banks. Until the recent years of depression, these banks operated largely with foreign short-term credits and received deposits almost exclusively on short-term, while their loans and advances outstanding were mainly of the character of long-term engagements.

The banking system as a whole is very decentralised; the decentralisation was indeed more marked at the beginning of the present economic depression than it had been immediately after the war. Although many banks failed during the depression, and particularly in 1931, the total number of institutions carrying on commercial banking at the end of that year still exceeded one thousand. Small rural banks, purely local in character, form the great majority of these institutions. As a result of the failure of three of the larger Bucharest banks in 1931 and of a relatively important provincial bank in 1932, there now remain only eleven important commercial banks — five in Bucharest and six in the leading provincial centres — with operations extending beyond the immediate locality of their head offices. At the end of 1931, these eleven banks held 20 per cent of the capital and reserves and 29 per cent of the deposits of all Roumanian banks, apart from the National Bank.

The international financial crisis which began in Central Europe in the summer of 1931 and was further aggravated by the collapse of the pound in September of that year had serious repercussions on the larger Roumanian banks, on account of their dependence upon foreign short-term credits and their close relations with Central European banking institutions. In the course of the autumn of 1931, a large part of the foreign credits enjoyed by Roumanian banks was called in; a heavy run began on the deposits of the larger banks and soon spread

to the smaller local institutions. The banks attempted to face the withdrawals by calling in outstanding loans, and considerable cuts were in fact made. But a very great proportion of the credits granted by the bigger banks (mainly to industry) were immobilised; and, as a result, moreover, of the enormous drop in agricultural prices, many of the customers of the rural banks were unable to repay their bank debts. While — as may be seen from the summary table attached — total deposits were reduced by 23 milliard lei or by 43 per cent in the course of 1931, total discounts, loans and advances fell some 14 milliard lei. Excess withdrawals are reflected in the movements of cash and rediscounts. Before the onset of the financial panic, cash reserves were exceptionally large; although they were subsequently replenished by fresh rediscounts — almost exclusively at the National Bank — to the extent of 6 milliard lei (reflected in the increase in item 18 of the summary table), their amount was reduced on balance by 5 milliards in the course of 1931.

Figures for 1932 are, at the time of writing, not yet available for all banks, but statistics relating to the few more important banks referred to above have recently been published by the Economic Research Department of the National Bank.¹ Four of these banks — Bank Marmorosch Blank & Co., Bank L. Berkowitz, the General Bank of Roumania and the Bank Moldova — which were heavily engaged in certain industries, were unable to withstand the run on their deposits and had to be closed, the first three in 1931 and the fourth in 1932. Their importance may be judged from the following aggregates of their principal accounts at the end of 1930 :

	Lei (100,000's)
Cash and bank balances	1,025
Bill portfolio	2,971
Loans, advances and participations	4,246
Capital and reserves	956
Deposits and creditors	6,916
Rediscounts	734

¹ *Bulletin d'Information et de Documentation*, August 1933.

The position of the remaining eleven leading banks at the end of each of the three years 1930-1932 is shown below:

	Lei (000,000's)		
	1930	1931	1932
ASSETS			
Cash and bank balances . . .	3,755	1,458	1,542
Bill portfolio	7,961	6,923	6,029
Loans, advances and parti- cipations	10,071	7,296	6,583
Securities	753	702	668
Premises	478	554	569
Sundry accounts	295	161	144
Total assets	23,313	17,094	15,535
LIABILITIES			
Capital and reserves	3,037	3,193	3,145
Net profits	479	228	78
Deposits and creditors	18,053	8,752	7,814
Rediscounts	586	4,077	3,763
Sundry accounts	1,158	844	735
Total liabilities	23,313	17,094	15,535

It will be noted that, in 1931, these banks lost a much higher proportion (52 per cent) of their deposits, but cut their outstanding credits less (16 per cent) than the banking system as a whole. Thus, although they rediscounted almost 60 per cent of their bill portfolio, their cash reserves dropped proportionately more than those of the other banks. Both deposits and discounts, loans and advances were further reduced in 1932, though on a much more moderate scale.

A system of official exchange control was put into effect in May 1932. In April of that year, certain laws were passed concerning the conversion of agricultural debts and judicial liquidation of commercial debts. These laws, which were voted in the interest of debtors affected by the depression, seriously aggravated the position of the banks, which remained subject to great strain after the run on deposits in the preceding autumn. The laws were criticised on the ground that they made

it practically impossible for a debtor to be forced into liquidation for non-payment of debt and thus had the effect of discouraging efforts on the part of debtors to repay the banks. The law on agricultural debts was therefore partially suspended in October 1932. On the other hand, in April 1933 a new law was passed providing for a five-year moratorium with annual interest payment of 1 to 3 per cent in respect of all agricultural debts concerning which creditors and debtors had not agreed to a settlement on the basis of a reduction of the capital sum by one-half in the case of smaller and one-fourth to one-third in the case of larger properties. The law on judicial liquidation of commercial debts was abrogated in October 1932 by a new law which considerably broadened — in the favour of debtors — the law concerning compulsory composition, by reducing to a minimum of 40 per cent the amounts to be offered to creditors and by extending to five years the maximum term of payment. A great many banks, particularly smaller ones, have taken advantage of the compulsory composition law.

A very considerable proportion of the burden of illiquid debts ultimately falls on the National Bank, thanks to its intervention during the panic of 1931 and its subsequent rediscounts, particularly in favour of the rural banks. Thus it carries, subject to ultimate settlement with the State, a great and, until the middle of 1933, continuously increasing portfolio of illiquid agricultural bills, and, in the circumstances, it has also been obliged to accept for rediscount large amounts of other bills of doubtful quality. According to the report of the Adviser to the National Bank, dated August 15th, 1933, the Bank's total bill portfolio, including certain categories of bills not shown under discounts in the published statement, increased from 10.4 milliard lei before the onset of the financial crisis to 18.8 milliards at the end of 1931, and 19.3 milliards at the end of June 1932. It has since fallen but slightly — viz., to 18.7 milliards at the end of 1932 and 18.5 milliards at the beginning of August 1933.

As in the preceding edition of this memorandum, the summary table is based on the official *Statistics of Joint-Stock Companies*. Detailed profit and loss statistics are not available.

Balance-sheet Summary.

1 and 2. Cash Assets.

The cash reserves of the Roumanian banks are composed of two items: "Cash", which presumably consists only of bank-notes and token coin (not divided), and "banks", which includes balances with the Central Bank, the clearing house and other banks (likewise not divided).

	Lei (000,000's)			
	1925	1929	1930	1931
"Cash"	3,198	3,510	3,742	1,739
"Banks"	1,743	3,119	4,268	1,321
Total	4,941	6,629	8,010	3,060

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :			
	1925	1929	1930	1931
Number of Banks	928	1,097	1,102	1,037
ASSETS.				
Lei (ooo,ooo's omitted)				
1. Cash				
(a) Gold, silver and small coins				
(b) Inland notes and balances with Central Bank	4,941	6,629	8,010	3,060
2. Other Items of a Cash Nature				
3. Bills discounted and bought	15,443	31,826	31,078	25,815
(a) Treasury bills	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—
4. Investments and Securities	2,443	2,781	2,804	2,625
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations	1,787	3,582	3,300	3,667
6. Due from Banks (Correspondents)	—	—	—	—
(a) At home	—	—	—	—
(b) Abroad	—	—	—	—
7. Loans and Advances	20,659	34,504	34,475	24,952
(a) On current account	—	28,907	28,114	21,047
(b) Other	—	5,597	6,361	3,905
8. Cover for Acceptances	—	—	—	—
9. Premises, etc.	1,235	2,601	2,782	3,478
10. Sundry Assets	1,281	2,357	1,333	1,862
11. Total Assets	47,789	84,280	83,782	65,459
LIABILITIES.				
12. Capital paid up	5,833	10,411	10,730	10,652
13. Reserve Funds	2,138	4,433	5,353	4,919
14. Profit and Loss Account, Undivided Profits, etc.	1,384	1,947	1,638	493
15. Cheques and Drafts in circulation	372	280	219	122
16. Due to Banks (Correspondents)	—	—	—	—
(a) At home	—	—	—	—
(b) Abroad	—	—	—	—
17. Deposits	28,286	51,314	53,323	30,206
(a) Current accounts and sight deposits	—	—	—	—
(b) Savings accounts	—	—	—	—
(c) Time or fixed deposits	—	—	—	—
(d) Other deposits	—	—	—	—
18. Rediscounts and Other Borrowings	8,292	12,170	10,033	16,258
19. Acceptances and Endorsements	—	—	—	—
20. Sundry Liabilities	1,484	3,725	2,486	2,809
21. Total Liabilities	47,789	84,280	83,782	65,459
22. Value of currency in cents of a U.S. dollar at the end of each year	0.46	0.60	0.59	0.60

3. Bills discounted and bought.

The figures for discounts include, not only bills actually held in portfolio, but also bills which the banks have rediscounted either with the Central Bank or with other banks, these rediscounts being shown as a separate item under liabilities (group 18 of the summary table).

Some banks distinguishing rediscounts under both assets and liabilities show higher figures under this heading on the liabilities side than on the assets side of their balance-sheets. This seems to indicate that other borrowings are also included under the heading rediscount liabilities.

No distinction is made between Treasury bills and commercial paper; nor are foreign bills shown separately.

4 and 5. Investments and Securities — Participations.

The sums given in group 4 of the summary table are shown in the official statistics under the heading "Public Securities and Shares"; the component parts are not specified, nor is the nature of the shares indicated. The participations shown in group 5 are chiefly in industrial and other business undertakings.

6. Due from Banks (Correspondents).

Most inter-bank accounts are included in ordinary current accounts in the official statistics. Sight deposits with other banks, however, are included, together with balances at the Central Bank, in the item "banks" shown separately in the note to 1 and 2 above.

7. Loans and Advances.

The sums given under (a) are shown in the official statistics as "current account debtors" and those given under (b) as "sundry advances". The nature of the latter is not indicated. As mentioned in the preceding note, current accounts include inter-bank accounts.

10. Sundry Assets.

The sums shown in this group of the summary table are composed as follows:

	Lei (000,000's)			
	1925	1929	1930	1931
Merchandise	199	622	126	94
Collection accounts	1,046	1,440	870	606
Transitory accounts	—	114	89	462
Expenditure relating to following year	17	26	25	14
Losses	19	155	223	686
Total	1,281	2,357	1,333	1,862

Certain Roumanian banks, like the banks in several other countries of Eastern Europe, have established special wholesale departments. It is not stated what proportions of the first item above consist of: (a) goods held in the course of ordinary wholesale transactions by these departments, and (b) goods which have become the property of the banks owing to failure on the part of customers to repay credits granted on such security.

Bills in course of collection for customers' account are booked under the second item above. A "per contra" item is included under sundry liabilities (see note to group 20 below).

The fourth item above represents interest payable after the date of the balance-sheet.

11 and 20. Total Assets and Liabilities.

Uncalled capital, banks' holdings of own shares, "comptes d'ordre" and certain other purely nominal accounts are excluded from the summary table.

14. Profit and Loss, etc.

The sums shown in the summary table are totals of the net profits shown by individual banks. Some banks, however, closed their accounts with a loss. The total of these losses (included in group 10 of the summary table) should be deducted in order to arrive at the net profits of the banking system as a whole. This is done in the following statement:

	Lei (000,000's)			
	1925	1929	1930	1931
Net profits of individual banks	1,384	1,947	1,638	493
Losses of individual banks	19	155	222	686
Balance representing net profits of banking system	1,365	1,792	1,416	—193

It will be noted that the banking system as a whole made a net loss in 1931. It is probable that, in 1932, for which year complete figures are not yet available, the negative balance as recorded in the statistics was considerably greater. Even in that year, however, most of the actual losses were not yet disclosed in the balance-sheets.

16. Due to Banks (Correspondents).

Inter-bank accounts are not shown separately from ordinary current accounts in the official statistics; they are thus included in group 17 of the summary table.

17. Deposits.

Deposits are not divided according to periods of maturity in the official statistics, but distinction is made between current-account creditors and other deposits as shown in the following table :

	Lei (000,000's)			
	1925	1929	1930	1931
Current-account creditors	11,510	19,561	18,212	12,840
Deposits	16,776	31,753	35,111	17,366
Total	28,286	51,314	53,323	30,206

Apart from inter-bank accounts (see preceding note), the first item above would appear to consist chiefly of the deposits of important customers, more especially the industrial and other undertakings directly financed by the banks, while the second item represents deposits made by the general public. Judging from details available with reference to the larger banks, the second item also consists mainly of demand deposits.

In addition to the banks covered by the summary table, there is a National (Post Office) Savings Bank and a system of "people's banks" for which separate statistics are published. The relative importance of their deposits will be seen from the following statement :

	Lei (000,000's)						
	PEOPLE'S BANKS			NATIONAL SAVINGS BANK Savings deposits	Total (c) and (d)	COMMERCIAL BANKS Total deposits	GRAND TOTAL (e) and (f)
	Savings deposits (a)	Current accounts (b)	Total (c)				
1925	617	854	1,471	146	1,617	28,286	29,903
1929	1,533	2,714	4,247	198	4,445	51,314	55,759
1930	1,739	2,806	4,545	255	4,800	53,323	58,123
1931	1,578	—	—	624	—	—	—
1932	—	—	—	809	—	—	—

It will be observed that a minor part of the deposits withdrawn from the other banks in recent years has sought refuge with the National Savings Bank.

18. Rediscounts and Other Borrowings.

See note to group 3 above.

20. Sundry Liabilities.

The composition of the sums in this group of the summary table is shown below. The last item represents interest, rebates on bills, etc., maturing after the date of the balance-sheet.

	Lei (000,000's)			
	1925	1929	1930	1931
Depositors of bills for collection	1,206	1,575	774	769
Transitory accounts	—	683	524	789
Net balance of guarantee accounts and sundries	10	1,060	790	994
Unclaimed dividends	42	84	82	81
Earnings relating to following year	226	323	316	176
Total	1,484	3,725	2,486	2,809

SPAIN.

Introductory Note.

The origins of Spanish banking may be traced back to the first years of the fifteenth century. The Banco da Taulo de Canbi, established in Barcelona in 1401, is among the earliest banking institutions for which records exist. Banks were also established at an early date in Gerona and Manresa. The activities of these early banks were, however, limited, and unsettled political conditions prevented any great expansion of banking. A new period in Spanish banking history was inaugurated with the establishment of the Banco de San Carlos, the first note-issuing bank, in 1782. Other note-issuing institutions were soon set up in the provinces; their number remained small, however, and their importance slight until the end of the nineteenth century. The more important were used as instruments of State finance, and the mortality rate of the banks at this date was high. In 1874 the right of issue, which was then exercised by seventeen private banks, was concentrated in the hands of the Bank of Spain, established in 1856.

At the beginning of 1914, there were fifty private banks with a capital of 250 million pesetas. The greatest stimulus to banking organisation came during and after the war; from 1917 to 1920, thirty-nine banks with a capital of some 700 million pesetas were established in Spain. Previously, credit granted by the banks took the form mainly of personal advances on the individual security of the borrower. But from about this date industrial credits, granted to firms and not to persons, and covered by adequate saleable security, came into more frequent use. There was little legislative control of banks, and many speculated heavily in foreign exchange and shares; during the crisis of 1920-21 a large number were forced to suspend payments. By a Law of

December 29th, 1921, a Supreme Banking Council was established to detect irregularities in bank transactions, and all private banks were required to carry out the regulations imposed by this body (see *infra*).

The Spanish system resembles Anglo-Saxon deposit and discount banking more closely than continental industrial banking. The development of deposit business has, however, been somewhat restricted until quite recently by the absence in Spain of a law of cheques. This condition was remedied after the war and an attempt has further been made to encourage the use of cheques by freeing them from the stamp tax, provided they are cleared through official clearing houses. Banking assets take the form chiefly of investments and loans largely on current account, which are in many cases secured only by the personal note of the borrower. Commercial paper is also discounted and lombard and report loans made. Certain banks, particularly in the industrial north, act as intermediaries for the placing of industrial issues with the public.

There are three main groups of banking institutions carrying on business in Spain — the inscribed banks, the non-inscribed banks and the foreign banks. The inscribed banks are those registered with the Superior Banking Council in virtue of the Law of 1921 described below. The non-inscribed banks are smaller institutions and are in most cases privately owned. Foreign institutions have always been of considerable importance in Spain; in 1920, when they were subjected to a more stringent fiscal regime, they numbered fifteen with forty-three branches. The relative importance of these various institutions may be judged from the following figures:

	1925						1930					
	Inscribed banks		Non-inscribed banks		Foreign banks		Inscribed banks		Non-inscribed banks		Foreign banks	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Number of banks.	104	91	32	2	10	7	132	58	85	37	11	5
	Pesetas (000,000's)											
Paid-up capital and reserves	980	91	59	6	31	3	1,495	60	124	8	32	2
Deposits	3,772	83	149	3	600	14	6,568	91	178	2	726	9
Cash	594	87	25	4	63	9	1,006	88	27	2	121	10
Loans and discounts	2,817	84	106	3	454	13	3,992	83	196	5	500	12
Investments	1,935	92	46	2	116	6	3,922	94	85	2	159	4
Total balance sheet	6,814	84	231	3	1,097	13	11,290	84	395	3	1,752	13

It may first be observed that the foreign banks appear from the above figures to operate with a smaller proportion of own funds (capital and reserves) to total volume of business than either of the other groups of banks. Foreign institutions are generally set up with purely nominal capital, since they are able to draw on their head offices in case of need; reserves are not accumulated to any considerable extent within the country, but are transferred to the head-office accounts. At the end of 1925, the average paid-up capital and reserve funds of the non-inscribed banks was less than 2 million pesetas, as compared with almost 10 million pesetas for the inscribed banks. The average total balance-sheet of the non-inscribed banks was some 7 million pesetas, that of the inscribed banks some 65 millions, and of the foreign banks about 110 million pesetas.

Between 1925 and 1930 (particularly in 1927) a large number of small non-inscribed banks were organised. The average capitalisation (including reserve funds) of the non-inscribed banks dropped to about 1½ million pesetas, while during the same period that of the inscribed banks rose to 11 million pesetas. It should be noted, however, that, even with this low per unit capitalisation, the share of own funds to total liabilities was greater in the case of the small non-inscribed banks (over 30 per cent) than in the comparatively large inscribed banks (13 per cent).

The most important of the foreign banks operating in Spain is the Banco Anglo Sud-Americano, which accounts for over one-third of the total banking business of the foreign institutions. The largest banks in Spain are the Banco Español de Crédito and the Banco Hispano Americano, whose combined balance-sheets at the end of 1930 amounted to over 3 milliard pesetas, or 25 per cent of that of all the commercial banks carrying on business in the country at that date. In the northern part of Spain, the most important bank is the Banco de Bilbao, and in Catalonia the Crédito y Docks de Barcelona. Since the war, there has been a noticeable tendency towards the concentration of banking resources; and the development of a few institutions, such as those mentioned above and the Banco de Vizcaya and Banco Urquijo, has been particularly rapid. The degree and progress of banking concentration in Spain may be illustrated by the fact that, at the end of 1925, four banks with capital of 100 million pesetas or more accounted for about one-third of the banking business of all the domestic institutions, and, at the end of 1930, six banks with capital exceeding the amount mentioned transacted about one-half of all the business done by Spanish banks. Branch banking has been developed to a considerable extent by the Banco Hispano Americano, which has established some 150 branches, the Banco de Bilbao, and certain other institutions; but the system as a whole is not characterised by

a marked development along these lines. On the other hand, the interrelationships among the larger city banks and the regional and provincial banks are often very close. Several of the banks, including the Banco de Bilbao and the Banco de Cataluña, have established branches abroad and many hold participations in the Banque Espagnole et Française in Paris.

As auxiliary parts of the commercial banking system, mention may be made of the clearing houses of Madrid, Barcelona and Bilbao, established in 1923 and that of Zaragoza, established in 1924. In cities where there is no clearing house but there is a branch of the Bank of Spain, town clearing is carried on by the banks drawing on their accounts with each other and settling differences by drafts on the Bank of Spain.

Mention may also be made of the Banco Hipotecario de España and the Banco Crédito Industrial, whose accounts are not included in the summary table. The former was established by the State in 1872 through an issue of *cédulas* to the extent of 300 million pesetas. As its name suggests, its function is to grant loans on the security of real property. During 1929, loans to the extent of 1,750 million pesetas were granted, chiefly on the security of urban real estate. The funds were raised through the issue of *cédulas*, of which over 1,000 million pesetas were outstanding at the end of 1929. Until the organisation of the Banco Crédito Industrial during the war, the issue of industrial shares and bonds was confined largely to the banks of Bilbao and the Sindicato de Banqueros de Barcelona. This institution issues its own paper and underwrites issues for industrial concerns; its purpose is thus to provide industry with long-term credits. The Banco Hipotecario and the Banco Crédito Industrial are not subject to the provisions set out below relating to private banks.

Savings institutions of various types have been established in Spain since quite early times. One of the most important, the Monte de Piedad y Caja de Ahorros of Madrid, was set up in 1724. In general, these institutions are of two types: *Cajas de Ahorros* and *Montes de Piedad*. The *Cajas de Ahorros* are ordinary savings banks; there were 208 of them in existence in 1929, with 3 million depositors and total deposits exceeding 1.7 milliard pesetas. In the case of the *Montes de Piedad*, which more closely resemble stock savings banks, depositors receive certificates of ownership (capital stock) of the bank to an amount equivalent to their deposit. They may then borrow against these certificates. In 1929, there were 134 *Montes de Piedad* with 1,200,000 stockholders and paid-up capital of 365 million pesetas. In addition to these institutions, a postal savings bank was established in 1916 and developed very rapidly. At the end of 1930, it had over 1,000 branches, depositors numbered almost 900,000 and total

deposits exceeded 250 million pesetas. Interest is allowed on deposits up to 5,000 pesetas. Several of the private banks also accept savings deposits, notably the Banco de Vizcaya and the Banco Central. At the end of 1929, thirty-six private banks were reported as having established special savings departments ; depositors numbered 400,000

and total deposits exceeded 1 milliard pesetas. Co-operative banks have, until now, not been developed to any significant extent in Spain.

The relative importance of the various deposit institutions in the country may be judged from the following figures :

DEPOSITS IN SPANISH BANKING INSTITUTIONS, 1925 AND 1929.

End of year	Pesetas (000,000's).						
	(1) Ordinary savings banks	(2) Postal savings banks	(3) Montes de Piedad	(4) Savings deposits in private banks	(5) Total savings deposits	(6) Other deposits in private banks ¹	(7) Grand total ²
1925	1,187	153	265	505	2,110	4,016	6,127
1929	1,703	252	365	1,066	3,386	5,877	9,263

¹ The figures in this column are calculated by subtracting from the total deposits in private banks reported by the Superior Banking Council the savings deposits in private banks, as shown in column (4) and reported in the *Official Year-Book of Spain*.

² This column involves double counting to the extent that the savings banks redeposit sums lodged with them in the private banks ; it would appear that such amounts are comparatively small.

It will be seen that the most important institutions collecting savings deposits are the ordinary savings banks. Between 1925 and 1929, however, the private banks extended their activities along these lines more rapidly than the other groups. They accounted for less than one-quarter of total savings deposits in the former and almost one-third in the latter year. The growth of savings deposits was more rapid between 1925 and 1929 than the growth of other deposits in the private banks. The share of the private banks in total deposits, however, remained unchanged (about 75 per cent).

In 1925, an important banking law was introduced, which was subsequently extended by Decrees of 1925 and 1926. The most important of the reforms effected by this law was the establishment of the *Consejo Superior Bancario*, composed of a president nominated by the Government, a vice-president nominated by the Bank of Spain, two members nominated by each of the three banking zones and one member nominated by the National Chamber of Commerce. The functions of this Council are to collect and publish quarterly the balance-sheets of all banks operating in Spain and to lay down the conditions under which they may operate. Thus, the Council has the right to

fix a minimum capital for each bank, taking account of the size of the place where it operates ; to determine the relationship which must be maintained between the capital and reserve funds of each bank and its sight liabilities ; to set a maximum interest rate for deposits, bonds, etc. ; to fix the proportion which must be maintained between sight liabilities and immediately realisable assets ; and, in general, to regulate the business of banking. The Council may request the Bank of Spain to inspect the books of any bank, and penalties are provided for breach of the regulations laid down by it.

The banking statistics collected by the Supreme Banking Council are published annually on a standard form in the *Boletín del C.S.B.*; quarterly balance-sheets of all the banks operating in Spain both individually and by groups (*i.e.*, the inscribed banks in the three zones, the unincorporated and the foreign banks) are given. The figures published in the *Boletín* form the basis of the summary balance-sheet given in the present chapter. Current figures for the inscribed banks are published quarterly in the *Balances trimestrales de la Banca inscrita*. No official profit-and-loss statistics are published for the Spanish banks.

SPAIN.

COMMERCIAL BANKS.

Table 20 (a).

ACCOUNTS	SUMMARY OF POSITION AT END OF:					
	1925	1926	1927	1928	1929	1930
Number of Banks.	146	160	201	210	215	228
ASSETS.						
	Pesetas (000,000's omitted)					
1. Cash.	677.9	707.1	913.6	1,122.6	1,111.3	1,146.7
(a) Gold, silver and small coins.	—	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—	—
2. Other Items of a Cash Nature.	549.3	616.4	656.0	909.7	888.8	852.5
3. Bills discounted and bought.	1,425.8	1,437.7	1,614.8	1,714.7	1,909.4	1,949.6
(a) Treasury bills.	—	—	—	—	—	—
(b) Commercial bills, inland.	—	—	—	—	—	—
(c) Commercial bills, foreign.	—	—	—	—	—	—
4. Investments and Securities.	2,096.9	2,201.6	2,577.1	3,406.9	3,807.4	4,166.4
(a) Government	1,349.9	1,450.4	1,624.1	2,002.2	2,231.3	2,519.4
(b) Other	747.0	751.2	953.0	1,404.7	1,576.1	1,647.0
5. Participations.	—	—	—	—	—	—
6. Due from Banks (Correspondents).	—	—	—	—	—	—
(a) At home.	—	—	—	—	—	—
(b) Abroad.	—	—	—	—	—	—
7. Loans and Advances.	1,950.6	1,942.3	2,125.2	2,107.7	2,610.2	2,738.2
(a) On current account	797.7	781.9	822.2	678.5	1,119.1	1,098.5
(b) Other	1,152.8	1,160.4	1,303.0	1,429.2	1,491.1	1,639.7
8. Cover for Acceptances	64.9	47.4	51.5	103.9	159.8	170.6
9. Premises, etc.	227.3	229.1	264.5	281.5	293.6	315.1
10. Sundry Assets.	1,153.1	1,185.4	1,588.1	1,141.9	2,100.5	2,008.3
II. Total Assets	8,145.8	8,867.0	9,790.8	10,788.9	12,881.0	13,437.4
LIABILITIES.						
12. Capital paid up	775.8	824.3	896.6	977.7	1,050.5	1,092.8
13. Reserve Funds	289.3	303.5	324.2	364.3	418.3	457.9
14. Profit and Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—	—
15. Notes in Circulation	—	—	—	—	—	—
16. Cheques and drafts, etc., in Circulation.	85.8	88.8	89.0	157.1	208.6	183.4
17. Due to Banks (Correspondents)	944.4	869.9	819.9	1,598.8	1,865.2	1,919.7
(a) At home	—	—	—	—	—	—
(b) Abroad.	—	—	—	—	—	—
18. Deposits	4,521.3	4,786.2	5,642.8	6,189.7	6,043.0	7,472.0
(a) Current accounts and sight deposits	3,008.7	3,176.4	3,743.2	3,953.5	4,206.2	4,538.5
(b) Savings accounts	—	—	—	—	—	—
(c) Time or fixed deposits	1,512.6	1,609.8	1,899.6	2,236.2	2,736.2	2,933.4
(d) Other deposits	—	—	—	—	—	—
19. Rediscounts and Other Borrowings.	—	—	—	—	—	—
20. Acceptances and Endorsements	64.9	47.4	51.5	103.9	159.8	170.6
21. Sundry Liabilities.	1,464.3	1,946.9	1,966.8	1,397.4	2,235.6	2,141.0
22. Total Liabilities.	8,145.8	8,867.0	9,790.8	10,788.9	12,881.0	13,437.4
23. Value of currency in cents of a U.S. dollar at end of each year.	14.2	15.3	16.7	16.2	13.8	10.7

Balance-sheet Summary.

Number of Banks.

The division of the total number of banks among the various groups mentioned in the introductory note was as follows at the end of each year under review :

	1925	1926	1927	1928	1929	1930
Inscribed banks	104	112	116	122	123	132
Non-inscribed banks	32	39	74	77	80	85
Foreign banks	10	9	11	11	12	11
Total	146	160	201	210	215	228

1. Cash.

The official banking statistics do not show the commercial banks' holdings of gold, silver, etc., separately from their holdings of paper money. The amounts shown in the summary table consist of "cash and balances with the Bank of Spain".

2. Other Items of a Cash Nature.

The sums shown under this heading consist of

cheques, etc., on other banks and small amounts of foreign money ranging from 4 million pesetas in 1925 to 7 million in 1930.

3. Bills discounted and bought.

The Spanish banks do not discount Treasury bills, and the sums shown in the table refer entirely to commercial bills. The official statistics show separately bills of ninety days and those of longer currency, as follows :

	Pesetas (000,000's).					
	1925	1926	1927	1928	1929	1930
Maturity of commercial bills :						
Up to ninety days	1,409.7	1,422.6	1,598.1	1,700.2	1,890.3	1,928.3
Over ninety days	16.1	15.1	16.7	14.5	19.1	21.3
Total	1,425.8	1,437.7	1,614.8	1,714.7	1,909.4	1,949.6

Most of the larger banks have foreign, as well as town and provincial, bill departments ; foreign bills are, however, not shown separately in the official statistics.

6. Due from Banks (Correspondents).

No distinction is made in the official statistics between amounts due from domestic and foreign banks and bankers.

7. Loans and Advances.

The sums shown under (a) in the summary table include sight advances and loans in foreign currencies ; those shown under (b) include time loans and those specifically secured by collateral. The division among these groups in the years under review was as follows :

	Pesetas (000,000's).					
	1925	1926	1927	1928	1929	1930
Sight advances	388.5	409.6	486.9	517.1	580.0	576.5
Loans in foreign currencies	409.2	372.3	335.3	161.4	539.1	522.0
Total (a)	797.7	781.9	822.2	678.5	1,119.1	1,098.5
Time advances	418.2	435.7	507.6	597.4	683.3	718.8
Collateral advances	734.6	724.7	795.4	831.8	807.8	920.9
Total (b)	1,152.8	1,160.4	1,303.0	1,429.2	1,491.1	1,639.7
Grand total	1,950.5	1,942.3	2,125.2	2,107.7	2,610.2	2,738.2

Sight advances generally take the form of overdrafts; loans covered by securities are generally made for three months with the option of extension to six, when they must be cancelled or renewed. The law requires a bank extending credit on the security of stocks to sell the latter the day following default on repayment of the loan. If the bank fails to sell the stock on that day it loses its right to do so.

8. Cover for Acceptances.

Before 1929, this item was not shown separately in the balance-sheets. A sum equal to acceptances and endorsements, as shown under group (20) of the balance-sheets, has been deducted from sundry assets for the years 1925-1928 and carried to the present group in the summary table. Certain small discrepancies between acceptances, as shown under liabilities, and cover for acceptances, as shown under assets, for the years 1928 and 1929

are adjusted by carrying the excess cover to "sundry assets".

10. Sundry Assets.

No indication is given in the official statistics with regard to the composition of this account. As stated in the note to group (8) above, amounts equal to acceptances as shown in group (20) of the summary table have been carried from this account to group (8) in the years 1925-1928, and the excess of cover for acceptances over acceptances in 1929 and 1930 has been included under Sundry Assets in those years. The amounts involved are 9.9 million pesetas in 1929 and 4.9 millions in 1930.

11 and 22. Total Assets and Liabilities.

Not including *comptes d'ordre*, unpaid capital or banks' holdings of own shares. The last two items were as follows in the years under review :

	Pesetas (000,000's).					
	1925	1926	1927	1928	1929	1930
Unpaid capital	210.9	204.7	200.0	181.3	160.1	130.4
Holdings of own shares	399.9	404.6	383.9	362.3	435.4	609.8
Total	610.8	609.3	583.9	543.6	595.5	740.2

16. Cheques and Drafts in Circulation.

The amounts shown under this heading consist of bills payable and other obligations due.

due to the currency speculation which characterised that year.

17. Due to Banks (Correspondents).

The sharp increase in this account in 1928, which is marked in all classes of banks but particularly noticeable in the case of foreign banks, is probably

18. Deposits.

The amounts shown under (a) in the summary table consist of sight deposits and deposits in foreign currencies and those under (c) consist of deposits made for one month and for longer periods.

	Pesetas (000,000's).					
	1925	1926	1927	1928	1929	1930
Sight deposits	2,573.2	2,757.8	3,333.0	3,637.7	3,694.1	3,915.7
Deposits in foreign currencies	435.5	418.6	410.2	315.8	512.1	622.8
Total (a)	3,008.7	3,176.4	3,743.2	3,953.5	4,206.2	4,538.5
Time deposits :						
Up to one month	669.8	821.3	880.4	982.7	1,290.2	1,472.9
Over one month	842.8	788.5	1,019.2	1,253.5	1,446.0	1,460.5
Total (c)	1,512.6	1,609.8	1,899.6	2,236.2	2,736.2	2,933.4
Grand total (a)+(c)	4,521.3	4,786.2	5,642.8	6,189.7	6,943.0	7,472.0

Interest is generally allowed on current accounts at the rate of 2½ per cent per annum and on time accounts at higher rates. Many of the private banks also accept savings deposits.

20. Acceptances and Endorsements.

See notes to groups (8) and (10) above.

SWEDEN

Introductory Note.

In the early stages of the world economic depression, which affected Sweden later than most other countries, foreign short-term capital sought refuge with Swedish banks. During the European financial crisis of the summer of 1931, however, this capital was largely withdrawn; the Swedish banks held important claims on the countries concerned and it was feared that they would be seriously affected by the freezing of these assets. Moreover, an unfavourable turn in the balance of payments, consequent upon a growing import surplus and increased foreign exchange requirements of the Kreuger concern, put a heavy strain on the *devisen* reserve of the central bank. This strain was further intensified after the British suspension of the gold standard (September 19th)

and the Riksbank even began to lose gold. On September 28th, the gold standard was therefore suspended also in Sweden.

Although the events of 1931 had no serious visible repercussions on the commercial banks, the latter were increasingly affected by the deterioration of economic conditions; and to alleviate their position, without precipitating any sudden credit contraction, they had recourse to the central bank for rediscounts on a considerable scale. The evolution of the banking position up to the end of 1931, on the one hand, and during the subsequent period up to the end of 1933, on the other, may be judged from the following statement summarising the principal accounts of the commercial banks and the Riksbank:

End of	Commercial banks					Riksbank			Riksbank and commercial banks: foreign assets (net holdings)
	Domestic dis- counts ¹	Loans on shares	All loans and domestic discounts	Deposits	Re-discounts with Riksbank	Bankers' sight balances ²	Note circulation	Gold at home and abroad ³	
	Kronor (000,000's)								
1929	966	1,123	4,169	3,481	251	9	569	245	584
1930	1,028	1,253	4,437	3,631	197	8	594	241	554
1931	976	1,183	4,638	3,554	326	15	583	206	290
1932	1,169	888	4,200	3,556	115	49	598	206	428
1933	1,103	707	3,905	3,629	—	249	648	370	553

As a result of the breakdown of the Kreuger concern in March 1932, certain banks were exposed to considerable strain, although the public remained calm and no run on deposits occurred. In particular, one of the largest banks, the *Skandinaviska Kreditaktiebolaget*, had granted the concern extensive credits. As these credits, though fully secured, would remain immobilised for a

considerable time, the bank applied for temporary State assistance to restore its liquidity. This assistance was granted by the National Debt Office to the extent of 100 million kronor in the form of a loan (redeemable within eight years) on security of the bank's registered certificates (*förlagsberis*⁴) and, in addition, to the extent of 115 million kronor in the form of a credit against certain securities

¹ Excluding rediscounts.

² Including, in addition to sight balances of commercial banks, a small amount of other clearing balances with the Riksbank (10 million kronor at the end of 1933).

³ Gold counted at legal mint parity even after the suspension of the gold standard.

⁴ For explanation of the nature of this special form of security representing borrowed supplementary capital, see *Memorandum on Commercial Banks, 1913-1929*, page 254.

pledged with the bank by the Kreuger concern. Pending the complete repayment of these advances, the bank's dividend must not exceed 8 per cent of the nominal value of its shares. Apart from this State assistance, a number of commercial banks deposited with the bank in question sums amounting in all to 40 million kronor, half of which was not to be withdrawn for one year and the other half for two years. The bank subsequently wrote off or transferred to *del credere* accounts assets amounting to 89 million kronor, using for that purpose 39 million kronor from current profits and available special funds and 50 million kronor from its ordinary reserve fund. In closing its 1933 accounts at the beginning of 1934, when the bank had repaid 65 million kronor of the credit due to the National Debt Office and 20 million kronor of the sum deposited with it by Swedish commercial banks, it wrote off assets by another 10 million kronor, but was nevertheless able to resume dividend payments.

Several other banks incurred heavy losses in 1932, partly on account of credits to certain export industries which were severely hit by the general depression, but largely on account of loans granted customers on security of debentures and shares in the Kreuger and Toll Company and various other companies connected with that concern. Assistance to some of these banks was granted by the *Aktiebolaget Kreditkassan* (an official credit liquidation institute), to which reference was made in the previous edition of this *Memorandum*.

The depreciation in the exchange value of the krona was further accentuated in connection with the Kreuger crash, and, while imports were considerably reduced as from the early summer of 1932, exports recovered markedly as from the beginning of 1933. Capital movements were also affected. These factors largely explain the rapid increase in visible foreign exchange reserves and in the gold reserve up to the end of 1933, as shown in the above statement. On the other hand, the general level of prices was kept stable and a certain recovery in economic activity, and particularly in industrial production, was noticeable as from the summer of 1932. Nevertheless, the banks reduced heavily their loans on the security of shares and certain other credits which had previously been frozen. Although domestic discounts (excluding rediscounts) were actually increased, the total volume of outstanding credits declined between the end of 1931 and the end of 1933 by 15 per cent (or by 21 per cent, including the part of the bill portfolio ceded to the central bank), while deposits rose by 2 per cent. As a result, the commercial

banks' rediscounts with the Riksbank dropped to nil in the summer of 1933 (since when no recourse has been had to the central bank for such borrowings), and the idle funds deposited by them on sight account with the Riksbank rose to an unprecedented level. In 1933, therefore, the cash position of the banks was exceptionally liquid and money rates fell to a level previously unknown in Sweden.¹

The right of banks to acquire shares has repeatedly been discussed in Sweden. Severe restrictions in this respect were imposed by the banking law of 1911. On June 2nd, 1933, certain amendments to this law were passed which went into force on January 1st, 1934. According to these amendments, the above right has been restricted to :

(1) Shares in companies whose sole object is to administer real estate intended to serve as bank premises ;

(2) Subject to royal warrant, shares in other Swedish banks, in foreign banking companies, or in Swedish companies founded for a purpose which may be considered beneficial for banking or in the public interest.

The banks still have the right, however, to take over other shares pledged as security for loans in order to protect themselves against appreciable loss ; but such shares must be sold as soon as this may be done without loss.

The recent amendments to the banking law also include certain regulations regarding the granting of credits by banks and, in particular, regarding loans on security of shares, advances to a single customer or group of customers associated in economic interests, etc. In order to avoid unduly fettering the liberty of the banks, these regulations were not given the character of stringent rules, but of general directions. On the other hand, the functions and authority of the official Bank Inspectorate, which must supervise the effective application of these directions, were at the same time extended or rendered more explicit.

A committee appointed by the Government to investigate the problem of medium-term credits to industry has recently proposed the creation of a semi-official institution to grant such credits for one to ten years against the issue of special debentures. It is anticipated that such an institution, while rendering considerable service particularly to smaller industries, would help to relieve the ordinary banks of certain credits which are not short-term in character.

¹ Since December 1933, both the official discount rate and the market rate for three-months' commercial paper have stood at 2.5 per cent.

SWEDEN.

COMMERCIAL BANKS

Table 21 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :					
	1925	1929	1930	1931	1932	1933
Number of : Banks	32	30	30	30	30	29
Branches and Sub-Branches	1,059	1,015	1,015	1,016	1,012	
ASSETS.						
	Kronor (000,000's omitted)					
I. Cash	86	84	89	88	133	333
(a) Gold, silver and small coins	1	1	1	1	1	1
(b) Inland notes and balances with Central Bank	85	83	88	87	132	332
2. Other Items of a Cash Nature	40	43	46	47	47	58
3. Bills discounted and bought	903	1,047	1,150	1,066	1,239	1,166
(a) Treasury bills	—	—	—	—	—	—
(b) Commercial bills, Inland	854	966	1,028	976	1,169	1,103
(c) Commercial bills, Foreign	49	81	122	90	70	63
4. Investments and Securities	348	395	461	411	426	462
(a) Government	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents)	272	302	208	170	266	229
(a) At home	137	89	93	83	172	140
(b) Abroad	135	213	115	87	94	89
7. Loans and Advances	3,347	3,203	3,408	3,392	3,031	2,802
(a) On current account	763	732	849	792	650	542
(b) Other	2,584	2,471	2,559	2,600	2,381	2,260
8. Cover for Acceptances	—	—	—	—	—	—
9. Premises, etc.	85	89	87	88	94	98
10. Sundry Assets	349	220	258	230	453	506
II. Total Assets	5,430	5,383	5,707	5,492	5,689	5,654
LIABILITIES.						
12. Capital paid up	525	514	514	525	525	505
13. Reserve Funds	294	312	321	309	293	204
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—	—
15. Cheques and Drafts in Circulation	87	93	82	76	61	72
16. Due to Banks (Correspondents)	331	319	458	320	334	354
(a) At home	211	208	212	257	287	245
(b) Abroad	120	111	246	63	47	109
17. Deposits	3,494	3,481	3,631	3,553	3,556	3,628
(a) Current accounts and sight deposits	700	659	681	610	625	674
(b) Savings accounts	780	688	710	686	648	643
(c) Time or fixed deposits	2,014	2,134	2,240	2,257	2,283	2,311
(d) Other deposits	—	—	—	—	—	—
18. Borrowings by the Banks	296	297	314	325	532	487
19. Acceptances and Endorsements	3	6	1	2	1	3
20. Sundry Liabilities	400	361	386	382	387	401
21. Total Liabilities	5,430	5,383	5,707	5,492	5,689	5,654
22. Unutilised balances of credits granted	267	310	269	257	238	254
23. Rediscounts	281	254	199	327	116	1
24. Borrowings against own or pledged securities	29	41	28	25	129	91
25. Guarantees . . . . .	...	...	...	(265) ¹	151	156
26. Value of currency in cents of a U.S. dollar at the end of each year	26.8	26.8	26.8	18.7	17.9	26.4 ²

¹ January 30th, 1932.² 16.8 cents of old gold content.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1925	1929	1930	1931	1932
Number of Banks.	33	30	30	30	30
	Kronor (000,000's omitted)				
Capital paid up.	525	514	514	525	525
Reserves and Undivided Profits	331	348	362	353	325
1. Gross Profits.	150.8	160.4	156.4	169.9	162.2
<i>To be deducted:</i>					
2. Expenses.	71.7	74.4	77.5	75.6	70.5
(a) Salaries, etc.	45.5	46.1	47.2	46.9	46.4
(b) Other working expenses	18.2	19.0	21.5	21.2	19.9
(c) Taxes, etc.	8.0	9.3	8.8	7.5	4.2
3. Reserved for Pension Funds, etc.	0.4	1.2	1.1	0.5	0.3
4. Written off on (Depreciation Accounts for)	35.1	19.8	38.6	61.0	236.8
(a) Premises, etc.	1.0	1.9	2.1	0.8	0.8
(b) Investments and securities.	3.4	1.4	2.5	28.1	43.9
(c) Other assets	30.7	16.5	34.0	33.0	192.1
5. Remaining Net Profit (+) or Loss (-)	+ 43.6	+ 65.0	+ 39.2	+ 31.9	-145.4
6. Carried forward from preceding year.	36.6	35.9	41.1	44.2	31.7
7. Taken from Reserves or Capital.	3.3	—	17.1	1.7	160.4
8. Total Amount disposed of for Dividends, etc.	83.5	100.9	97.4	77.8	46.7
9. Carried to Reserves.	3.4	8.8	3.8	11.4	0.4
10. Dividends	40.1	51.0	49.4	34.7	19.1
11. Directors' Fees, etc.	—	—	—	—	—
12. Carried forward to following year.	40.0	41.1	44.2	31.7	27.2
13. Total as above	83.5	100.9	97.4	77.8	46.7
14. Value of currency in cents of a U.S. dollar at the end of each year.	26.8	26.8	26.8	18.7	17.9

Balance-sheet Summary.

1. Cash.

The sums given under (a) represent exclusively gold. Silver and small coins are not shown separately from domestic bank-notes and sight balances with the central bank.

2. Other Items of a Cash Nature.

The sums given in this group consist of cheques and bills payable at sight and foreign bank-notes.

3. Bills discounted and bought.

Treasury bills are included under securities given in group 4. Inland discounts in group 3(b) exclude bills rediscounted, which, in conformity with the procedure adopted in the Swedish statistics, are given in a special account (item 23 of the summary table) outside the balance-sheet proper. In the following statement, the inland discounts are shown, including the rediscounts in conformity with the practice followed in most other countries :

	Kronor (000,000's)					
	1925	1929	1930	1931	1932	1933
Inland bills :						
In portfolio	854	966	1,028	976	1,169	1,103
Rediscounted	281	254	199	327	116	1
Total	1,135	1,220	1,227	1,303	1,284	1,104

4. Investments and Securities.

	Kronor (000,000's)				
	1929	1930	1931	1932	1933
Government securities and interest-bearing bonds :					
Inland	162	185	177	199	217
Foreign	135	173	126	98	63
Shares	98	103	108	129	182
Total	395	461	411	426	462

7. Loans and Advances.

The sums shown under (a) only represent amounts actually drawn ; the undrawn balances of the credits opened by the banks are not included in the balance-sheets proper in the Swedish banking statistics. On the other hand, the total amount of credits opened is shown in these statistics as a

separate account outside the balance-sheet. The undrawn balances obtained by deducting the sums included from those shown outside the balance-sheets are given separately in group 22 at the bottom of the summary table. In the following statement, the loans and advances, including the undrawn balances as above, are divided according to the nature of their cover :

	Kronor (000,000's)					
	1925	1929	1930	1931	1932	1933
Credits opened in current account :						
Actually drawn	763	732	849	792	650	542
Undrawn balances	267	310	269	257	238	254
Loans	2,584	2,471	2,559	2,600	2,381	2,260
Total	3,614	3,513	3,677	3,649	3,269	3,056
Thereof granted against :						
1. Mortgages	1,520	1,468	1,427	1,398	1,419	1,427
2. Shares	1,128	1,123	1,253	1,183	888	707
3. Bonds, goods or other real security	390	384	475	589	495	495
4. Personal guarantees	576	538	522	479	467	427
Total as above	3,614	3,513	3,677	3,649	3,269	3,056

17. Deposits.

The sums given under (a) include, in addition to sight accounts proper (giro and cheque accounts), deposits on less than one month's time or notice. In conformity with the principles adopted in the Swedish banking statistics, the potential sight

liability represented by the unutilised balances of credits granted are not included under deposits in the summary table, but are shown as a separate account outside the balance-sheet. Had they been included, the sums under (a) would have been as follows :

	Kronor (000,000's)					
	1925	1929	1930	1931	1932	1933
Giro and cheque accounts	409	409	436	438	406	437
Unutilised balances of credits opened	267	310	269	257	238	254
Deposits under one month	291	250	245	172	219	237
Total	967	969	950	867	863	928

Deposits received on savings accounts (the sums shown under (b) in this group of the summary table) must not exceed 4,000 kronor for any one depositor. Withdrawals from savings account are, under the law, subject to one week's notice, but are, in practice, allowed at sight up to a maximum of 1,000 kronor per month. The savings accounts therefore serve the small customers of the banks as current accounts.

The sums given under (c) are shown in the banking statistics under the heading "deposit and capital accounts" and represent ordinary time deposits for periods varying between one and six months.

Under the Bank Law, the total of a bank's deposits, less an amount corresponding to the sums held by it on deposit with other domestic banks, must not exceed eight times the amount of its own funds,¹ plus the funds borrowed through issue of *förlagsbevis* (see note to group 18 below).

On the other hand, the banks must maintain a cash reserve in easily realisable assets which, together with the actual cash, must amount to not less than 25 per cent of all their liabilities payable on demand.

18. *Rediscounts and Other Borrowings by the Banks.*

The sums given in this group of the summary table are headed in the banking statistics "borrowings from other than banks and savings banks". They include the bonds of a mixed commercial and mortgage bank (*Stockholms Inteckningsgaranti, A.B.*) and registered certificates (*förlagsbevis*) issued by some of the banks for the purpose of strengthening their position so as to comply, *inter alia*, with the legal minimum requirements regarding ratio of own funds to deposits referred to in the preceding note (see also introductory note). In addition, the banks have frequent recourse to rediscounting of bills almost exclusively with the central bank. As mentioned in the note to group 3 above, these bills and the liability incurred in respect of them are not included in the balance-sheet proper in the banking statistics. The borrowings of the banks against their own securities or securities received as collateral for loans are likewise excluded and are shown outside the balance-sheet. If these two items be added, the following totals are obtained :

	Kronor (000,000's)				
	1929	1930	1931	1932	1933
Borrowings from other than banks :					
Mortgage bonds	135	150	160	151	147
<i>Förlagsbevis</i>	156	159	159	258	256
Other borrowings	6	5	6	123	84
Total (group 18)	297	314	325	532	487
Rediscounts	254	199	327	116	1
Borrowings against own or pledged securities	41	28	25	129	91
Grand total	592	541	677	777	579

Summary of Profit-and-Loss Accounts.

It will be seen from the summary table that the losses written off assets in 1932 considerably exceeded the aggregate of the current profits and the "carry-over" from the preceding year. A very substantial part of the losses were met by drawing on reserves and, in the case of certain banks, even on the share capital. In the latter case, however, the banks concerned called upon their shareholders to pay up the deficiency (in conformity with the prescription of the banking law) so as to

restore the capital to its previous amount. This explains why the loss of share capital, although included in item (7) of the summary table, is not apparent in the figures for capital paid up. Profit-and-loss statistics for 1933 are not available at the time of writing ; but, from such individual bank accounts as have been published, it would appear that losses in that year were much smaller in the aggregate than those suffered in 1932.

¹ In the case of a bank possessing own funds of not more than 5 million kronor, the deposits must not exceed five times the amount of these funds.

SWITZERLAND.

Introductory Note.

The structure of the Swiss banking system and its development up to 1929 were described in detail in the last issue of this *Memorandum*. The figures shown in Summary Table 22(a) suggest that, between the end of 1929 and the end of 1932, there was a relatively slight contraction in the total balance-sheet of Swiss commercial banks, and that the net changes in the aggregates of the more important items — loans and deposits — were also comparatively small. This summary table is, however, based upon the returns of several groups of institutions, including cantonal banks whose deposits enjoy a public guarantee. The accounts of the big banks, which transact the bulk of the genuine commercial banking business in Switzerland, have undergone quite a different development in the course of the economic depression from the accounts of the cantonal and local banks. It is therefore necessary to consider them separately, and the principal balance-sheet items of the big banks at the end of each year since 1930 are set out below :

	Francs (ooo,ooo's)		
	1930	1931	1932
1. Cash, etc.	344	995	970
2. Bill portfolio.	1,483	951	807
3. Securities, etc.	300	281	266
4. Correspondent debtors	1,651	718	538
5. Loans on current account	3,115	2,562	2,298
6. Capital, reserves, etc.	1,163	1,206	1,171
7. Correspondent creditors	850	470	376
8. Deposits ¹ :			
(a) Current accounts	1,386	1,520	1,489
(b) Time deposits	2,580	1,782	1,433
9. Acceptances	673	339	193
10. Total balance-sheet	8,578	7,171	6,429

¹ Excluding cash bonds.

Between the end of 1930 and the end of 1932, the total balance-sheet of the big Swiss banks fell by 2,150 million francs, or 25 per cent. Figures comparable to those given above are not available for the end of 1929, but it is known that, in the course of 1930, the total balance-sheet of these banks increased by about 500 million francs.

A striking feature of the development of the banks' accounts since 1930 is the greatly increased importance of the cash item, which more than doubled between 1930 and 1932, rising from less than 9 to over 33 per cent of total deposits. As early as 1930, the big banks, in view of the general feeling of economic insecurity, began to increase their cash resources, and a large part of the foreign capital deposited in Swiss banks and the Swiss capital repatriated in 1930 and 1931 was maintained by the banks in liquid form. It is generally understood that an appreciable part of the increase in cash holdings in recent years has taken the form of gold. The Swiss banks are not required to show their gold holdings separately from other cash, but an analysis of the gold import and export statistics and the returns of the National Bank shows that net imports of gold exceeded the increase in the gold stocks of the central bank held at home by 270 million francs in 1931 and 180 million francs in 1932. A small part of the excess represents gold taken by the industrial arts ; the remainder must be held by private individuals and by banks, for their own account or for account of others. It must be pointed out, moreover, that this comparison fails to take into account any gold held by the private banks under earmark abroad. (See also note to group 1 in Balance-sheet Summary below).

It is not possible to determine from the Swiss banking statistics the amount of foreign capital which has sought refuge in the country. The increase in current account deposits shown in the above statement for 1931 is no doubt largely due to foreign accounts, and the decline in 1932 coincides with a withdrawal of capital towards the end of that year ; but this period was one of considerable domestic credit contraction, and foreigners' accounts cannot be segregated from those of Swiss nationals. Time deposits fell by 1,150 million francs between the end of 1930 and the end of 1932. This decline is partly explained by diminished savings consequent upon the economic crisis, partly by mass withdrawals from certain banks resulting from lack of confidence, and partly by the reduction in interest rates paid by the banks. The average rate of interest paid by the big banks on savings and time deposits fell from 3 $\frac{3}{4}$ per cent in 1930 to less than 3 per cent in 1931 and 2 $\frac{1}{4}$ per cent in 1932. The extent of

currency hoarding during the financial crisis of 1931 may be gauged from the movement of the note circulation of the National Bank, which increased by almost 700 million francs between the middle of May and the end of 1931.

Correspondent debtors showed a more marked decline, both absolutely and relatively, than any other asset item between the end of 1930 and the end of 1932. The fall in this item is chiefly due to the withdrawal by Swiss banks of short-term credits previously extended to Central Europe and was particularly sharp in 1931; the smaller decline in 1932 — when exchange-control regulations and standstill agreements prevented any further large withdrawals — represents chiefly the conversion of short-term credits to Germany into long-term investments under Clause 10 (the so-called "Swiss Clause") of the Standstill Agreement of February 1932. The banks' bill portfolio also fell very sharply in 1931, due partly

to the failure to renew foreign bills upon expiry. The internal demand for discount credits was reduced in consequence of the fall in prices and the low level of economic activity. The big banks' current account credits fell by over 800 million francs, or 25 per cent, between the end of 1930 and 1932; this reduction, more especially in 1931, also in large part represents loans abroad. The sharp decline in acceptances partly reflects the fall in international trade; in part, it also reflects the elimination from the banks' balance-sheets of own acceptances discounted, and, in part, the conversion of acceptance credits into cash credits.

Reference has already been made to the fact that the big banks in Switzerland underwent a different development during the crisis from the other groups of banks. The following statement shows the principal accounts of the various groups of banks at the end of 1930 and 1932.

Group	Number of institutions		Deposits				Discounts, loans, etc.				Total balance-sheet			
			Francs (000,000's)		Per cent of commercial banks		Francs (000,000's)		Per cent of commercial banks		Francs (000,000's)		Per cent of commercial banks	
	1930	1932	1930	1932	1930	1932	1930	1932	1930	1932	1930	1932	1930	1932
1. Big banks	8	8	5,644	4,487	38	32	6,081	4,444	39	31	8,578	6,420	43	35
2. Local banks :														
Bigger	82	81	2,667	2,751	18	20	2,784	2,958	18	21	3,436	3,546	17	19
Smaller	100	100	415	440	3	3	421	454	3	3	507	536	3	3
3. Cantonal banks	27	27	5,993	6,231	41	45	6,175	6,459	40	45	7,465	7,686	37	43
<i>Total Commercial Banks (1-3)</i>	<i>217</i>	<i>216</i>	<i>14,719</i>	<i>13,909</i>	<i>100</i>	<i>100</i>	<i>15,461</i>	<i>14,315</i>	<i>100</i>	<i>100</i>	<i>19,986</i>	<i>18,188</i>	<i>100</i>	<i>100</i>
4. Raiffeisen banks' association	1(516)	1(571)	247	298			235	290			267	325		
5. Savings banks	92	92	1,177	1,310			1,025	1,149			1,266	1,411		
6. Trust companies	46	47	128	103			634	541			1,725	1,657		

The last column of the above table indicates that the decline in the total balance-sheet of Swiss commercial banks between 1930 and 1932 shown in Summary Table 22(a) is entirely to be ascribed to the big banks. The balance-sheet totals of all other groups of commercial banks rose during these years, most markedly in the case of the cantonal banks. The share of the big banks in the total balance-sheet of all banks here classified as commercial fell from 43 per cent in 1930 to 35 per cent in 1932, while the share of the cantonal banks rose from 37 to 43 per cent — the cantonal banks thus becoming, from the point of view of total balance-sheet, the largest group in Switzerland. The share of the local banks also increased somewhat, more particularly the larger institutions. The columns for deposits and discounts show similar movements. Deposits in savings banks also increased, as did those in the co-operative credit associations. It will also be noted that the

number of units affiliated to the Raiffeisen banks' association (shown in brackets) increased during this period. The total balance-sheet of the trust companies, deposits in which are of small relative importance, fell between 1930 and 1932.

The only change in the number of commercial banks operating in Switzerland resulted from the failure of the Banque de Genève — one of the bigger local banks — in the summer of 1931. In July of that year, the Comptoir d'Escompte de Genève, a big bank, absorbed the Union financière de Genève, a trust company, and took the title "Banque d'Escompte suisse". The position of the Union financière had been affected both by the American stock market collapse and by the events in Central Europe in the previous months. The Comptoir d'Escompte, which was also in a weak position, reduced its capital from 60 million to 42 million francs, and used the difference, together with 8.5 million francs taken from reserves,

to write off losses. Its capital was subsequently increased to 110 million francs by the issue of 28 million new ordinary shares and 40 million preference shares.

From the moment of the amalgamation, the Banque d'Escompte suffered from continuous withdrawal of deposits, due largely to the lack of confidence created by the collapse of the Banque de Genève, with which the Comptoir d'Escompte was closely associated. In order to cover the very extensive withdrawals, it called on other commercial banks and the Caisse des Prêts (see below), which granted it credits amounting to 116 million francs. Eventually, in April 1933, a reconstruction of capital was arranged. The share capital of 110 million francs was reduced to 40 millions (B capital) and new capital amounting to 35 millions (A capital) was provided as follows: the Confederation converted claims of 20 million francs into shares, the creditor banks converted claims of approximately 14 millions and a further 1 million was raised by new subscriptions. The capital reduction and the new capital were used to cover losses on investments, shown at 23 million francs in the 1932 balance-sheet; 44 millions were used for writing off, or constituting reserves against, frozen credits; and the remainder was applied to depreciation on account of correspondents and premises.

The Confederation was also authorised to deposit 15 million francs with the Bank in order to increase its liquidity. The help of the Confederation was made dependent upon the following conditions: (1) measures of re-organisation within the Bank: reduction of working costs, limitation of foreign business, etc.; (2) new shares of 15 millions to be taken up by other banks (see above); (3) other banks and the Canton of Geneva to accord the bank a credit of not less than 15 million francs and (4) other banks' time-deposits with the Banque d'Escompte, amounting to approximately 40 million francs, not to be withdrawn until the end of 1934.

Two months after the ratification of this scheme, the Banque d'Escompte absorbed the Banque de Dépôts et de Crédit (Genève), with which it had been closely connected for some years, and which recorded losses amounting to almost the whole of its capital and reserves. Each shareholder of the Banque de Dépôts received two B shares of the Banque d'Escompte (nominal value 1 franc each) and one *bon de caisse* of 25 francs.

The Caisse des Prêts (Eidgenössische Darlehenskasse) referred to above was created in the summer of 1932 as a temporary instrument for the purpose of assisting banks and other enterprises in difficulties. It is authorised to grant loans against second-class paper; paper bearing its endorsement is eligible for rediscount by the National Bank. It can issue interest-bearing *bons de caisse* with a currency of not more than five years. Its liabilities

must not exceed 200 million francs. It is supported by a guarantee fund of 100 millions, of which 75 millions were provided by the Confederation and 25 millions by Swiss banks and other enterprises. Liabilities exceeding this sum are guaranteed by the Confederation. The whole of its profits are to be placed to a reserve fund. At the end of 1933, loans of the Caisse des Prêts outstanding amounted to almost 70 million francs; the greater part of its funds was raised through rediscounting at the National Bank.

In the course of 1933, three of the big banks (the Basler Handelsbank, the Banque Fédérale and the Union de Banques suisses) sought authorisation from their general assemblies to purchase below par and cancel part of their outstanding share capital and to write off losses to a corresponding amount. This operation has by now been carried through in the case of each of the banks concerned, the first two having thereby reduced their capital by 25 million francs and the third by 20 millions.

In November 1933 the Banque populaire suisse (Schweizerische Volksbank), one of the largest commercial banks in Switzerland, announced a scheme of capital reconstruction in view of the heavy losses it had suffered through its foreign loans and on its advances to the hotel and watch-making industries. This bank is a co-operative credit institution, drawing its funds from semi-autonomous branches all over the country, and has no fewer than 350,000 depositors and 100,000 shareholders. Consequently, the Confederation was willing to grant the extensive assistance required to protect depositors against loss and to prevent the complete wiping-out of share capital. The latter, amounting to 186 million francs, was reduced by half to 93 millions and reserves from 29 to 3.5 millions. This reduction in the bank's own funds by 118 million francs was effected in order to offset losses incurred or anticipated to the amount of 82 million francs, and contingent losses of 36 millions. Shareholders, the nominal value of whose holdings had been reduced by 50 per cent, received certificates entitling them to benefit from the eventual reimbursement of frozen credits written off.

New capital of 100 million francs was provided by the Confederation, of which 25 per cent to be paid immediately. As conditions of this assistance, it was laid down that the internal administration of the bank should be re-organised, that the Confederation should be represented at the General Assembly in proportion to its holding of shares and should name a majority of the Directors, that it should have the right to inspect books and to control transactions, and to approve of the balance-sheet published by the bank.

In December 1933, the Bank für Graubünden at Chur, operating with capital and reserves of less than 5 million francs, disclosed considerable losses, mainly on loans to the hotel industry, and

SWITZERLAND.

COMMERCIAL BANKS

Table 22 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1925	1929	1930	1931	1932
Number of banks	208	212	217	217	216
ASSETS.					
I. Cash	276	367	459	1,278	1,236
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—	—
3. Bills discounted and bought	1,332	1,915	2,018	1,382	1,154
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities					
(a) Government	861	1,165	1,351	1,405	1,409
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	1,251	2,177	2,352	1,114	842
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	9,520	13,056	13,443	13,203	13,161
(a) On current account	3,844	5,947	5,023	4,475	4,113
(b) Other	5,676	7,109	8,420	8,728	9,048
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc	180	171	180	187	197
10. Sundry Assets	193	214	183	207	189
II. Total Assets	13,613	19,065	19,986	18,776	18,188
LIABILITIES.					
12. Capital paid up	1,383	1,850	1,800	1,897	1,883
13. Reserve Funds	376	541	565	569	577
14. Profit-and-Loss and Dividend Accounts, etc.	—	—	10	10	10
15. Cheques and Drafts, etc., in circulation	—	—	44	35	28
16. Due to Banks (Correspondents)	871	1,346	1,143	692	563
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	9,817	13,678	14,719	14,229	13,909
(a) Current accounts and sight deposits	2,741	3,756	2,287	2,449	2,418
(b) Savings accounts	2,571	3,294	4,422	4,575	4,680
(c) Time or fixed deposits	580	1,283	2,139	1,453	1,123
(d) Other deposits	3,925	5,345	5,871	5,752	5,688
18. Rediscounts and other Borrowings	528	665	659	734	789
19. Acceptances and Endorsements	400	702	733	385	235
20. Sundry Liabilities	238	283	244	225	194
21. Total Liabilities	13,613	19,065	19,986	18,776	18,188
22. Value of currency in cents of a U.S. dollar at the end of each year	19.33	19.44	19.48	19.24	19.24

SWITZERLAND.

COMMERCIAL BANKS

Table 22 (b).

ACCOUNTS	SUMMARY PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1925	1929	1930	1931	1932
Number of banks	208	212	217	217	216
Capital paid up	1,382.8	1,849.8	1,869.0	1,897.3	1,882.3
Reserves and Undivided Profits	383.7	551.9	575.0	578.9	586.8
1. Gross Profits	286.3	360.7	361.6	361.0	322.8
<i>To be deducted:</i>					
2. Expenses	143.0	173.6	179.3	179.0	165.5
(a) Salaries, etc.	123.8	150.2	154.4	154.3	144.9
(b) Other working expenses	19.2	23.4	24.9	24.7	20.6
(c) Taxes, etc.	—	—	1.2	1.0	1.2
3. Reserved for Pension Funds, etc.	—	—	1.2	1.0	1.2
4. Written off on (Depreciation Accounts for)	32.3	23.4	21.6	91.7	117.8
(a) Premises, etc.	—	—	—	—	—
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit	111.0	163.7	159.5	89.3	38.3
6. Carried forward from preceding year	7.0	10.9	10.0	9.9	9.7
7. Taken from Reserves or Capital	9.0	—	—	30.2	70.9
8. Total Amount disposed of for Dividends, etc.	127.0	174.6	169.5	129.4	118.9
9. Carried to Reserves	17.0	26.3	24.2	8.4	10.6
10. Dividends	96.1	131.5	131.2	108.8	102.7
11. Directors' Fees, etc.	2.1	3.6	3.2	1.7	1.2
12. Other purposes	1.8	2.0	1.0	0.8	1.7
13. Carried forward to following year	9.2	11.2	9.9	9.7	2.7
14. Total as above	127.0	174.6	169.5	129.4	118.9
15. Value of currency in cents of a U.S. dollar at the end of each year	19.33	19.44	19.48	19.24	19.24

announced its intention, with a view to strengthening its position, of increasing its capital by 1.8 million through the issue of preference shares, of which part would be taken up by the Graubündner Kantonalbank. Its liquidity was to be further increased by the granting of credits to the amount of some 6 million francs by the Kantonalbank, the Confederation and the Darlehenskasse. The existing share capital was not written down.

Since the last issue of this memorandum, the use of long-dated mortgage bonds has been introduced into Switzerland. Previously, the banks financed their mortgage loans through the

issue of bank bonds and through fixed deposits. At the beginning of 1931, two central mortgage-bond institutes, the Banque des lettres de gage d'Établissements de Crédit hypothécaire, and the Centrale d'émission de lettres de gage des banques cantonales, began to function. The first was constituted by credit institutions of whose assets mortgage loans represented at least 60 per cent; the second, as its name implies, by cantonal banks. The paid-up share capital of both institutes was, at the outset, 5 million francs. The Banque des lettres de gage subsequently raised its capital to 10 millions. These central institutes, which bear a close

resemblance to the Swedish State Mortgage Bank, are authorised to issue mortgage bonds, with a currency of not less than fifteen nor more than forty years; to invest the yield of these issues in long-dated loans to their own members or to certain other institutions, in mortgage annuities and mortgages on land improvement; and to invest their own capital in various forms of mortgages, bills of exchange, securities, etc. They are entirely exempt from direct taxation and enjoy certain other fiscal privileges. It is stipulated that their total liabilities, including bond issues, shall not exceed 20 times their capital.¹ By the end of 1933,

the combined issues of these institutions amounted to 261 millions, of which 45 millions had been taken up by the Confederation.

A draft banking law is at present (January 1934) under consideration. It provides, *inter alia*, for the annual audit of all bank balance-sheets by specially designated bodies, for more detailed balance-sheets, for a control by the National Bank of banks' loans abroad and foreign capital issues of an amount exceeding 10 million francs, for the special protection of savings deposits, and for the establishment of a Federal Supervisory Commission for Banks.

Balance-sheet Summary.

I. Cash.

The official Swiss banking statistics do not distinguish between gold and other metallic currency on the one hand, and notes and balances with the Banque Nationale on the other hand. Figures of bankers' balances with the central bank are, however, available from the reports of that institution, and they are compared with the total cash resources shown by all Swiss banks (including savings and co-operative banks as well as commercial banks) in the following statement:

	1929	1930	1931	1932
	Francs (000,000's)			
Total cash holdings of all Swiss banks	376	467	1,290	1,254
Whereof: Balances with National Bank	172	203	813	825
Difference	204	264	477	429

The last line represents the Swiss banks' holdings of small coin, notes and gold. As it is unlikely that the first two items would have increased since 1929 — rather the contrary — it would appear that the whole of the increase shown in that item

in recent years is to be ascribed to the accumulation of gold by the banks.

3. Bills discounted and bought.

No distinction is now made in the basic statistics between domestic and foreign bills. This detail was given by certain banks until 1929 (foreign bills amounting to 102 million francs being shown for that year, and to 53 millions for 1925), but the amounts of foreign bills shown were incomplete and, probably for that reason, the division was dropped in 1930.

4 and 5. Investments and Participations.

The Swiss banks do not participate directly in industrial enterprises to the same extent as the banks in many other countries on the European continent; but the big banks often exercise an influence through the intermediary of trust companies under their control.

In special statements, comprising all cantonal banks, six of the big banks, and most local banks, the annual statistical reports give the following details with regard to the composition of the investment portfolio:

	1925	1929	1930	1931	1932
	Francs (000,000's)				
<i>Swiss securities:</i>					
Bonds	642	734	894	951	979
Shares	81	157	189	190	202
Total	723	891	1,083	1,141	1,181
<i>Foreign securities:</i>					
Bonds	38	74	91	74	60
Shares	13	40	51	60	56
Total	51	114	142	134	116
Grand total	774	1,005	1,225	1,275	1,297

¹ *Feville fédérale*, July 2nd, 1930.

The composition of the Swiss portfolio according to the nature of bonds and shares held is shown in the following statement, which includes all cantonal banks but a smaller number of big banks and local banks than the preceding statement.

	1925	1929	1930	1931	1932
Francs (000,000's)					
<i>Bonds of:</i>					
Federal Government and Railways	206	187	208	200	225
Cantons	116	144	168	186	174
Municipalities	70	58	97	89	88
Public Authorities total	392	389	473	475	487
<i>Bonds of:</i>					
Banks	142	249	310	372	352
Trust companies	7	13	22	23	19
Other enterprises	62	83	89	81	121
Private undertakings total	211	345	421	476	492
Total bonds	603	734	894	951	979
<i>Shares in:</i>					
Banks	17	51	60	67	78
Trust companies	7	53	57	46	48
Other enterprises	26	53	72	77	76
Total shares	50	157	189	190	202
Grand total	653	891	1,083	1,141	1,181

The figure shown in the above statement for bonds of "other enterprises" in 1932 includes *Pfandbriefe* to the amount of 51 million francs, shown without further designation in the official statistics.

6. *Due from Banks.*

The sums given in this group of the summary table are shown in the Swiss statistics under the heading "Correspondent debtors" and appear to consist almost exclusively of sight balances with banks and bankers. No distinction is made between banks at home and abroad.

7. *Loans and Advances.*

The amounts shown under (a) are shown in the official statistics as debtors on current account without further subdivision. The Swiss banks, in particular the big institutions, allow overdrafts, and the following statement, covering all banks (savings banks, trust companies, etc., in addition to commercial banks), enables an estimate to be made of the importance of overdrafts in the total of current accounts and fixed loans and advances.

Current accounts and fixed loans	Francs (000,000's)		
	1930	1931	1932
Covered	5,704	5,404	5,026
Uncovered	1,462	1,228	1,189
Total	7,166	6,632	6,215

Loans on current account include cover for acceptances, but, as acceptances are not shown separately from drafts under liabilities, it is not possible to make the appropriate deduction.

The following is the composition of the amounts shown under (b) since 1930 :

	Francs (000,000's)		
	1930	1931	1932
Contangos	62	15	19
Long-term advances :			
Ordinary	1,472	1,479	1,384
Against mortgages	665	679	754
Mortgage loans	6,221	6,555	6,891
Total	8,420	8,728	9,048

12 and 13. *Capital and Reserve Funds.*

Reference should be made to the introductory note for details regarding the re-organisation of the capital structure of the big banks in recent years.

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

The balance-sheet summaries in the Swiss banking statistics do not give separate figures for these accounts, but include them in sundry liabilities, the detailed composition of which is not shown. Both gross and net profits are shown, however, in the detailed profit-and-loss summaries.

15. *Cheques and Drafts in Circulation.*

This item is not shown separately in the Swiss banking statistics, but is grouped with acceptances under a common heading. The joint sums thus shown are given in group 19 of the summary table.

16. *Due to Banks.*

The sums given in this group of the summary table include cheque and giro accounts in addition to correspondent creditors. The latter are not shown separately in the Swiss banking statistics. In addition, the statistics make no distinction between domestic and foreign accounts.

17. *Deposits, etc.*

The sums given under (d) in this group of the summary table represent bank bonds (*Obligationen*) which, in Switzerland, largely take the place of time deposits. These are fixed interest-bearing bonds issued by nearly all the banks for periods varying from one to five years. The banks use the same instrument for raising funds to finance their mortgage business; since 1931, however, the banks have also issued long-dated mortgage bonds, which are included in group 18 of the summary table (see also Introductory Note).

In the following comparative statement, the figures given under I refer to the commercial banks and those under II refer to the savings banks, the Raiffeisen banks and the mortgage banks.

End of :	Francs (000,000's)														
	Current accounts			Savings accounts			Time deposits			Bank bonds			Total deposits		
	I	II	Total	I	II	Total	I	II	Total	I	II	Total	I	II	Total
1925	2,741	40	2,781	2,571	839	3,410	580	15	595	3,925	169	4,094	9,817	1,063	10,880
1929	3,756	52	3,808	3,294	1,010	4,304	1,283	21	1,304	5,345	240	5,585	13,678	1,323	15,001
1930	2,287	44	2,331	4,422	1,095	5,517	2,139	10	2,149	5,871	276	6,147	14,719	1,425	16,144
1931	2,449	47	2,496	4,575	1,189	5,764	1,453	14	1,467	5,752	280	6,032	14,229	1,530	15,759
1932	2,418	47	2,465	4,680	1,265	5,945	1,123	16	1,139	5,688	280	5,968	13,909	1,608	15,517

18. *Rediscounts and Other Borrowings.*

Rediscounts are not shown in the Swiss banking statistics. The sums given in this group of the summary table consist of bonds representing "fixed loans" raised by the banks (*feste Anleihen*) and of the long-term mortgage bonds issued since 1931.

Trust companies which are not included in the summary table raise a considerable proportion of their working capital through the issue of bonds.

19. *Acceptances and Endorsements.*

The sums shown include drafts in addition to acceptances; the latter are not shown separately in the Swiss banking statistics.

The acceptance business is almost entirely concentrated in the hands of the few big banks and the market is decentralised among the four financial centres — Zurich, Berne, Basle and Geneva.

Summary of Profit-and-Loss Accounts.

I. *Gross Profits.*

The composition of gross profits by sources of revenue is shown below :

Sources of revenue	Francs (000,000's)				
	1925	1929	1930	1931	1932
Discounts	69.9	86.0	80.9	73.6	59.0
Net interest and commissions	150.3	195.8	190.2	196.8	172.5
Securities and participations	46.0	62.6	76.8	74.3	69.0
Other sources	11.0	8.9	12.8	15.8	21.6
Recovered from assets previously written down	2.4	1.0	0.9	0.5	0.7
Total	279.6	354.3	361.6	361.0	322.8
Sources not specified	6.7	6.4	—	—	—
Grand total	286.3	360.7	361.6	361.0	322.8

The figures referring to certain small banks giving no specification of their gross profits before

1930 are given in the above statement under the heading "sources not specified".

UNITED KINGDOM AND IRISH FREE STATE.

Introductory Note.

The main features of the commercial banking system of the United Kingdom and Irish Free State were set out in some detail in the first issue of this *Memorandum*, and the significant trends in evidence up to 1929 were there examined. The development since then may be analysed on the basis of the following figures, which show, for

certain selected months, the chief accounts of the ten London clearing banks. These banks account for some 95 per cent of the total resources of the sixteen British joint-stock banks covered by the attached summary table (a), and may therefore be taken as representative.

	Average weekly figures (£ '000,000's).					
	September 1929	December 1930	September 1931	June 1932	December 1932	September 1933
1. Cash in hand and at Bank of England	194.5	207.5	173.7	191.3	206.5	214.8
2. Balances with other banks in United Kingdom	49.1	54.0	43.9	44.5	49.9	39.0
3. Money at call and short notice	153.8	144.5	208.3	115.5	128.1	92.1
4. Discounts (including Treasury bills)	224.1	321.5	236.9	277.7	407.9	355.0
5. Investments	256.2	284.7	304.0	339.7	472.4	563.2
6. Advances and other accounts	987.1	931.0	913.2	853.5	776.4	751.3
7. Current, deposit and other accounts	1,791.8	1,875.8	1,711.8	1,764.4	1,983.1	1,957.9
8. Acceptances	188.7	117.4	118.4	93.2	89.4	105.9
9. Capital and reserves	133.8	135.1	135.1	125.3	125.4	125.8

Considering the period September 1929 to September 1933 as a whole, it will be seen that total deposits, etc., rose by £166 million. Current accounts rose comparatively little, the increase falling mainly on deposit accounts, which represent, to a considerable extent, funds awaiting investment. The differences in the movements of current and deposit accounts for the London clearing banks¹ are brought out in the following statement :

	£ ('000,000's)		
	September 1929	September 1933	Increase
Current accounts	931	989	58
Deposit accounts	799	924	125
Total	1,730	1,913	183

In spite of this increase in deposits, which, indeed, is largely explained by the decline in private investment activity during the economic depression, there was a marked contraction of bank credit to industry and trade. This is reflected in the drop of £236 million, or 25 per cent, in loans and advances. Further, money at call and short notice dropped by £62 million. On the other hand, the banks' own investments increased by £307

million and their bill portfolio by £131 million. The detailed composition of the last two items is not shown in the returns. It would appear, however, that the bulk of the aggregate increase of £438 million in investments and bill portfolio consists of Government stocks and Treasury bills acquired by the banks with a view to strengthening their liquidity. Acceptances fell by £83 million, a reflection of the sharp contraction in the volume of international trade.

Thus, the ordinary commercial operations of the banks were greatly diminished during the four-year period from September 1929 to September 1933. The increase in bank deposits was much more than counterbalanced by a decline in their average rate of turnover. This is reflected in the clearing-house returns. The town clearings of London banks, which are much affected by financial activity, fell from a monthly average of £3,340 million in the first ten months of 1929 to a monthly average of £2,297 million in the corresponding period of 1933, or by almost one-third. Metropolitan clearings, conventionally described as an indicator of London retail trade, fell by about 12 per cent and provincial clearing-house returns, which are frequently taken as representative of the general state of trade, dropped by some 25 per cent in this period.

¹ Current and deposit accounts as reported by the ten clearing banks according to the classification applied by the Macmillan Committee. These figures exclude the Irish deposits of the National Bank, Ltd.; the totals are therefore lower than those given in the earlier statement.

The following statement shows the percentage which each of the chief asset items of the London clearing banks was of total deposits at the beginning and end of the period under review :

	Percentage of various assets to total deposits	
	September 1929	September 1933
1. Cash in hand and with Bank of England.	10.9	11.0
2. Balances with other banks.	2.7	2.0
3. Money at call, etc.	8.6	4.7
4. Bill portfolio.	12.5	18.1
5. Investments.	14.3	29.0
6. Loans and advances	55.2	38.4

This statement brings out in striking fashion the increased relative importance of bills and investments, whose combined ratio to deposits rose from 27 per cent in September 1929 to 47 per cent in September 1933 ; while the ratio of loans and advances, representing chiefly credits to industry, dropped from 55 to 38 per cent. Cash in hand and at the Bank of England showed little fluctuation, but money at call and short notice constituted a much smaller proportion of the deposits at the later than at the earlier date.

A detailed analysis of commercial banking in the United Kingdom during the depression must distinguish two periods—first, the period of gradual contraction of credit from the beginning of the depression in the autumn of 1929 to the abandonment of the gold standard in September 1931 ; and, second, the period since the abandonment of the gold standard.

The economic stagnation which characterised the first period (September 1929 to September 1931) is reflected in a moderate decline in loans and advances (£74 million) *pari passu* with a similar decline in deposits (£80 million). The increase in bills and investments during this period was likewise moderate (£61 million) and did not even fully compensate the simultaneous decline in cash and money at call (£66 million). On the other hand, the catastrophic fall in the volume of international trade finds expression in a sharp decline in acceptances by £70 million, or almost 40 per cent. During the course of 1930, bad trade and depressed stock markets had resulted in an accumulation of idle funds on deposit with the joint-stock banks. Total deposits were £84 million higher at the end of that year than in September 1929. The detailed figures submitted to the (Macmillan) Committee on Finance and Industry show that the greater part of this increase took place in deposits on current account. In the

course of 1930, the banks increased their bill portfolio by almost £100 million as compared with September 1929. As shown in the report of the Macmillan Committee, practically the whole of this increase was in the form of Treasury bills, a particularly liquid investment. The banks' investments in stocks rose by some £30 million in the same period. The increased demand for Treasury bills and the relative reduction in their supply resulting from the Government's conversion operations in the spring of 1930 resulted in a rise in their price — i.e., a reduction in market rates of discount. The portfolio was again reduced in the first nine months of 1931, and money at call, after showing little change during the preceding period, also fell sharply. The decline in money at call reflects the less active conditions in the new issue market and at the stock exchange. Investments in stocks continued to increase and loans and advances to decline, though somewhat less rapidly than during the previous year. The cash reserves of the banks fell substantially during the first nine months of 1931, due no doubt in part to the financial crisis and heavy loss of gold which occurred prior to the departure from the gold standard. The large contraction in deposits, which were £164 million lower in September 1931 than in December 1930, was perhaps mainly due to the withdrawal of deposits from British banks on the part of foreign holders during the summer of 1931. Although there were no domestic runs on banks, some distrust was aroused as a result of the German banking crisis in the summer of 1931 ; the British banks were believed to be involved in Germany to a considerable extent. Idle funds did not come forward during this period, and there were some domestic withdrawals.

The British banks were not directly affected to any appreciable degree by the depreciation of the pound, as practically all their assets and liabilities were in sterling. Such balances as were held outside the country were in most cases in the form of gold currencies, while liabilities in foreign currencies were very small in relation to total resources.

After the suspension of the gold standard, there was a further sharp fall in the volume of acceptances outstanding, the total for the London clearing banks falling by £29 million, or 25 per cent, between September 1931 and December 1932. By the latter date, acceptances had shrunk to less than half their volume in September 1929. Loans and advances fell even more sharply than previously, the total decline between the months mentioned amounting to £137 million, as compared with £77 million in the previous two years. In part, this decline in advances might represent the unfreezing of credit rather than the cutting down of credit lines, but it was no doubt mainly due to a genuine contraction of credit.

After the suspension of the gold standard, the clearing banks' totals of cash and deposits show

a sharp reversal of the trend in evidence before September 1931. Cash in hand and at the Bank of England, which had fallen by £34 million in the first nine months of 1931, increased by £17 million between September 1931 and June 1932 and by another £15 million in the second half of 1932. Deposits rose by £53 million from September 1931 to June 1932 and by a further £220 million to December 1932, when they were some £200 million higher than in September 1929.

The explanation of these apparently anomalous movements of deposits and loans is to be found in the figures for bills and investments, which increased by £171 million and £168 million respectively between September 1931 and December 1932.

The period under review was one of increasing monetary ease and relaxation from the previous financial stringency. At the beginning of 1932, confidence had not yet been restored. Bank rate stood at the high level of 6 per cent, to which it had been raised at the time of the official suspension of gold payments; the Treasury-bill rate was 5.4 per cent and the yield on long-date Government securities was 5.55 per cent.

The situation began to improve early in the year. Encouraged by the soundness of the budgetary position, by the Bank of England's early repayment of the foreign credits raised in the attempt to support sterling in August 1931 and by the high money rates prevailing, foreign funds began to return to London in large volume, particularly from the United States, which was undergoing a domestic banking crisis. Bank rate was reduced to 5½ per cent in February and by successive stages to 2 per cent on June 30th. The yield on Treasury bills fell from 4 per cent in February to 0.6 per cent at the end of June. The Bank of England's holdings of Government securities rose from £35 million at the beginning of February 1932 to £67 million at the end of June; bankers' deposits increased from £70.7 to £83.9 million. The liberal credit policy of the Bank of England was partly designed to prepare the way for the large Government conversion operations which took place at the end of June, when approximately £2,000 million of 5 per cent War Loan was converted on a 3½ per cent basis. Since the middle of 1932, further conversion operations of somewhat lesser magnitude have taken place; the total of Government debt converted or funded on a lower interest basis between the summer of 1932 and the autumn of 1933 amounts to about £2,580 million.

Money rates continued easy in the latter part of 1932 and in 1933. The increase in bankers' cash in this period was largely due to the operations of the Exchange Equalisation Account, created on July 1st, 1932, by the Finance Act of that year. The Account was originally a Government Fund with a limit of £150 million, plus the balance of the old Dollar Exchange Reserve, amounting to

£25 million; in May 1933 its resources were increased by £200 million. The purpose of the Fund is, as its name suggests, to even out irregular movements in the exchanges. Its original sterling resources were partly in the form of Treasury bills and partly in the form of an advance by it to the Exchequer, the latter item representing the difference between the legal size of the Account and the working capital it actually needed. The Fund has the power to buy and sell foreign exchange and to hold its assets in the form of sterling, gold or foreign exchange, as it deems desirable.

When the Fund wishes to buy foreign exchange, it puts itself in funds to pay for the exchange by selling Treasury bills to the Bank of England, which acts as its banker. The exchange is paid for by a cheque on the Bank of England in favour of the bank selling the exchange. The net result is an increase in the Bank of England's holdings of Government securities, offset by an increase in bankers' deposits at the Bank of England, which are part of the banks' cash. Unless the Bank takes steps to counteract this expansion in bankers' deposits (by selling Government securities, for example), a purchase of foreign exchange by the Account tends to provide a basis for credit expansion by increasing the cash reserves of the commercial banks. A sale of foreign exchange by the Fund has, of course, the contrary effect.

It would appear that, towards the close of 1932 and during the first part of 1933, the resources of the Exchange Account were, on the whole, utilised in the direction of preventing a rise in sterling. This policy, coupled with the low discount rate of the Bank of England, had the effect, for the reasons just analysed, of increasing the cash basis of the commercial banks. They used these additional resources to enlarge their holdings of Treasury bills and longer-dated Government securities, which were purchased to an extent sufficient not only to compensate for the decline in advances, but also to absorb the increase in deposits, which might in part have arisen — at least indirectly — from these purchases. At the end of 1932, deposits in the London clearing banks stood at the highest level ever recorded. They have since shown a moderate tendency to decline, which is presumably due to the withdrawal of idle funds during the moderate revival of business activity in the first nine months of 1933. The net decline between the end of 1932 and September 1933 is entirely confined to deposit accounts.

The downward trend of money rates which was so marked a feature of 1932 showed no signs of being reversed in 1933, and during the first nine months of that year they stood at record low levels. Bank rate remained unchanged at 2 per cent as compared with an average rate of slightly more than 4 per cent in the first half of 1932; during the first half of 1933, fine bank paper averaged 0.65 per cent, compared with 2.9 per cent a year earlier;

and Treasury-bill rates, which averaged 2.6 per cent in the first half of 1932, averaged only 0.55 in the corresponding period of 1933. The rate continued to fall in the third quarter and reached 0.25 per cent late in September. This record low figure was, however, partly due to the fact that the bills offered were end-of-year maturities. Rates gradually stiffened in October and November, reaching almost 1 per cent at the end of the latter month.

Several factors were responsible for these low money rates. The gold stocks of the Bank of England rose from £120.6 million at the end of 1932 to over £190 million early in October 1933; and there was, on balance, a considerable influx of foreign funds induced by fear of depreciation of the remaining gold-standard currencies. The demand for credit was restricted on account of the low volume of business; and it was, moreover, the policy of the Government to maintain easy money conditions with the object of stimulating a rise in prices and a revival of trade.

Deposits underwent the usual seasonal contraction during the first months of 1933, but, on balance, their total was less than £30 million lower in September 1933 than in December 1932, and more than £90 million higher than September 1932. The clearing banks' cash reserves rose somewhat, but money at call, which had previously shown great stability, declined by a corresponding amount (£23 million). This decline was the consequence of inactive conditions in the discount market, and the low money rates prevailing throughout this year. The clearing banks pursued the policy of maintaining minimum rates of 1 per cent for call loans; and, as bill brokers were able to borrow elsewhere at lower rates, there was a natural tendency for them to repay advances of this type from the clearing banks. They were encouraged to do so by an intimation from the banks that they would not view such repayments in an unfriendly light.

The bill portfolio, which increased considerably until January 1933, fell very sharply (by almost £100 million) during the following three months, a fall which was only partly counterbalanced by a rise during the next four months, so that the total was almost £40 million lower in September 1933 than in September 1932. The division of discounts into Treasury and trade bills is not available, but it would appear that the decline was mainly due to lower holdings of Treasury bills. Even though the total national floating debt increased during these months, a substantial part of the new bills were issued to the Exchange Fund, and not all of them found their way into active circulation. The heavy fall in money rates accentuated the diversion of funds into investments. It is likely that the volume of trade bills held by the banks was

also reduced by the repayment of Central European "standstill" bills.

Advances continued to decline during the first nine months of 1933, and stood £25 million lower in September 1933 than in December 1932 and £53 million lower than in September 1932. There was an increase of over £10 million in May, but this reflects the loan of £30 million granted to the French Treasury by a consortium of banks, rather than any increased extension of trade accommodation. In the course of 1933, the clearing banks continued to increase their holdings of gilt-edged securities, which in September stood £91 million higher than in December 1932 and £180 million higher than in September 1932.

Scottish and Irish Joint-Stock Banks.

The experience of the Scottish banks during the depression was much the same as that of the English banks. As similar influences were at work in the two countries, it is not necessary to analyse the development in Scotland in detail. The following table shows, for the joint-stock banks of Scotland and Ireland, the percentage which each of the more important items of the balance-sheets was of total deposits at the end of 1929 and at the end of 1932:

	Scottish banks		Irish banks	
	1929	1932	1929	1932
Cash	15.9	15.1	12.6	15.0
Money at call	8.7	9.3		
Bill portfolio	8.5	7.3	2.8 ¹	14.8 ¹
Investments	32.9	49.1	48.5	50.1
Loans and advances	52.2	36.9	52.2	32.5
Acceptances	2.6	1.8	—	—

The Scottish banks habitually hold a higher proportion of their assets in the form of investments than the English banks. In 1929, investments totalled about one-third of deposits, and at the end of 1932, the proportion had risen to one-half. Unlike the English institutions, the Scottish banks did not greatly increase their holdings of Treasury bills.

The sharp rise in the bill portfolio of the Irish banks was almost entirely due to the banks of Northern Ireland and represents increased holdings of Treasury bills. Investments, which were already very high in comparison with either English or Scottish banks, were further increased, and the ratio of loans and advances to deposits fell sharply.

The accounts given in Table 23 (a) III for the joint-stock banks of the Irish Free State and Northern Ireland are based upon balance-sheet summaries published in the banking supplements of the *Economist*. Official returns relating to the banks of the Irish Free State are now being published

¹ Where shown separately from loans and advances.

quarterly in the *Irish Trade Journal*. These returns, which are prepared by the Currency Commission, represent averages of figures for a selected date in each of the three months of the quarter to which they relate. Figures showing the deposits and combined discounts and advances

of the eight banks holding shares in the Commission¹ are available since the end of 1929, and complete balance-sheets of these banks and the National City Bank, Ltd.,² are available since the March quarter of 1932. The former figures are summarised below :

QUARTER ENDING	£ (000,000's)					
	DEPOSIT AND CURRENT ACCOUNTS			BILLS DISCOUNTED AND ADVANCES		
	Within the Irish Free State	Outside the Irish Free State	Total	Within the Irish Free State	Outside the Irish Free State	Total
December 1929	124.1	40.6	164.7	56.0	34.2	90.2
December 1930	122.5	40.6	163.0	53.0	30.9	83.7
December 1931	122.0	40.8	162.8	52.2	32.2	84.4

It will be seen that the proportion of deposits originating within the Irish Free State is considerably higher than the proportion of discounts and advances made there. This discrepancy is even more striking with regard to total balance-sheets, which are summarised in the following statement :

LIABILITIES.	£ (000,000's)					
	First quarter 1932	Second quarter 1932	Third quarter 1932	Fourth quarter 1932	First quarter 1933	Second quarter 1933
Capital and Reserves :						
Irish Free State	13.1	13.1	13.1	13.1	13.1	13.1
Elsewhere	3.7	3.7	3.7	3.8	3.8	3.8
Total	16.8	16.8	16.8	16.9	16.9	16.9
Notes in Circulation :						
Irish Free State	5.1	5.1	5.1	5.1	5.1	5.2
Elsewhere	2.9	3.0	2.9	2.9	3.0	3.1
Total	8.0	8.1	8.0	8.0	8.1	8.3
Deposits :						
Irish Free State	124.2	127.7	129.6	131.6	134.5	129.0
Elsewhere	39.2	40.3	43.3	45.4	46.6	46.9
Total	163.4	168.0	172.9	177.0	181.1	175.9
Total Liabilities :						
Irish Free State	145.4	149.3	151.0	153.0	156.0	151.3
Elsewhere	47.9	49.3	51.7	54.0	54.9	55.5
Total	193.3	198.6	202.7	207.0	210.9	206.8
ASSETS.						
Cash and Bank Balances :						
Irish Free State	4.4	5.7	4.5	4.9	4.6	5.6
Elsewhere	8.2	8.2	10.1	10.6	10.0	10.8
Total	12.6	13.9	14.6	15.5	14.6	16.4
Money at call, etc. :						
Irish Free State	—	—	—	—	—	—
Elsewhere	10.3	10.2	10.5	10.9	14.7	12.0
Total	10.3	10.2	10.5	10.9	14.7	12.0
Bills :						
Irish Free State	7.1	7.1	7.1	7.4	7.8	5.9
Elsewhere	5.4	4.1	4.0	4.5	3.9	2.5
Total	12.5	11.2	11.1	11.9	11.7	8.4
Loans and Advances :						
Irish Free State	44.9	45.4	44.9	43.9	43.3	42.8
Elsewhere	27.9	27.7	27.2	26.3	25.6	25.5
Total	72.8	73.1	72.1	70.2	68.9	68.3
Investments :						
Irish Free State	3.6	4.0	4.9	5.2	5.2	5.2
Elsewhere	73.7	78.0	81.9	83.4	88.1	88.5
Total	77.3	82.0	86.8	88.6	93.3	93.7
Total Assets :						
Irish Free State	63.3	65.7	64.5	64.7	64.2	63.0
Elsewhere	130.0	132.9	138.2	142.3	146.7	143.8
Total	193.3	198.6	202.7	207.0	210.9	206.8
Excess of assets outside Irish Free State over liabilities outside Irish Free State	82.2	83.6	86.5	88.3	91.9	88.3

¹ i.e., the six Irish Free State Banks and the Ulster Bank and the Northern Banking Company.
² A subsidiary of the Bank of Ireland.

The accounts outside the Irish Free State include Northern Ireland as well as Great Britain. Capital and reserves have evidently been distributed according to some conventional basis. About three-quarters of total deposits appear to arise within the Irish Free State and one-third of cash is held there. Cash held within the Free State represents till money; further amounts are probably held at outside branches. Money at call is almost entirely in London. The bill portfolio in both the Irish Free State and Ulster would appear to consist largely of discounts of promissory notes, rather than genuine trade bills. The relatively high proportion of loans made outside the Irish Free State has already been commented upon; it is partly due to the fact that the banks of Northern Ireland maintain a closer relationship with industry than those of the Irish Free State. A strikingly high proportion of investments are held "elsewhere"; they consist largely of British Government securities.

The bottom line of the above table is useful in gauging the movement of the balance of payments of the Irish Free State, as practically all debit and credit items are transferred through the banks. It will be seen that there was a steady inflow of funds from the first quarter of 1932 to the first quarter of 1933. This was reversed during the second quarter of the latter year, due in part, no doubt, to the tariff war with Great Britain.

Private Banks in England and Wales.

Although these institutions conduct practically all the banking business undertaken by the joint-stock banks, they have been omitted from the summary tables for England and Wales because their published statements of accounts are very condensed and cannot be adapted to the form used in these tables. A statement of the position of the private banks (in the form given in the *Economist*) for the years contained in the summary table is given opposite.

It will be seen that the private banks were much more seriously affected by the economic depression than the joint-stock banks. Their aggregate balance-sheet shows a contraction of almost 50 per cent between the end of 1929 and the end of 1932. Not only were deposits reduced very sharply, but partners' capital and reserve funds were written down to cover losses on loans and discounts. Investments were reduced less, proportionately,

than other groups of assets and they accounted for a somewhat higher percentage of total deposits in 1932 than in 1929.

PRIVATE BANKS	1925	1929	1930	1931	1932
Number of banks.	4	4	4	4	4
		£ (000,000's)			
ASSETS.					
1. Cash in hand, money at call and short notice . .	2.8	4.2	3.8	2.1	2.2
2. Investments . .	5.1	4.2	6.1	2.2	2.7
3. Advances, loans, bills and other securities . . .	22.3	24.0	20.1	20.9	11.9
4. Miscellaneous . .	5.2	7.3	6.7	4.9	3.9
5. Total assets . .	35.4	39.7	36.7	30.1	20.7
LIABILITIES.					
6. Partners' capital and reserve . .	2.6	3.4	3.5	3.2	2.4
7. Deposit and current accounts	27.8	29.2	26.8	22.2	14.9
8. Miscellaneous . .	5.0	7.1	6.4	4.7	3.4
9. Total liabilities.	35.4	39.7	36.7	30.1	20.7

Acceptance Houses and Discount Companies.

Unfortunately, statistics are not published regularly showing the detailed accounts of the merchant bankers, or acceptance houses. The joint-stock banks have devoted increasing attention in recent years to the acceptance of bills of exchange; but the bulk of this business is carried on by special institutions. The acceptance houses also keep current accounts and act as agents for foreign bankers and as intermediaries of foreign Governments in the flotation of loans. Discount companies also operate to some extent with funds borrowed abroad.

It is not possible to state with any precision the extent of the London money market's short-term indebtedness abroad. The joint-stock banks, as well as the Bank of England, receive foreign deposits and hold sterling bills accepted on foreign account; the discount market borrows abroad. Short-term foreign assets arise from the fact that accepting houses and joint-stock banks accept bills on foreign account. The following table was constructed by the Macmillan Committee on the basis of information furnished it by the banks, acceptance houses, etc.

	End of 1927	End of 1928	End of 1929	End of 1930	End of March 1931
<i>Deposits of Foreign Banks, etc., with:</i>					
Bank of England, clearing banks and Scottish banks	116.8	139.5	118.3	164.6	146.2
Accepting houses	89.3	104.3	79.2	82.1	81.0
1. Total deposits	206.1	243.8	197.5	246.7	227.2
<i>Sterling Bills held on Foreign Account through:</i>					
Bank of England, clearing banks and Scottish banks	161.6	195.3	200.2	144.7	136.8
Accepting houses	13.1	16.9	19.4	8.0	7.4
2. Total bills	174.7	212.2	219.6	152.8	144.2
<i>Advances to Discount Market by:</i>					
Banks with head offices abroad	35.6	43.4	30.5	33.6	33.6
Other foreign customers	2.8	3.6	3.5	1.5	2.1
3. Total advances	38.4	47.0	34.0	35.1	35.7
4. Total deposits, bills and advances (1+2+3)	419.2	503.0	451.1	434.6	407.1
<i>Acceptances on Foreign Account by:</i>					
Clearing banks and Scottish banks	31.7	38.5	51.6	43.2	32.3
Accepting houses	107.9	126.9	150.9	132.1	120.6
5. Total acceptances	139.6	165.4	202.5	175.3	152.9

Stress must be laid on the incomplete character of these estimates. They clearly indicate, however, that, for the dates covered, the London money market's short-term indebtedness abroad was very much higher than its short-term assets abroad. This fact largely explains the sensitiveness of the London money market to the financial crisis on the Continent in the summer of 1931. The foreign short-term assets of the City became largely frozen as a result of that crisis; the vulnerable position of London was generally known, and foreign funds were withdrawn in large quantities. It was this open position of the London money market which precipitated the abandonment of the gold standard in September 1931. A comparison of total 4 with total 5 in the above table shows that, in the period covered, liabilities to foreigners in the form of deposits, bills and advances ranged from £400 to £500 million, while foreign short-term assets in the form of acceptances ranged from £140 to £200 million.

Like the joint-stock banks, the discount houses employed a much larger proportion of their resources in the form of investments in 1932 than in 1929. The aggregate of their discounts did not

fall very sharply over the period considered, and, rose somewhat in the course of 1932.

Discount Houses	1925	1929	1930	1931	1932
Number of institutions	3	3	3	3	3
ASSETS.					
£ (000,000's)					
1. Cash at bankers	2.4	2.6	2.7	2.4	2.7
2. Investments	10.5	13.5	17.2	13.7	20.2
3. Bills discounted	110.5	121.6	125.6	111.2	117.0
4. Loans and sundry accounts	5.5	2.5	1.8	1.2	2.8
5. Total assets	128.9	140.2	147.3	128.5	142.7
LIABILITIES.					
6. Capital and reserves	5.6	6.2	7.0	7.0	7.0
7. Loans, deposits, etc. (including undivided profits)	87.8	92.4	98.5	86.4	105.0
8. Bills rediscounted	34.0	40.3	40.5	33.7	28.9
9. Rebate, etc.	1.5	1.3	1.3	1.4	1.8
10. Total liabilities	128.9	140.2	147.3	128.5	142.7

The development of deposits in savings institutions may be compared with that in the commercial banks in the table on the following page, which continues and brings up to date similar statistics given in the first issue of this *Memorandum*.

Unlike the experience in most other countries, there does not appear to have been any shift of deposits from commercial to savings banks in the United Kingdom during the economic depression.

Deposits in post-office and trustee savings banks increased quite steadily, being £58 million, or almost 15 per cent, higher at the end of 1932 than at the end of 1929; but this increase cannot be taken to represent a withdrawal of deposits from commercial banks, as the latter rose by £200 million during the same period. National savings certificates rose by £19 million in 1930 and fell by almost £30 million in the next two years.

	£ (000,000's)					
	Joint-stock and private banks	Savings banks			National savings certificates	Total of columns (d) and (e)
		Trustee savings banks	Post-office savings banks	Total		
	(a)	(b)	(c)	(d)	(e)	
1925	2,258.1	110.4	288.9	399.3	479.2	878.5
1929	2,367.5	124.5	289.3	413.8	487.9	901.7
1930	2,436.8	133.2	294.8	428.0	506.7	934.7
1931	2,264.7	143.0	294.4	437.4	489.3	926.7
1932	2,552.0	159.2	311.8	471.0	478.9	941.9

Balance-sheet Summary.

1 and 2. Cash Assets, etc.

The combined sums shown for the first two groups of the summary table include the following items: (a) "Cash in hand" consisting of coin, bank and currency notes and balances with the Bank of England; (b) balances with, and cheques in the course of collection, on other banks; (c) money at call and short notice. The balance-sheet form employed for the statistical summaries

of the *Economist* distinguishes between (c) and the total of (a) and (b) wherever (c) is shown separately in the published accounts. It is, in fact, shown separately by all the leading banks throughout the period under review. In the case of the banks not showing money at call as a separate item, the total of (a), (b) and (c) has been included in the first column of the statement below:

End of	Cash in hand and at the Bank of England: Balances with and cheques on other banks	Money at call and short notice	Total (corresponding to the sums shown in summary table)						
	£ (000,000's)								
	I. Joint-Stock Banks in England and Wales.								
1925	291.6	127.8	419.4						
1929	328.4	152.9	481.3						
1930	325.6	146.8	472.4						
1931	288.7	125.8	414.5						
1932	296.9	149.3	446.2						
	II. Scottish Banks.								
1925	28.2	21.5	49.7						
1929	40.2	22.1	62.3						
1930	40.2	23.6	63.8						
1931	39.3	21.1	60.4						
1932	42.0	26.1	68.1						
	III. Irish Banks.								
	I.F.S.	N.I.	Total	I.F.S.	N.I.	Total	I.F.S.	N.I.	Total
1925	12.1	5.9	18.0	5.9	—	5.9	18.0	5.9	23.9
1929	8.9	6.2	15.1	7.2	—	7.2	16.1	6.2	22.3
1930	8.2	5.8	14.0	6.7	—	6.7	14.9	5.8	20.7
1931	7.7	5.8	13.5	9.9	—	9.9	17.6	5.8	23.4
1932	9.7	8.0	17.7	11.8	—	11.8	21.5	8.0	29.5

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 (a)

I. JOINT-STOCK BANKS IN ENGLAND AND WALES

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :					
	1925	1929	1930	1931	1932	
Number of : Banks	18	16	16	16	16	
Branches and Sub-Branches	8,873	9,815	10,082	10,178	10,066	
ASSETS.		£ (000,000's omitted)				
1. Cash.						
(a) Gold, silver and small coins						
(b) Inland notes and balances with Central Bank	441.8	481.3	472.4	414.5	446.2	
2. Other Items of a Cash Nature						
3. Bills discounted and bought.	227.1	224.3	316.4	234.1	389.2	
(a) Treasury bills.	—	—	—	—	—	
(b) Commercial bills, Inland.	—	—	—	—	—	
(c) Commercial bills, Foreign	—	—	—	—	—	
4. Investments and Securities.	292.8	260.7	303.4	304.7	496.6	
(a) Government	258.9	232.5	275.6	275.6	459.0	
(b) Other	33.9	28.2	27.8	29.1	37.6	
5. Participations.	24.8	24.4	25.9	24.8	24.3	
6. Due from Banks (Correspondents).	—	—	—	—	—	
(a) At home.	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
7. Loans and Advances.	930.8	1,026.5	964.6	931.7	799.1	
(a) On current account	—	—	—	—	—	
(b) Other	—	—	—	—	—	
8. Cover for Acceptances.	125.0	179.3	128.0	109.7	96.7	
9. Premises, etc.	31.5	42.3	45.0	52.0	50.2	
10. Sundry Assets						
11. Total Assets	2,073.8	2,238.8	2,255.7	2,071.5	2,302.3	
LIABILITIES.						
12. Capital paid up.	74.0	78.1	80.0	80.0	80.0	
13. Reserve Funds	60.8	63.5	64.4	54.5	55.3	
14. Profit and Loss Accounts, Dividend Accounts, etc.	6.9	6.6	6.2	6.0	5.9	
15. Notes in circulation	0.1	0.1	0.1	0.1	0.1	
16. Cheques and Drafts, etc., in circulation	—	—	—	—	—	
17. Due to Banks (Correspondents)	—	—	—	—	—	
(a) At home.	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
18. Deposits	1,806.8	1,911.0	1,976.8	1,821.0	2,064.3	
(a) Current accounts and sight deposits	—	—	—	—	—	
(b) Savings accounts	—	—	—	—	—	
(c) Time or fixed deposits	—	—	—	—	—	
(d) Other deposits	—	—	—	—	—	
19. Acceptances and Endorsements.	125.0	179.3	128.0	109.7	96.7	
20. Sundry Liabilities.	0.2	0.2	0.2	0.2	—	
21. Total Liabilities.	2,073.8	2,238.8	2,255.7	2,071.5	2,302.3	
22. Value of currency in cents of a U.S. dollar at the end of each year.	486.65	486.65	486.65	337.37	327.87	

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 (a).

II. SCOTTISH JOINT-STOCK BANKS

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1925	1929	1930	1931	1932
Number of : Banks	8	8	8	8	8
Branches and Sub-Branches	1,563	1,646	1,718	1,663	1,764
ASSETS.					
£ (000,000's omitted)					
1. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	60.3	62.3	63.8	60.4	68.1
2. Other Items of a Cash Nature					
3. Bills discounted and bought	21.0	21.6	21.6	28.8	30.3
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	95.2	83.7	98.1	101.4	136.7
(a) Government	89.6	76.6	88.9	91.5	125.0
(b) Other	5.6	7.1	9.2	9.9	11.7
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	110.3	132.5	124.5	104.3	92.6
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	6.1	6.5	4.8	4.8	5.1
9. Premises, etc.	4.9	4.8	4.7	4.7	4.8
10. Sundry Assets	4.9	4.8	4.7	4.7	4.8
11. Total Assets	297.8	311.4	317.5	304.4	337.6
LIABILITIES.					
12. Capital paid up	11.4	12.0	13.1	13.5	13.5
13. Reserve Funds	12.5	15.7	17.0	17.2	17.3
14. Profit and Loss Accounts, Dividend Accounts, etc.	1.6	1.9	2.0	1.9	1.9
15. Notes in circulation	21.7	21.4	21.4	21.4	21.0
16. Cheques and Drafts, etc., in circulation	3.6	3.0	3.1	2.1	2.3
17. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	240.9	250.9	256.1	243.5	276.5
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
19. Acceptances and Endorsements	6.1	6.5	4.8	4.8	5.1
20. Sundry Liabilities	—	—	—	—	—
21. Total Liabilities	297.8	311.4	317.5	304.4	337.6
22. Value of currency in cents of a U.S. dollar at the end of each year	486.65	486.65	486.65	337.37	327.87

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 (a).

III. IRISH JOINT-STOCK BANKS

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1925	1929	1930	1931	1932
Number of : Banks	9	9	9	9	9
Branches and Sub-Branches	1,025	1,064	1,063	1,071	1,079
ASSETS.					
£ (ooo,ooo's omitted)					
1. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	24.0	22.3	20.7	23.4	29.5
2. Other Items of a Cash Nature					
3. Bills discounted and bought	7.8	4.9	26.0	26.1	29.0
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	87.4	85.6	89.2	85.5	98.3
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	94.2	92.1	69.1	68.9	63.8
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	0.3	0.1	0.1	0.1	0.2
9. Premises, etc.	2.9	3.0	3.1	3.3	3.1
10. Sundry Assets					
11. Total Assets	216.6	208.0	208.2	207.3	223.9
LIABILITIES.					
12. Capital paid up	7.9	8.6	8.7	8.7	8.6
13. Reserve Funds	9.0	9.7	10.0	8.9	8.9
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	1.0	1.0	1.0	0.8	0.9
15. Notes in circulation	15.1	10.2	9.4	8.7	8.8
16. Cheques and Drafts, etc., in circulation	—	—	—	—	—
17. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	183.1	176.4	177.1	178.0	196.3
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
19. Acceptances and Endorsements	0.3	0.1	0.1	0.1	0.2
20. Sundry Liabilities	0.2	2.0	1.9	2.1	0.2
21. Total Liabilities	216.6	208.0	208.2	207.3	223.9
22. Value of currency in cents of a U.S. dollar at the end of each year	486.65	486.65	486.65	337.37	327.87

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 (b)

I. JOINT-STOCK BANKS IN ENGLAND AND WALES

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1925	1929	1930	1931	1932
Number of Banks.	14	12	12	12	12
	£ (000,000's omitted)				
Capital paid up.	71.1	74.9	75.8	75.8	75.8
Reserves and Undivided Profits.	64.1	67.4	67.8	57.6	58.3
1. Gross Profits.	13.90	13.98	11.94	10.89	9.88
<i>To be deducted :</i>					
2. Expenses	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.97	0.89	0.66	0.37	0.37
4. Written off on (Depreciation Accounts for)	1.39	1.48	0.73	0.03	0.25
(a) Premises, etc.	1.39	1.48	0.73	0.03	0.25
(b) Investments and securities.	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit	11.54	11.61	10.55	10.49	9.26
6. Carried forward from preceding year	5.75	6.19	6.06	5.84	5.96
7. Taken from Reserves or Capital.	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	17.29	17.80	16.61	16.33	15.22
9. Carried to Reserves.	1.21	1.28	0.86	1.43	0.73
10. Dividends	9.86	10.46	9.91	8.94	8.60
11. Directors' Fees, etc.	—	—	—	—	—
12. Carried forward to following year.	6.22	6.06	5.84	5.96	5.89
13. Total as above	17.29	17.80	16.61	16.33	15.22
14. Value of currency in cents of a U.S. dollar at the end of each year.	486.65	486.65	486.65	337.37	327.87

The London clearing banks issue statements of their average monthly position and of their position on June 30th and December 31st each year, drawn up on a common form. These statements show each of the three items (a), (b) and (c) separately;

the end-of-year figures for nine of these banks, which in 1932 accounted for about 93 per cent of the total "Cash Assets" of the joint-stock banks in England and Wales, are summarised opposite:

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 (b).

II. SCOTTISH JOINT-STOCK BANKS

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1925	1929	1930	1931	1932
Number of Banks.	8	8	8	8	8
	£ (000,000's omitted)				
Capital paid up.	11.4	12.0	13.1	13.5	13.5
Reserves and Undivided Profits.	14.4	17.7	19.1	19.3	19.4
1. Gross Profits	2.44	2.79	2.87	2.74	2.73
<i>To be deducted:</i>					
2. Expenses.	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.25	0.23	0.23	0.15	0.13
4. Written off on Depreciation Accounts for.	0.26	0.26	0.27	0.22	0.22
(a) Premises, etc.	0.26	0.26	0.27	0.22	0.22
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit	1.93	2.30	2.37	2.37	2.38
6. Carried forward from preceding year.	1.94	2.00	2.06	2.09	2.05
7. Taken from Reserves or Capital.	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	3.87	4.30	4.43	4.46	4.43
9. Carried to Reserves	0.54	0.53	0.52	0.57	0.53
10. Dividends	1.38	1.71	1.82	1.84	1.82
11. Director's Fees, etc	—	—	—	—	—
12. Carried forward to following year	1.95	2.06	2.09	2.05	2.08
13. Total as above	3.87	4.30	4.43	4.46	4.43
14. Value of currency in cents of a U.S. dollar at the end of each year.	486.65	486.65	486.65	337.37	327.87

NINE LONDON CLEARING BANKS.

	1925	1929	1930	1931	1932
(a) Coin, bank and currency notes balances with the Bank of England	217.7	233.6	233.5	204.9	219.7
(b) Balances with and cheques in course of collection on other banks in Great Britain and Ireland	65.3	69.5	65.3	60.4	63.0
(c) Money at call and short notice	121.4	147.9	141.6	122.7	130.5
Total	404.4	451.0	440.4	388.0	413.2

UNITED KINGDOM AND IRISH FREE STATE

Table 23 (b).

III. IRISH JOINT-STOCK BANKS

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1925	1929	1930	1931	1932
Number of Banks.	9	9	9	9	9
	£ (000,000's omitted)				
Capital paid up.	7.9	8.6	8.7	8.7	8.6
Reserves and Undivided Profits.	9.5	10.1	10.5	9.3	9.3
1. Gross Profits	1.88	1.72	1.74	1.62	1.43
<i>To be deducted:</i>					
2. Expenses.	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.05	0.02	0.02	0.02	0.02
4. Written off on (Depreciation Accounts for)	0.11	0.09	0.08	0.04	0.03
(a) Premises, etc.	0.11	0.09	0.08	0.04	0.03
(b) Investments and securities.	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit	1.72	1.61	1.64	1.56	1.38
6. Carried forward from preceding year	0.46	0.44	0.49	0.44	0.40
7. Taken from Reserves or Capital.	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	2.18	2.05	2.13	2.00	1.78
9. Carried to Reserves	0.72	0.40	0.43	0.48	0.38
10. Dividends	1.03	1.16	1.26	1.12	0.96
11. Director's Fees, etc.	—	—	—	—	—
12. Carried forward to following year	0.43	0.49	0.44	0.40	0.44
13. Total as above	2.18	2.05	2.13	2.00	1.78
14. Value of currency in cents of a U.S. dollar at the end of each year.	486.65	486.65	486.65	337.37	327.87

3. Bills discounted and bought.

As a rule, the banks under review do not distinguish between Treasury bills and domestic and foreign trade bills in their published accounts. The figures given for "bills discounted and bought" in balance-sheet summaries include bills of all these categories. They do not, however, represent the total bill holdings of all the banks, because some of the minor banks include Treasury bills in their figures for Government securities (group 4(a) of the balance-sheet summary). In addition, a few banks do not show discounts separately

from loans and advances and in such cases they are included in group 7 of the summary table.

The total of bills discounted in Ireland is divided between Irish Free State and Northern Irish banks as follows:

	1925	1929	1930	1931	1932
	£ (000,000's)				
Irish Free State					
banks	7.3	4.6	4.3	5.3	4.9
Northern Irish banks	0.5	0.3	21.7	20.8	24.1
Total.	7.8	4.9	26.0	26.1	29.0

These figures do not include the discounts of two banks operating in the Irish Free State which are not shown separately but included under "Loans and Advances".

4 and 5. Investments and Securities; Participations.

The banks do not give full details of the composition of their investments. A few of the minor banks in England and Wales do not show Government securities separately in their published accounts. In such cases these are included under 4(b) in the summary table. As mentioned above, a minor portion of the sums shown under (a) consists of Treasury bills not shown separately

by some banks. The "other investments" are mainly gilt-edged and do not, as a rule, include stocks, shares and debentures of industrial companies. The sums shown in group 5 of the summary table for England and Wales represent the investments in affiliations of the "Big Five".

They consist mainly of capital participation in Scottish and Irish banks, and to a less extent in foreign and other auxiliary financial institutions. There is practically no direct participation in industry and trade.

The *Economist* does not distinguish between Government and other securities in its summaries of the accounts of the Irish Free State banks. This distinction is, however, made in the case of the Northern Irish banks:

	£ (000,000's)				
	1925	1929	1930	1931	1932
Northern Irish banks:					
Government securities	16.8	18.1	18.5	18.8	18.7
Other securities	2.2	2.4	3.1	2.7	2.8
	19.0	20.5	21.6	21.5	21.5
Irish Free State banks:					
Government and other securities	68.4	65.1	67.6	64.0	76.8
Total	87.4	85.6	89.2	85.5	98.3

6. Due from Banks.

Sight balances with, and the cheques in course of collection on, other banks are reported only by the London clearing banks and are included in their cash assets. Correspondent accounts are, as a rule, merged with loans and advances under assets and with deposits under liabilities in the published statements of the joint-stock banks.

7. Loans and Advances.

As already mentioned, this item includes discounts not shown separately by some of the minor banks, and part of the correspondent accounts.

The loans and advances of the Irish Free State banks and of the Northern Irish banks are given separately below:

	£ (000,000's)				
	1925	1929	1930	1931	1932
Irish Free State banks	61.2	59.8	59.3	58.8	56.1
Northern Irish banks	33.0	32.3	9.8	10.1	7.7
Total	94.2	92.1	69.1	68.9	63.8

9 and 10. Premises and Sundry Assets.

Premises are not shown separately in the statistics of the *Economist*, but they constitute practically the whole of the joint sums shown in the balance-sheet summaries. It is generally recognised that the market value of the premises of the banks exceeds their book value and that important reserves are therefore concealed in this item of the aggregate balance-sheet.

12. Capital.

Uncalled capital is left out of account in the balance-sheet summaries. The potential resources represented by uncalled capital largely exceed the capital actually paid up.

13. Reserve Funds.

In addition to the ordinary reserve fund shown in the summary table, other reserves are maintained to meet emergencies. These other reserves are

included under deposits in the published statements. Moreover, additional resources are concealed by the fact that the premises and the investments of the banks are booked below their actual market value.

15. Notes in Circulation.

Joint-stock banks do not possess the right of note issue in England and Wales. The small note

circulation shown in the summary table for England and Wales refers exclusively to the Isle of Man, which is not governed by the English currency legislation. The legislation governing the note-issue in Scotland and Ireland was set out in detail in the last edition of this memorandum.

Circulation figures of the Irish Free State and the Northern Irish banks are given below:

	£ (000,000's)				
	1925	1929	1930	1931	1932
Irish Free State banks	10.7	6.5	5.8	5.5	5.6
Northern Irish banks	4.4	3.7	3.6	3.2	3.2
Total	15.1	10.2	9.4	8.7	8.8

Most banks issue notes both in the Free State and in Northern Ireland.

17. Due to Banks.

The correspondent accounts as a rule are not shown separately but are merged in the deposits in the published statements of the banks.

18. Deposits.

The deposit figures of the joint-stock banks include current accounts and deposit accounts proper. The balances on current account, which are immediately drawable by cheque, are generally distinguished by the name "demand deposits", though in practice the banks also allow the

withdrawal of most other deposits on demand. It is not customary, however, to allow interest on the balances on current account, and if the balance maintained is not sufficient to compensate for the work involved, a commission is charged.

The banking statistics as regularly published in English sources do not show current accounts separately from deposit accounts. The report of the Macmillan Committee gave these details for the deposits of the London clearing banks for the period January 1919-March 1931, and a continuation of these series is published currently in the League of Nations *Monthly Bulletin of Statistics*. The division of total deposits into current accounts and deposit accounts for the years covered by the summary table is shown below:

	£ (000,000's) Monthly averages, December				
	1925	1929	1930	1931	1932
Current accounts	961.7	957.7	991.8	865.1	991.6
Deposit accounts	676.6	815.1	846.6	845.8	962.8
Total	1,638.3	1,772.8	1,838.4	1,710.9	1,954.4

It will be seen that the London clearing banks account for about 95 per cent of the deposits included in Summary Table 23 (a) I.

Deposit figures of the Irish Free State and the Northern Irish banks are given below:

	£ (000,000's)				
	1925	1929	1930	1931	1932
Irish Free State banks	133.0	126.9	128.0	128.9	142.4
Northern Irish banks	50.1	49.5	49.1	49.1	53.9
Total	183.1	176.4	177.1	178.0	196.3

19. Acceptances and Endorsements.

The greater part of the sums given represents bills accepted by the banks on behalf of their customers. These are almost entirely foreign

bills accepted on behalf of home importers. The figures shown in the Irish summary table refer almost exclusively to the Northern Irish banks, the acceptance business of the Free State banks being insignificant.

Summary of Profit-and-Loss Accounts.

Some of the minor English joint-stock banks are omitted from the profit-and-loss statistics of the *Economist*, on which the summary table is based. The banks included are, however, fully representative, the aggregate of their capital and reserves constituting over 99 per cent of the total capital and reserves of all the banks included in the balance-sheet summary table in 1932. The profit-and-loss statistics for the Scottish and Irish banks are complete.

1 and 2. *Gross Profits and Expenses.*

As most of the banks in the United Kingdom and the Irish Free State adhere to the practice of deducting working expenses and income tax before disclosing their profit, these items have been excluded throughout. In recent years, the banks have disclosed their profits "after making appropriations to contingency accounts out of which provision has been made for bad and doubtful debts". It is impossible to tell from this vague phrase to what extent depreciation of assets has been covered out of earnings, and to what extent out of undisclosed reserves. The amount shown as profits is entirely at the discretion of the directors.

It is evident, then, that the sums shown under x

in the summary table do not represent gross profits in a true sense and are not comparable with the corresponding figures given in the profit and loss summaries for other countries.

3. *Reserved for Pension Funds.*

This item of the summary table is headed "Staff" in the statistics of the *Economist* and includes all allocations for the benefit of the banking staff, which are shown separately by the banks.

4. *Depreciation.*

As mentioned in the note to group 1 above, the banks do not show depreciation of investments in their published accounts.

6 and 12. *Sums carried forward.*

The amounts shown in the summary for Scottish banks include the "Rest" (i.e., the Reserve Funds) of the Royal Bank of Scotland.

10. *Dividends.*

The dividend figures given include a certain proportion of income tax not deducted from the sums distributed to shareholders by a number of banks.

YUGOSLAVIA.

Introductory Note.

Until the formation of the Kingdom of Yugoslavia each of its main constituent parts had banking systems of their own which have since remained as more or less distinct groups within the present credit organisation. These groups were described in some detail in the first edition of this *Memorandum*. There it was pointed out that, although the total number of joint-stock banks in the country still remained very large in 1929 (some 650 institutions), a considerable concentration of banking resources had taken place, as illustrated by the fact that the twenty most important commercial banks held 56 per cent of total deposits and 53 per cent of total outstanding credits of all recorded joint-stock credit institutions (excluding the National Bank). On the other hand, many of these larger banks are in reality dependencies of foreign banking institutions, which in 1929 controlled over half the total share capital of the twenty institutions referred to.

No clear line of demarcation can be drawn between commercial and savings banks and there is no special private banking legislation; all banks established in the form of joint-stock companies are governed by the General Law on Joint-Stock Companies. Thus the banks may undertake any form of operation allowed by that law, including the issue of mortgage bonds. They must not,

however, issue bank-notes, this being the sole privilege of the National Bank. As a rule, the larger banks maintain very close relations with industrial and other business enterprises by means of direct participations and long-term credits.

The most important public credit institutions are the State Mortgage Bank, the Post Office Savings Bank, the district or provincial (Banovin) savings banks and the municipal savings banks. The relative importance of the banking operations of the public credit institutions will be seen from the detailed statement of deposits given below in the note to group (17) of the summary table.

There are, in addition, two recently established semi-public joint-stock credit institutions, the Privileged Bank for Handicrafts and the Privileged Agricultural Bank, in which the Government and some other public bodies hold important capital participations.

The attached summary table is based on the annual compilation of joint-stock bank accounts published in the *Bulletin* of the Economic Research Department of the National Bank of Yugoslavia. As this compilation covers only the principal accounts of the balance-sheets, total assets and total liabilities as shown in the summary table do not balance.

Profit and loss statistics are not available.

Balance-sheet Summary.

7. Loans and Advances.

The sums given under (b) in this group of the summary table are composed of loans against securities and mortgage loans, as shown below:

	Dinara (000,000's)			
	1925	1929	1930	1931
Loans against securities	337	347	497	210
Mortgage loans	119	291	712	1,039
Total	456	638	1,209	1,249

The amounts of mortgage bonds issued by the banks are shown separately in the note to group (18) below. It will be observed that only a minor part of the sums extended in the form of mortgage loans is raised by means of such issues.

8. Cover for Acceptances.

This item is not given in the statistics published by the National Bank which, as mentioned in the introductory note, do not include all items in the balance-sheet. Sums equal to the acceptances as

YUGOSLAVIA.

COMMERCIAL BANKS

Table 24 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:			
	1925	1929	1930	1931
Number of Banks . . . . .	.	.	.	.
ASSETS.				
Dinara (ooo,ooo's omitted)				
1. Cash	645	734	772	629
(a) Gold, silver and small coins	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—
3. Bills discounted and bought.	3,204	5,250	5,600	5,328
(a) Treasury bills	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—
4. Investments and Securities	718	1,018	1,293	1,196
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations	—	—	—	—
6. Due from Banks (Correspondents).	—	—	—	—
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
7. Loans and Advances	8,087	8,231	9,626	8,357
(a) On current account	7,631	7,593	8,417	7,108
(b) Other	456	638	1,209	1,249
8. Cover for Acceptances	79	57	73	74
9. Premises, etc.	553	794	805	823
10. Sundry Assets	—	—	—	—
11. Total Assets	13,286	16,084	18,169	16,407
LIABILITIES.				
12. Capital paid up	2,012	2,193	2,960	2,968
13. Reserve Funds	543	759	819	767
14. Profit-and-Loss Account, Undivided Profits, etc.	—	—	—	—
15. Cheques and Drafts in circulation	—	—	—	—
16. Due to Banks (Correspondents)	—	—	—	—
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
17. Deposits	10,898	13,186	14,172	11,734
(a) Current accounts and sight deposits	—	—	—	—
(b) Savings accounts	—	—	—	—
(c) Time or fixed deposits	—	—	—	—
(d) Other deposits	—	—	—	—
18. Rediscounts and other Borrowings	614	701	779	1,374
19. Acceptances and Endorsements	79	57	73	74
20. Sundry Liabilities	—	—	—	—
21. Total Liabilities	14,146	16,896	18,803	16,917
22. Value of currency in cents of a U.S. dollar at [the end of each year	1.77	1.77	1.77	1.78

shown under liabilities have been added, however, under the present heading of the summary table in order that it should better conform with the statements given for other countries included in this memorandum.

9. Premises, etc.

This item includes both property used in the business of the banks and other fixed property held by them.

17. Deposits.

The statistics published by the National Bank distinguish between current accounts and savings deposits (which, however, also include certain current accounts), as shown below :

	Dinara (000,000's)			
	1925	1929	1930	1931
Current accounts	5,065	3,842	3,866	2,930
Savings deposits (on pass books and on current account)	5,833	9,344	10,306	8,804
Total	10,898	13,186	14,172	11,734

In the monthly statistics for the twenty most important banks published in the *Quarterly Bulletin* of the National Bank savings deposits are specified as below :

Twenty leading banks	Dinara (000,000's)			
	Decemb. 1929	Decemb. 1930	Decemb. 1931	Decemb. 1932
Ordinary current accounts.	2,368	2,197	1,827	1,663
Savings deposits in current account	1,599	1,693	1,125	1,060
Total current accounts	3,967	3,890	2,952	2,723
Savings deposits on pass books	3,456	3,810	3,380	2,528
Total deposits	7,423	7,700	6,332	5,251
Thereof savings deposits	(5,055)	(5,503)	(4,505)	(3,588)

Savings deposits on pass book presumably represent time deposits, while current accounts (including those headed savings deposits) consist chiefly of demand deposits.

The importance of the deposits held in the public credit institutions not included in the summary table will be seen from the following statement :

	Dinara (000,000's)			
	1929	1930	1931	1932
Post office	1,021	1,189	1,134	1,388
State Mortgage Bank savings deposits	455	529	616	751
Municipal savings banks (Slavonia)	1,025	1,182	1,260	—
Total public banks	2,501	2,900	3,010	—
Total commercial banks	13,186	14,172	11,734	—
Grand Total	15,687	17,072	14,744	—

18. Rediscounts and Other Borrowings.

The sums shown in this group of the summary table are made up as follows :

	Dinara (000,000's)			
	1925	1929	1930	1931
Rediscounts	574	671	738	1,336
Mortgage debts	40	30	41	38
Total	614	701	779	1,376

It is not stated what proportion of the rediscounts was effected at the Central Bank or with other banks. The mortgage debts incurred by the joint-stock banks are unimportant relatively to the bond issues of the State Mortgage Bank.

CANADA.

Introductory Note.

The most distinctive feature of the Canadian banking system is the relatively small number of individual banks and the large number of bank branches. At the end of 1932, there were ten chartered banks; they had 3,158 branches and 614 sub-agencies for receiving deposits in Canada. The number of persons per banking office is lower in Canada than in any country in the world except Australia.¹

The Canadian banks carry on all forms of deposit and discount banking. They enjoy, moreover, the right of note issue² and bank-notes constitute the chief circulating medium used in the Dominion. There is no central bank,³ but the commercial banks are authorised, under the Finance Act, to secure Dominion notes against deposits of securities, commercial paper, etc., pledged with the Department of Finance. The rate of discount is determined by the Treasury Board, a Committee of the Cabinet, and it is not frequently changed.

Another peculiarity of the system is the existence and operation of the Canadian Bankers' Association. This body, though an unofficial organisation, carries out certain functions under the authority of the Dominion Treasury Board. Thus, it supervises clearing-house transactions, oversees the printing and issue of notes by its members, etc.

The economic depression of 1930-1932 is clearly reflected in the accounts of the chartered banks of Canada, but, unlike the experience in the United States and certain other countries, there were no bank failures during this period. Only one bank

insolvency, indeed, has occurred in Canada since 1914: that of the Home Bank in 1923. This may be attributed to the wide diversification of risk achieved through the branch banking system. Practically all the banks, however, found it unprofitable to operate certain of their branches during the depression, and 311 were closed between the end of 1929 and the end of 1932. Of this number, 176 were situated in the three prairie provinces. Branches situated in these provinces were largely concerned with the financing of cereal crops — in particular, wheat. The drastic fall in cereal prices in recent years immobilised a large volume of bank resources, and the provincial governments guaranteed to the banks part of their advances against wheat crops. The sums involved in this guarantee are not known, but they are thought to be substantial.

The concentration of banking resources, for many years a striking feature of the Canadian banking system, has continued during the depression. In May 1931, the Imperial Bank absorbed the small Weyburn Security Bank, thus reducing the number of chartered banks to ten.

In the course of the depression, the Bank of Montreal has replaced the Royal Bank as the largest institution; together, these two banks controlled over 50 per cent of the aggregate resources of all the chartered banks at the end of 1932.

The development of the principal items on the banks' balance-sheets since the end of 1929 is illustrated in the following statement:

	\$ (000,000's)				
	END OF :				
	1929	1930	1931	1932	September 1933
Loans ⁴	2,282.5	1,839.7	1,659.6	1,450.2	1,413.4
Investments	448.4	604.1	694.0	778.2	881.0
Acceptances	112.6	78.4	55.5	42.6	48.0
Notes in circulation	175.5	148.0	141.0	127.1	141.1
Deposits	2,696.9	2,487.3	2,367.6	2,244.5	2,250.3

From the end of 1929 to the end of 1932, the deposits in Canadian banks fell by \$450 million, or 17 per cent, note circulation by almost \$50 million, or 28 per cent, loans by \$830 million, or 36 per cent; while investments increased by

\$330 million, or 75 per cent. Acceptances (letters of credit outstanding) declined by \$70 million, or 63 per cent.

The fact that deposits fell less than loans suggests that the restriction of credit was not caused by

¹ See *Memorandum on Commercial Banks, 1913-1929*, page 11.

² Notes may be issued against the general credit of the banks to the amount of their unimpaired paid-up capital and reserve funds; an additional 15 per cent may be issued during the crop-moving season. Supplementary issues may be made against deposits of gold or dominion notes in "Central Gold Reserves". A deposit equal to 5 per cent of average circulation must be kept in a "Circulation Redemption Fund".

³ See, however, pages 230-231 below.

⁴ Excluding non-current loans (overdue debts).

any internal drain of currency (*i.e.*, runs on banks). This is also indicated by the steady decline in the volume of bank-notes in circulation.

The fall in deposits does not adequately reflect the decline in the volume of business transactions. In addition to a fall in their absolute amount, there was an even greater decline in the rapidity of turnover of bank deposits. This is brought out in the following statement, which shows the movements of bank clearings and bank debits to individual accounts by years since 1929 :

Year	§ (000,000's)	
	Bank clearings	Bank debits
1929	25,105	46,670
1930	20,092	37,491
1931	16,827	31,586
1932	12,914	25,844

The much higher figures for bank debits than for bank clearings are another reflection of the branch banking system. In 1932, exactly half the cheques drawn on accounts of Canadian banks were paid into branches of the same bank on which they were drawn. The total volume of business transactions financed by cheque (bank debits) was over \$20,000 million lower in 1932 than in 1929. Bank clearings fell by almost 50 per cent and bank debits to individual accounts by 45 per cent. The monthly average of bank deposits was 16 per cent lower in the latter than in the former year. The average rate of turnover of bank deposits must therefore have fallen by some 30 per cent between 1929 and 1932.

The aggregate figures shown above for the decline in loans and investments conceal, of course, marked variations in the behaviour of particular items. A more detailed analysis is made in the following statement.

	Loans and investments § (000,000's)		Change between end of 1929 and end of 1932		Percentage ratio to deposits and note circulation	
	End of 1929	End of 1932	§ (000,000's)	%	End of 1929	End of 1932
1. Total loans	2,290	1,463	-827	-36	79.7	61.7
(a) Call and short loans in Canada	262	103	-159	-61	9.1	4.3
(b) Other current loans in Canada	1,403	964	-439	-31	48.8	40.6
(c) Call and short loans elsewhere than in Canada.	245	91	-154	-63	8.5	3.8
(d) Other current loans elsewhere than in Canada.	251	152	-99	-40	8.7	6.4
(e) Loans to provincial Governments	25	28	+3	+12	0.9	1.2
(f) Loans to municipalities, etc.	97	112	+15	+15	3.3	4.7
(g) Non-current loans	7	13	+6	+86	0.3	0.5
2. Total investments	448	778	+330	+74	15.6	32.8
(a) Dominion and provincial Government securities . .	297	562	+265	+89	10.3	23.7
(b) Municipal securities	94	167	+73	+78	3.3	7.0
(c) Other securities	57	49	-8	-14	2.0	2.1
3. Total loans and investments	2,738	2,241	-498	-18	95.3	94.5

As already observed, a sharp decline in loans, amounting to 36 per cent of the amount outstanding at the end of 1929, was partly offset by a very marked increase in total investments. The ratio of aggregate loans to the total of deposits and note circulation amounted to almost 80 per cent at the end of 1929 and only slightly more than 60 per cent at the end of 1932. The sharpest percentage decline occurred in the case of call and short loans in Canada and elsewhere, which together fell by some \$300 million, or over 60 per cent, and represented only 8 per cent of deposits,

etc., at the end of 1932, as compared with 17½ per cent in 1929. These loans are chiefly used to finance security speculation; call and short loans elsewhere than in Canada represent chiefly loans to the New York Stock Exchange. The sharp decline in these items is a reflection of the fall in security quotations and Stock Exchange activity.

The most important absolute decline in bank credit outstanding between the end of 1929 and the end of 1932 was in current loans in Canada, which fell by \$440 million, or more than 30 per cent, between the dates mentioned. These loans

represent the bulk of genuine commercial credit extended by the Canadian banks and their decline is indicative of the reduced volume of business and the lower level of prices prevailing.

Non-commercial loans — *i.e.*, loans to provincial Governments and municipalities — rose somewhat and accounted for almost 6 per cent of total deposits at the end of 1932, as compared with slightly over 4 per cent at the end of 1929. Public and semi-public bodies (such as school boards) encountered serious difficulties in balancing their budgets during these years and frequently had recourse to the banks for assistance.

Although the Canadian banks did not make any direct advances to the Dominion Government during the depression, they purchased Government bonds in large quantities. Investments in Dominion and provincial Government securities increased by \$265 million, or almost 90 per cent in this period. The rise in the banks' holdings of municipal securities was almost as marked, while railway bonds and other securities were lower in 1932 than in 1929.

In the preceding statement, the various credit items of the Canadian banks have been compared with the total of deposits and notes. Different types of deposits experienced quite different movements, however, as is brought out in the following statement :

	End of 1929	End of 1932	DECLINE	
			Amount	%
	\$ (000,000's)			
Demand deposits in Canada	729	466	263	36.1
Time deposits in Canada	1,434	1,378	56	3.9
Dominion Govern- ment deposits . . .	60	53	7	11.7
Provincial Govern- ment deposits . . .	32	19	13	40.6
Deposits elsewhere than in Canada . .	442	329	113	39.1
Total	2,697	2,245	452	16.8

The bulk of the decline in deposits in Canada took place in current accounts, which largely arise from loans granted by the banks. These accounts fell by \$260 million, or 36 per cent. The fall in savings and time deposits, which represent largely funds awaiting investment, was much more moderate — \$55 million, or less than 4 per cent. This moderate decline is even more striking when account is taken of the fact that the Canadian public purchased substantial amounts of Government bonds during this period with funds formerly held on deposit with banks. The relative

maintenance of these deposit accounts partly explains how the Canadian banks were able to increase their holdings of public securities to the extent indicated above. Deposits elsewhere than in Canada, which represent deposits of branches operating abroad, declined even more, proportionately, than demand deposits in Canada. No distinction is made in the official statistics between current and time accounts in the case of this item.

During the course of the depression, substantial amounts of short-term capital were withdrawn from Canadian banks and converted into foreign currencies, particularly into American dollars. In part, these balances with Canadian banks were owned by foreigners and in part by Canadians. It is not possible to state accurately the amounts involved, but some indication of the scope and direction of the movement is afforded by the following statement, which shows the net balance of sums due to (—) and from (+) foreign banks at the end of each year since 1929 :

End of year	\$ (000,000's)		
	Banks in United Kingdom	Banks elsewhere	Total foreign banks
1929	—21.5	+15.1	— 6.4
1930	+ 3.2	+21.5	+24.7
1931	+ 0.2	+62.4	+62.6
1932	+ 0.4	+63.5	+63.9

The last column shows that, between the end of 1929 and the end of 1932, the net balance of foreign correspondent accounts changed from a passive balance of over \$6 million to an active balance of \$64 million, representing a net outflow of \$70 million. A movement towards the United Kingdom took place during 1930, but it was not so large as the movement of funds towards banks elsewhere (chiefly in the United States of America) which occurred during 1931. This latter outflow of capital was largely responsible for the depreciation of the Canadian exchange in relation to the American dollar, which touched its highest point (24 per cent) in December 1931. There was practically no net movement during 1932. During the first two months of 1933, there was a net inflow of funds from the United States to Canadian banks ; the balance due from banks elsewhere than in the United Kingdom fell to \$43 million. This movement represented chiefly American deposits seeking safety in Canadian banks. When the financial crisis in the United States was overcome, the movement was again reversed.

Advances of Dominion notes to the chartered banks under the Finance Act reached their maximum (over \$110 million) in November 1929.

With the slump in business and speculation, they declined steadily thereafter, reaching the low figure of \$6½ million at the end of August 1931. During the period of financial crisis, from September to the end of 1931, they rose to \$46½ million. The tendency during the first ten months of 1932 was again downward; but, in November of that year, the Government arranged with the banks for them to buy its two-year notes bearing interest at 3½ per cent to the amount of \$35 million, and use these notes as security for advances (at 2½ per cent) of an equivalent amount under the Finance Act. The purpose of this transaction was officially stated to be to increase the banks' cash reserves and swell their loaning capacity.

Although this operation succeeded in its first object of increasing the banks' cash reserves, it did not result in any appreciable increase in the total volume of credit outstanding. The banks used the initial increase in their cash resources

largely to retire earlier indebtedness under the Finance Act. They continued to purchase Government securities, which reached the record figure of \$660 million at the end of September 1933, being \$100 million higher than at the end of 1932. Current loans and discounts in Canada, on the other hand, fell by \$60 million. Sight deposits in Canada increased by \$25 million during the first nine months of 1933, while time deposits fell by \$5 million. In May 1933 the rate of interest paid by the chartered banks on savings accounts was reduced to 2½ per cent from 3 per cent, at which it had stood for some thirty years.

The chartered banks of Canada are the chief recipients of savings deposits in the Dominion. There are, however, other public and private savings institutions. The evolution of deposits in these banks is compared with that in the chartered banks in the following table:

End of	\$ (000,000's)							
	CHARTERED BANKS			SAVINGS BANKS				GRAND TOTAL
	Current accounts	Savings and time deposits	Total	Dominion Government ¹	Provincial Governments ²	Private	Total	
1929	729.3	1,434.4	2,163.7	28.4	58.3	70.8	157.5	2,321.2
1930	641.7	1,425.8	2,067.5	26.1	49.3	68.8	144.2	2,211.7
1931	566.6	1,360.0	1,926.6	24.8	51.2	69.9	135.9	2,072.5
1932	466.2	1,377.5	1,843.7	23.9	32.3	66.7	122.9	1,970.6

¹ End of March.

² End of October.

Savings deposits in Canada were not transferred from private to public institutions in the course of the economic depression, as they were in many other countries. Savings deposits in the chartered banks fell by about \$55 million, or 4 per cent, from the end of 1929 to the end of 1932, while deposits in savings institutions declined by \$35 million, or almost 25 per cent. The fall appears to have been particularly marked in the case of the provincial savings banks in 1932. In February of that year, however, the offices of the Provincial Savings Bank of Manitoba were discontinued and the depositors' accounts taken over by the chartered banks.

No official profit and loss statistics are published for the chartered banks of Canada. Net profits, as published in their annual reports, fell from \$28 million in 1929 to \$21 million in 1932, but it is not known whether full allowance is made for the depreciation of assets before the figure for net profits is struck. The dividend rate of all banks except the Banque Canadienne Nationale was reduced during the course of the depression.

No changes have been made in Canadian banking legislation since the publication of the first issue of this memorandum, where a summary is given

of the legal regulations at present in force. The Bank Act is, however, now due for regular decennial revision. On July 31st, 1933, a Royal Commission was appointed, under the chairmanship of Lord Macmillan, to enquire into the Canadian banking and monetary system.

The Commission's terms of reference declare it desirable that the approaching periodic revision of the Bank Act, which will precede the enactment of a measure to continue the charters of the established banks, which expire on July 1st, 1934, shall be based on a complete and detailed examination of the provisions of the Act and of the functions and operations thereunder of the banking system. It is also desirable that such examination should include a study of the facilities now afforded by the Finance Act and a careful consideration of the advisability of establishing in Canada a central banking institution, and, if so established, of the relation of such central bank to existing banks and its proper authority and function in the operation of the banking system of the country.

The report of the Commission was published in November 1933. The chief recommendations of the report are (1) that a central bank be forthwith established in Canada and (2) that an enquiry be

instituted by the Dominion Government to investigate the existing organisations for the provision of rural credit with a view to the preparation of a scheme for the consideration of Parliament. It is proposed that the capital of the central bank should be \$5 million, offered for public subscription; the State is to name the first Governor, Deputy Governors and directors. It is recommended that the bank should have the sole right of note issue, and that the commercial banks' issue should be redeemed over a period of years. A minimum deposit of, say, 5 per cent of its deposit liabilities in Canada should be maintained by each commercial bank with the central bank. The latter should act as banker for the Dominion Government and also, possibly, the Provincial Governments; it should also take over the issue and management of the public debt. It is recommended that the central bank maintain a proportion of 25 per cent in gold and foreign

exchange against its outstanding note issue and sight liabilities.

The report contains but few recommendations of changes in commercial banking practice. One of these is that the statutory limitation (7 per cent) on the rate of interest charged by the commercial banks on loans and discounts should be repealed. The Commission strongly urges upon the Canadian banks the advisability of refraining from dealing in, or distributing for their own account, any but the highest-class securities available in the country, and more particularly those issued by Governments, municipalities and other public and semi-public bodies. As regards trading in stocks, the view is expressed that the banks should not act otherwise than as agents for their customers to place such orders as they may receive through the regularly constituted channels.

Up to the time of writing, no legislation has been introduced to give effect to the Commission's recommendations.

Balance-sheet Summary.

I. Cash.

The sums shown under cash in the summary table include the amounts held on deposit with the Minister of Finance for the security of the note circulation, *i.e.* the Circulation Redemption Fund (5% of average circulation) and also the Central Gold Reserves, *i.e.* the deposits in gold and dominion notes which the banks make with the Canadian Bankers' Association, acting as an agent of the Government, against the issue of equal amounts of bank-notes in excess of their paid-up capital. The part of the cash shown in the summary table which is earmarked for the specific security of bank-notes is shown opposite.

The amounts shown under (a) in the summary table include the gold held in the Central Gold Reserves and the current gold and subsidiary coin held by the banks at home and abroad. The

	\$ (000,000's)		
	Circul. Redemp. Fund	Central Gold Reserves	Total
1925.	5.8	71.1	76.9
1929.	6.4	56.6	63.0
1930.	6.8	32.6	39.4
1931.	6.8	25.7	32.5
1932.	6.6	19.9	26.5

amounts shown under (b) consist of Dominion notes either in the hands of the chartered banks or deposited by them in the Central Gold Reserves, or in the Circulation Redemption Fund, and of foreign (chiefly United States) notes. The composition of "cash" was therefore as follows in the years under review:

	\$ (000,000's)				
	Current gold and subsidiary coin in hands of banks			Gold deposits in Central Gold Reserves	Total Metallic Reserve 1 (a)
	At home	Abroad	Total		
1925.	49.9	18.8	68.7	18.9	87.6
1929.	46.9	26.4	73.3	14.6	87.9
1930.	47.4	36.6	84.0	13.7	97.7
1931.	46.0	19.8	65.8	10.7	76.5
1932.	38.0	15.2	53.2	11.1	54.3

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1925	1929	1930	1931	1932
Number of : Banks	II	II	II	IO	IO
Branches and Sub-Branches	3,840	4,069	4,083	3,970	3,772
ASSETS.					
	Dollars (ooo,ooo's omitted)				
1. Cash	333.9	290.4	272.5	242.0	250.9
(a) Gold, silver and small coins	87.6	87.9	97.7	76.5	64.3
(b) Inland notes and balances with Central Bank	246.3	202.5	174.8	165.5	186.6
2. Other Items of a Cash Nature	146.1	172.2	142.2	114.0	92.6
3. Bills discounted and bought	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	549.6	448.4	604.1	694.0	778.2
(a) Government	489.7	391.0	536.7	632.0	729.3
(b) Other	59.9	57.4	67.4	62.0	48.9
5. Participations	5.1	9.8	12.0	14.3	13.2
6. Due from Banks (Correspondents)	79.4	107.9	94.4	113.8	117.0
(a) At home	5.6	6.3	4.6	4.1	4.3
(b) Abroad	73.8	101.6	89.8	109.7	112.7
7. Loans and Advances	1,613.1	2,282.5	1,839.7	1,659.6	1,450.2
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	69.9	112.6	78.4	55.5	42.6
9. Premises, etc.	72.6	75.2	78.6	79.8	78.7
10. Sundry Assets	26.4	22.1	21.0	24.7	28.7
11. Total Assets	2,896.1	3,521.1	3,143.8	2,997.7	2,852.1
LIABILITIES.					
12. Capital paid up	116.2	142.9	145.0	144.5	144.5
13. Reserve Funds	125.4	158.1	162.2	162.0	162.0
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	13.3	17.7	15.4	15.9	10.1
15. Notes in circulation	173.9	175.5	148.0	141.0	127.1
16. Cheques and Drafts, etc., in circulation	14.5	8.2	5.3	3.2	0.6
17. Due to Banks (Correspondents)	51.4	122.9	77.9	58.5	61.1
(a) At home	11.8	14.9	12.8	11.4	12.3
(b) Abroad	39.6	108.0	65.1	47.1	48.8
18. Deposits	2,314.7	2,696.9	2,487.3	2,367.6	2,244.5
(a) Current accounts and sight deposits	642.0	820.9	689.2	697.5	538.3
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	1,318.9	1,434.4	1,425.8	1,360.0	1,377.5
(d) Other deposits	353.8	441.6	372.3	310.1	328.7
19. Rediscounts and other Borrowings	14.8	81.7	20.5	46.5	57.0
20. Acceptances and Endorsements	69.9	112.6	78.4	55.5	42.6
21. Sundry Liabilities	2.0	4.6	3.8	3.0	2.6
22. Total Liabilities	2,896.1	3,521.1	3,143.8	2,997.7	2,852.1
23. Value of currency in cents of a U.S. dollar at the end of each year	100.0	99.2	99.8	96.3	88.1

	\$ (000,000's)				
	Dominion Notes in hands of banks	Dominion Notes dep. in Central Gold Res.	Bank circulation Redemption Fund	U. S. and other foreign notes	Total holdings of Dominion notes, etc., 1 (b)
1925	156.7	52.2	5.8	31.6	246.3
1929	130.9	41.5	6.4	23.7	202.5
1930	126.9	18.9	6.8	22.2	174.8
1931	128.9	15.1	6.8	14.7	165.5
1932	153.2	8.8	6.6	17.9	186.5

2. Other Items of a Cash Nature.

This item consists of notes of, and cheques on, other Canadian banks which have not yet been presented for clearing. It does not, of course, include the banks' holdings of cheques on their own branches. The detailed composition of the item in each of the years under review is given below :

	\$ (000,000's)		
	Notes of other banks	Cheques on other banks	Total
1925	16.2	129.9	146.1
1929	20.0	152.2	172.2
1930	15.0	127.2	142.2
1931	11.9	102.1	114.0
1932	12.2	80.4	92.6

3. Bills discounted and bought.

The Canadian official statistics do not show discounts separately from loans. They are therefore included under advances in group (7) of the summary table.

4. Investments and Securities.

The sums shown for Government securities (item (a) of present group) consist of (1) Dominion Government and provincial securities and (2) Canadian municipal securities and British, foreign and Colonial public securities other than Canadian to the following amounts.

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

	\$ (000,000's)		
	Dom. and Prov. Gov. Securities	Mun. and other Public Securities	Total
1925	351.6	138.1	489.7
1929	297.0	94.0	391.0
1930	408.6	128.1	536.7
1931	477.9	154.1	632.0
1932	562.4	166.9	729.3

5. Participations.

The figures given in the summary table represent the chartered banks' shares in, and long-term loans to, controlled companies. The latter are frequently loan or trust companies.

6. Due from Banks (Correspondents).

The division of foreign correspondents between amounts due from banks in the United Kingdom and sums due from banks elsewhere in the years under review was as follows :

	\$ (000,000's)		
	U. K.	Elsewh.	Total
1925	10.2	63.6	73.8
1929	5.2	96.4	101.6
1930	9.0	80.8	89.8
1931	5.0	104.7	109.7
1932	7.8	104.9	112.7

7. Loans and Advances.

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

	\$ (000,000's)				
	1925	1929	1930	1931	1932
(1) Call and short (up to 30 days) loans:					
In Canada	135.7	262.3	204.8	134.7	103.2
Elsewhere	258.6	245.1	145.9	83.1	91.5
Total (1)	394.3	507.4	350.7	217.8	194.7
(2) Other current loans and discounts:					
In Canada	903.3	1,402.8	1,149.2	1,082.1	964.0
Elsewhere	238.5	250.6	213.9	188.4	151.7
Total (2)	1,141.8	1,653.4	1,363.1	1,270.5	1,115.7
Total (1+2)	1,536.1	2,160.8	1,713.8	1,488.3	1,310.4
(3) Loans to Public Bodies:					
Provincial Governments	24.3	25.0	29.7	45.6	28.3
Others	52.7	96.7	96.2	125.7	111.5
Total (3)	77.0	121.7	125.9	171.3	139.8
Grand Total (1+2+3)	1,613.1	2,282.5	1,839.7	1,659.6	1,450.2

Some banks include part of their call loans in Canada among "other current loans and discounts" which are shown under (2) in the above statement. Call loans abroad are made chiefly in New York, and being very fluid are regarded by the banks as part of their cash reserves against sight liabilities.

No distinction is made in the official statistics between current loans and discounts; both items are accordingly included in the present group of the summary table and are shown under (2) in the statement above. The amounts there shown for loans and discounts elsewhere than in Canada represent the total credit extended by foreign branches of Canadian banks.

The grand total of loans and advances as shown in the statement above and in group (7) of the summary table does not include overdue debts, classified in the official statistics as "non-current loans"; these are included in sundry assets (see note to group (10) below).

The amount of credit extended by the chartered banks to their own directors or firms in which the directors are partners and loans for which they are

guarantors is shown below:

	\$ (000,000's)
1925.	11.9
1929.	23.3
1930.	22.0
1931.	22.4
1932.	19.1

9. Premises.

The sums shown in this group of the summary table represent premises in actual use in the business of the banks. Other real estate and mortgages on real estate sold are included under sundry assets and shown separately in the following note.

10. Sundry Assets.

This item includes overdue debts, real estate other than bank premises, mortgages on real estate sold and various transitory accounts. The detailed composition of this account, in the years under review was as follows:

	\$ (000,000's)				
	Overdue debts	"Other Real Estate"	Mortgages on Real Estate sold	Other assets	Total
1925.	9.5	8.3	5.0	3.6	26.4
1929.	7.2	5.3	7.3	2.3	22.1
1930.	7.4	5.8	7.1	1.6	21.9
1931.	10.3	6.6	6.2	1.6	24.7
1932.	13.3	7.5	6.4	1.5	28.7

The chartered banks are not authorised to make loans on the direct security of real estate; they may, however, acquire a mortgage on real property as additional security for loans already contracted.

The sums shown under columns (2) and (3) in the above table refer almost entirely to property which passed into the possession of the banks as a result of foreclosure for non-payment of debt.

14. *Profit and Loss, Undivided Profits, etc.*

No official profit-and-loss statistics of the banks are published in Canada. The balance of the profit-and-loss accounts is not included in the returns of the chartered banks and has been calculated by taking the difference between total assets and total liabilities (including capital and reserves), which are shown in the official returns. From the annual reports of individual banks it is seen that this difference represents the year's net profits and balance brought forward from the preceding year. The banks publish figures for dividends declared and unpaid. These are included in the sums shown in this group of the summary table.

15. *Notes in Circulation.*

The amounts shown in the summary table constitute the gross note circulation of the chartered banks — *i.e.*, they include both notes in the hands of the public and the notes of other banks held by the banks themselves. The banks' holdings of each other's notes have been included in assets under "other items of a cash nature" (see note to group (2) above). To determine the net note circulation, these sums must be deducted from the gross circulation as shown in the summary table. The net circulation in the years under review was as follows :

	\$ (000,000's)				
	1925	1929	1930	1931	1932
Gross circulation	173.9	175.5	148.0	141.0	127.1
Less notes in tills of other banks.....	16.2	20.0	15.0	11.9	12.1
Net circulation	157.7	155.5	133.0	129.1	115.0

16. *Cheques and Drafts in Circulation.*

Cheques issued by the banks are not shown separately in the official statistics, but are included in Correspondent accounts (group (17) of summary table). The amounts shown in the present group are designated in the official statistics as "bills payable"; they consist presumably of three-month and other drafts issued by the banks.

	\$ (000,000's)		
	U. K.	Elsewh.	Total
1925.	3.7	35.9	39.6
1929.	26.7	81.3	108.0
1930.	5.8	59.3	65.1
1931.	4.8	42.3	47.1
1932.	7.4	41.4	48.8

17. *Due to Banks (Correspondents).*

The sums due to banks and banking correspondents abroad are divided in the official statistics between banks in the United Kingdom and elsewhere as follows :

18. *Deposits.*

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

	\$ (000,000's)				
	Sight Deposits made by the Public in Canada	Balances due to Governments :			Grand Total
		Dom. Govt.	Prov. Govt.	Total	
1925.	597.4	22.3	22.3	44.6	642.0
1929.	729.3	60.0	31.6	91.6	820.9
1930.	641.7	26.9	20.6	47.5	689.2
1931.	566.6	111.1	19.8	130.9	697.5
1932.	466.2	53.1	19.0	72.1	538.3

Savings deposits are not shown separately from other time deposits in the official statistics, but the great bulk of the sums shown in the summary table under (c) represent savings deposits. Theoretically, they are generally subject to 15 days' notice, but in practice they are payable on demand.

The deposits shown under (a) and (c) in the summary table are all held in Canada.

"Other deposits" (d) represent deposits made in the foreign branches of Canadian banks. The

official statistics do not subdivide these deposits into sight and time deposits.

19. *Rediscounts and Other Borrowings.*

The sums shown in this group of the summary table are given in the official statistics under the heading "Advances under the Finance Act" and represent borrowings by the banks from the Dominion Government under the Finance Act of 1914.

UNITED STATES OF AMERICA.

Introductory Note.

The origin of the commercial banking system of the United States of America and its development up to 1929 have been described in the first edition of this *Memorandum*.¹ The system is composed of four groups of banks—national banks, State banks, trust companies and private banks. National banks are those chartered by the Federal Congress and operating under its jurisdiction; State banks and trust companies operate under the legal jurisdiction of one of the forty-eight individual States; and private banks are not generally subject to specific banking laws. National banks have the right to issue notes against certain Government

bonds up to the amount of their paid-up capital and surplus (reserve funds). The trust companies carry on all the banking functions performed by the State (commercial) banks and, in addition, they exercise fiduciary functions. Most of the business of the private banks² is with recent immigrants, and these institutions have steadily declined in number and importance in recent years.

The following statement sets out the number, capital and reserve funds and aggregate resources of these four classes of institution for 1922, 1925 and 1929-1932.

Table I. — COMMERCIAL BANKS, BY GROUPS : NUMBER, CAPITAL AND RESERVES, AND AGGREGATE RESOURCES, 1922, 1925 AND 1929-1932.

End of June	NATIONAL BANKS			STATE BANKS			TRUST COMPANIES			PRIVATE BANKS			TOTAL		
	No.	Capital and reserves ¹	Aggregate resources	No.	Capital and reserves ¹	Aggregate resources	No.	Capital and reserves ¹	Aggregate resources	No.	Capital and reserves ¹	Aggregate resources	No.	Capital and reserves ¹	Aggregate resources
		\$(000,000's)			\$(000,000's)			\$(000,000's)			\$(000,000's)			\$(000,000's)	
1922. . . .	8,249	2,356	20,706	18,232	1,575	13,064	1,550	1,095	8,534	673	26	186	28,704	5,052	42,490
1925. . . .	8,072	2,548	24,351	16,983	1,707	15,979	1,680	1,367	11,566	523	20	155	27,258	5,642	52,051
1929. . . .	7,536	3,106	27,440	14,437	1,960	16,824	1,608	2,396	16,155	391	19	156	23,972	7,481	60,575
1930. . . .	7,252	3,335	29,117	13,582	1,828	15,270	1,564	2,680	17,703	361	16	115	22,759	7,859	62,205
1931. . . .	6,805	3,182	27,643	12,259	1,622	13,110	1,469	2,588	16,861	284	12	82	20,817	7,404	57,696
1932. . . .	6,150	2,828	22,368	10,455	1,332	9,479	1,235	2,238	13,119	227	11	55	18,067	6,409	45,021

¹ Not including amounts reserved for taxes, contingencies, etc.

Though the total number of commercial banks in the United States declined steadily after 1922, there were still 24,000 banks in existence at the middle of 1929, and more than 18,000 at the middle of 1932. The large number of unit banks is, indeed, a distinctive feature of the American banking system; in 1929, there was one commercial bank to every 5,000 inhabitants of the United States: the ratio of commercial banks to population was higher than for any other country in the world.³

At the middle of 1929, 22 per cent of all banks in the United States had a capital stock of less than

\$25,000 and 84 per cent of all American banks had a capital stock of \$100,000 or less. This 84 per cent of the banks, however, accounted for less than 40 per cent of total banking resources; the 250 largest banks, about 1 per cent by number, accounted for half the total resources of the American banking system.

The counterpart of the system of small independent unit banks is, of course, the absence of any wide pread system of branch banking. The law relating to branch banking has been summarised in the first edition of this *Memorandum*. The most important recent change is contained in

¹ See *Memorandum on Commercial Banks, 1913-1929*, pages 324 to 331.

² The private banks referred to in the text should not be confused with private investment bankers, such as J. P. Morgan and Co.

³ See *Memorandum on Commercial Banks, 1913-1929*, Introduction, page 11.

the Glass Banking Act of 1933,¹ under which national banks are authorised to establish branches throughout the territory of States which permit State-wide branch banking. The legislation governing branch banking differs considerably from State to State. According to a recent study of the Federal Reserve Board,² in May 1932, nine States permitted banks operating under their jurisdiction to establish branches anywhere in their territory, fourteen restricted the establishment of branches to the home city of the parent bank, eighteen definitely prohibited the establishment of branches and seven had no special legislation on the subject. At the middle of 1930, 817 banks (including 165 national banks, 583 State banks, 66 mutual savings banks and 3 private institutions) were operating 3,618 branches, of which two-thirds were located in five States — California, New York, Michigan, Ohio and Pennsylvania. Since 1905, systems known as group and chain banking have been developed, under which a number of banks are brought under unified control. In June 1930, the loans and investments of banks in chain or group systems exceeded \$12,000 million, or about one-fifth of the total loans and investments of all banks in the country.

The decentralised character of American commercial banking is further brought out by the diversity of the laws to which the banks are subject. There are forty-nine separate legal and supervisory authorities in the continental American banking system — Federal Congress and the forty-eight individual States.

Some centralisation in the system is achieved

through the existence of a system of widespread and important correspondent relationships. Banks in small centres retain balances with city institutions and borrow from them. In many States, non-member banks are authorised under State law to count their balances with city correspondents as legal cash reserves. The close network of correspondents has, of course, led to a considerable concentration of liquid funds in the large city banks, more particularly in the New York institutions.

The Federal Reserve system itself is the most important unifying factor in the American banking system. National banks are legally required to be members of the Federal Reserve system. Membership for State banks is optional. On June 30th, 1932, 6,980 of the 18,067 commercial banks in the United States were member banks. These institutions, constituting less than 40 per cent by number, account for over three-quarters of the total resources of all commercial banks in the United States, and over 60 per cent of the resources of all banks, including savings institutions.

The last issue of this memorandum gave figures showing the general movement of commercial banking accounts in the United States up to 1929. Between June 1922 and June 1929 the total volume of commercial bank credit outstanding (total loans and investments) increased by \$15,000 million or by 45 per cent. More important, however, than the increase in volume were the marked changes that occurred in the relative importance of the different types of bank credit. This is illustrated in Table 2 below.

Table 2. — ALL COMMERCIAL BANKS.¹ LOANS AND INVESTMENTS, BY CLASSES, 1922 AND 1929.

Class of Credit	\$(000,000's)			
	June 30th, 1922	June 30th, 1929	Increase	
			Amount	Per cent
Security loans	6,521	11,518	4,997	77
Real-estate loans	1,989	4,540	2,551	128
All other loans	15,194	18,367	3,373	22
Investments	9,215	13,191	3,976	43
Total	32,919	47,816	14,897	45

¹ Including national banks, State banks, trust companies and private banks.

Security loans accounted for the greatest absolute increase in credit outstanding between 1922 and 1929. They were over 75 per cent higher at the end than at the beginning of the period. The greatest percentage increase was for real-estate loans (over 125 per cent); investments just about

kept pace with the expansion of bank credit as a whole, while "all other" loans increased at only half the general rate.

The changes which these divergent movements caused in the character of bank assets is well illustrated by Table 3 below which shows, for

¹ See page 261 below.

² Federal Reserve Bulletin, July 1932.

national banks, the percentage which each of the loans and investments outstanding at the two more important credit items was of the total of dates mentioned.

Table 3. — NATIONAL BANKS : PERCENTAGE DISTRIBUTION OF LOANS AND INVESTMENTS, 1922 AND 1929.

Class of Credit	All national banks		Central reserve cities		Other reserve cities		"Country" districts	
	June 30th, 1922	June 30th, 1929	June 30th, 1922	June 30th, 1929	June 30th, 1922	June 30th, 1929	June 30th, 1922	June 30th, 1929
1. Total loans	71.1	68.9	74.6	77.2	74.7	71.0	67.5	64.6
(a) Loans on securities	18.4	25.5	28.9	44.8	20.9	27.4	12.0	17.2
(b) Real-estate loans	2.3	6.5	0.1	0.5	1.1	8.1	4.1	7.8
(c) All other loans	50.4	36.9	45.6	31.9	52.8	35.5	51.4	39.6
2. Total investments	28.9	31.1	25.4	22.8	25.3	29.0	32.5	35.4
(a) U. S. Government securities	14.5	13.1	15.5	13.2	14.4	16.1	14.0	11.0
(b) Other securities	14.4	18.0	9.9	9.6	10.9	12.9	18.5	24.4
Total loans and investments (1+2)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Thereof :								
3. Eligible assets	37.1 ^a	26.9	39.0 ^a	27.5	39.2 ^a	30.1	35.1 ^a	25.4
(a) Eligible paper	21.1 ^a	13.9	20.4 ^a	12.5	23.3 ^a	14.1	20.1 ^a	14.4
(b) U. S. Government securities ¹	16.0 ^a	13.0	18.6 ^a	15.0	15.9 ^a	16.0	15.0 ^a	11.0
Eligible paper (3(a)) as % of "all other loans" (1(c))	41.9 ^a	37.7	44.8 ^a	39.2	44.1 ^a	39.7	39.1 ^a	36.4

¹ Excluding United States securities pledged as collateral for national bank-note circulation.

^a June 30th, 1923.

This shift in the composition of assets was common to all groups of national banks ; the increase in the importance of security loans¹ was most marked in the case of the central reserve city institutions, while the increase in the importance of direct investments was greatest for the "country" banks. On the whole, the banks' assets were of a more speculative nature, and less liquid in 1929 than in 1922. Not only did "all other" loans, which largely represent self-liquidating commercial transactions, decrease in importance (constituting over 50 per cent of total credit extended in 1922 and less than 37 per cent in 1929), but their average quality deteriorated, as is shown in the last line of the above table ; the proportion of commercial loans eligible for discount at the Federal Reserve banks dropped from 42 per cent in 1922 to 38 per cent in 1929. The increase in the importance of security loans and direct investments in securities other than Government obligations (which together represented 33 per cent of total earning assets of national banks in 1922 and 44 per cent in 1929) represents a fundamental change in the banks' method of financing industry ; instead of providing

industry directly with working capital through the discount of commercial paper, they enabled industry to raise its capital requirements through security issues by providing the credit to take up these issues either through direct purchase or through the granting of loans on the basis of security collateral. In this way, the banks became involved in (indeed, helped to finance) security speculation ; a high and increasing proportion of their assets ceased to represent self-liquidating commercial transactions.

The speculative character of most of these security loans is reflected in the very great increase which took place in their relative importance in the accounts of the central reserve city banks. In New York and Chicago, which were the chief centres of speculation during this period, security loans accounted for less than 30 per cent of total credit extended in 1922 and almost 45 per cent in 1929. Direct investments in securities other than Government obligations increased most rapidly in the case of the "country" banks ; in 1929, they were almost twice as important in the balance-sheets of these institutions as in those of the reserve

¹ Security loans are made to dealers pending distribution to investors ; to brokers and individuals pending resale at a higher price ; for commercial or industrial purposes, the security being taken to protect the bank against loss ; and for consumption or other purposes. The second group (pending resale) was of chief importance in the period under review, particularly in the latter years. According to information supplied the United States Senate Committee on Banking and Currency, some 75 to 80 per cent of the security loans of New York City banks were made for the sole purpose of carrying securities, while the percentage for banks outside New York City appears to have been somewhat lower.

city banks and three times as important as in the balance-sheets of the central reserve city banks. There is, moreover, reason to believe, in view of the decline in earnings from commercial loans, that high-yield securities (largely of second-rate quality) were preferred by the country banks.

More evidence of the declining liquidity of American commercial banks during the period under review is to be found in the increased importance of real-estate loans, which accounted for 2.3 per cent of the total loans and investments of all national banks in 1922 and 6.5 per cent in 1929. The increase is most marked in the case of the "other" reserve city banks and is largely accounted for by the MacFadden Bank Act of 1927, which authorised national banks to make loans on the security of urban real estate up to the extent of their unimpaired paid-up capital and reserve funds, or half their time deposits.

The effect of these changes on the liquidity of the national banks may be briefly indicated. The decreased importance of commercial loans caused a roughly corresponding decline in the proportion of their total earning assets consisting in paper eligible for rediscount at the Federal Reserve; Government securities also declined in relative importance, so that the proportion of total earning assets against which the national banks could borrow at the Federal Reserve banks¹ fell from 37 per cent in 1922 to 27 per cent in 1929. The increased importance of loans on securities and investments other than Government securities made the national banks more dependent on the

stability of security markets.² Finally, their liquidity was further impaired on account of the increased importance of real-estate loans, which are characteristically of long maturity.

State banks and trust companies show much the same development between 1922 and 1929 as the national banks: commercial loans fell from 50 to 40 per cent of total credit outstanding, while security loans rose from 13 to 23 per cent. Real-estate loans also increased in importance and constituted 12 per cent of the State banks' total credit outstanding at the middle of 1929. Both Government securities and other classes of investment dropped somewhat in importance between 1922 and 1929, though even at the latter date securities other than Government bonds constituted over 21 per cent of total loans and investments, or almost as high a figure as that found for the national "country" banks. Government bonds were of very slight importance in the case of the State institutions.

It has been shown above that the total security loans of all commercial banks increased by \$5,000 million³ or over 75 per cent between the middle of 1922 and the middle of 1929. These figures do not include loans to brokers on the security of stocks and bonds. These latter loans are made exclusively for the purpose of carrying securities. Statistics of loans made to brokers by and through reporting member banks in New York City are available in detail since 1926. The growth of these loans up to October 1929 is shown in Table 4.

Table 4. — LOANS TO BROKERS BY REPORTING MEMBER BANKS IN NEW YORK CITY, 1926-1929.

	\$(000,000's)			
	Total	For own account	For out-of-town banks	For others
January 1926	3,126	1,259	1,281	585
July 1926	2,607	960	1,000	646
January 1927	2,778	933	1,104	741
July 1927	3,096	1,032	1,188	877
January 1928	3,802	1,342	1,470	990
July 1928	4,232	929	1,543	1,760
January 1929	5,408	1,173	1,801	2,434
July 1929	5,841	1,198	1,651	2,992
October 2nd, 1929 (maximum)	6,804	1,071	1,826	3,907

¹ Member and non-member banks outside New York City (domestic banks only); includes unknown amount for customers of these banks.

² Assets of a speculative character are not eligible for this purpose.

³ It may be pointed out that a security loan or a direct investment constitutes a liquid (in the sense of readily marketable) asset from the point of view of an individual bank, and even from that of the commercial banking system as a whole, provided the total of such collateral or investments is not great; if however, the total security holdings of the banking system, whether in the form of collateral or in that of direct investment, are large, the attempt to liquidate them within a short space of time may not be feasible without such a depreciation in their value as would involve the banks in substantial loss.

⁴ In fact, this figure probably understates the increase, as the statistics of security loans for 1922 include some credit extended on security other than shares and bonds.

Between January 1926 and the beginning of October 1929, the loans made to brokers by or through New York City banks on the security of stocks and bonds increased by almost \$3,700 million or over 115 per cent. It will be noted that the loans made to brokers by New York City banks for their own account did not increase, while those made for account of out-of-town banks rose by almost \$550 million, or over 40 per cent over the above period. The greater part of the increase in loans to brokers, however, was made for account of "others" — i.e., non-banking lenders; in these transactions, the New York City banks acted as agents rather than as principals.

Another symptom of the close connection between commercial banks and security markets in the period under review is the organisation of *security affiliates* by many commercial banks.¹ The purpose of these security affiliates is the underwriting and distribution of securities on behalf of issuing concerns. In this connection, they act as both wholesalers and retailers, purchasing entire or part offerings and distributing the securities through salesmen to institutions and private investors. In addition, they sometimes act as holding companies, for control or other purposes, carrying securities which the parent bank is not authorised or does not wish to have among its investments; as investment trusts, buying and selling securities for investment or speculative purposes; as assets realisation companies, taking over from the parent bank loans and investments which prove doubtful or illiquid; as real-estate holding companies and as a medium for supporting the bank's own stock. The capital of the affiliate is subscribed either directly by the parent bank or by its shareholders; in some cases,

the parent bank declares a cash dividend on its own stock and, with the consent of its shareholders, uses this fund to constitute the capital stock of the security affiliate so that the shareholders of the bank and the affiliate are identical; frequently, the officers of the two institutions are the same.

The relationship between the bank and its security affiliate is, of course, very close. Until the passing of the Glass Banking Act² of 1933, the only restriction on national banks' loans to affiliates was that arising from the provision that loans to no single interest should exceed 10 per cent of the bank's capital and reserve funds.

Until 1930, security affiliates were not subject to examination on the part of banking superintendents. In that year, the New York legislature passed an Act authorising the Superintendent of Banks to examine and report on the condition of security affiliates. The Glass Banking Act of 1933 required that the security affiliates of national banks should be divorced from parent banks within a period of five years and gave the Comptroller of the Currency immediately supervisory power over such affiliates.

Over the period here considered (1922-1929), the increase in commercial banks' total deposits, \$13,000 million or 45 per cent, is roughly similar to the increase in total loans and investments. The different classes of deposits did not increase at uniform rates; time deposits grew much more rapidly than demand deposits and constituted a considerably higher proportion of the total in 1929 than in 1922. Table 5 below shows that, for the national banks as a whole, demand deposits dropped from 69 per cent of the total in 1922 to 56 per cent in 1929.

Table 5. — NATIONAL BANKS : PERCENTAGE DISTRIBUTION OF DEPOSITS, 1922 AND 1929.

	All banks		Central reserve cities		Other reserve cities		"Country" districts	
	June 30th, 1922	June 30th, 1929	June 30th, 1922	June 30th, 1929	June 30th, 1922	June 30th, 1929	June 30th, 1922	June 30th, 1929
Demand	69.0	55.8	88.6	81.7	78.2	58.2	56.0	46.1
Time	31.0	44.2	11.4	18.3	21.8	41.8	44.0	53.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

All types of banks shared in this shift from demand to time deposits, but it was most marked in the case of the reserve city banks. The growth in the relative importance of time deposits is

approximately matched by an increase in the relative importance of investments and real-estate loans in total credit outstanding. Thus, for the national banks as a whole, time deposits rose from

¹ The first American bank to organise a security affiliate appears to have been the First National Bank of New York, which organised the First National Company in 1908; the National City Bank followed with the National City Company in 1911 and, since then, most large banks in New York and Chicago and many in smaller places have organised security affiliates.

² See page 261 below.

³ Many States have similar provisions in their banking laws.

31 to 44 per cent of the total between 1922 and 1929, while the long-term credit items mentioned rose from 31 to 38 per cent of the total. In part, of course, the increase in time deposits represents an increase in real savings which the banks felt justified in investing in long-term assets. In part, however, it represents merely a change in classification: the banks classified an increasing proportion of their deposits as time accounts in order to take advantage of the lower reserve requirements¹ against such deposits.

In so far as the expansion of bank credit in this period resulted in a growth in time rather than demand accounts, the cash reserve requirements of the commercial banks were relatively diminished, and consequently their dependence on the central banking system was reduced. Another factor tending in the same direction was the considerable increase in the velocity of circulation of bank deposits, particularly from 1927 to 1929. According to official estimates² the turnover of deposits in member banks increased from 32 times a year in 1925 to 45 times a year in 1929, notwithstanding the fact that 41 per cent of deposits were classified as time accounts in 1929, as compared with only 36 per cent in 1925. This increase in the velocity of circulation of bank deposits was particularly marked in New York City, though it is also to be observed in other places; it reflects chiefly the increased use of bank credit for speculative purposes.

The net demand and time deposits of member banks were \$75 million lower in September 1929, when the stock-market boom was at its peak, than in December 1927 (and their cash reserve requirements were also lower) despite the fact that, in the intervening months, the demand for stock-exchange loans was sufficient to require brokers to increase their borrowings by \$4,000 million at rates which, in some months, averaged nearly 10 per cent. This situation arose because corporations and other non-banking lenders drew upon their balances with member banks and loaned funds in large volume directly to brokers, permitting an extraordinary demand for credit to be met without any increase in the deposits against which member banks were required to maintain reserves. The demand was met entirely by an increase in the velocity of circulation of bank deposits.

In addition to the above factors, there occurred an actual increase in the basic reserves of the commercial banking system in the form of gold and Federal Reserve credit. By the middle of 1922, the liquidation of bank credit consequent upon

the slump of 1920-21 had virtually ceased; the banks had used the imports of gold and the return of currency from circulation which had been taking place since the beginning of 1921 to repay part of their indebtedness to the Federal Reserve without affecting their aggregate volume of reserves. The influx of gold continued from 1922 through 1924; at first, part of this influx was offset by additional demands for currency, but the commercial banks' reserve balances and their deposits liabilities grew gradually in 1922 and 1923 and very rapidly in 1924. There was a slight outflow of gold in 1925 which retarded slightly the growth in the cash reserve basis, but this was offset by an expansion of Federal Reserve credit effected by open-market purchases of Government securities made in order to overcome the business recession of that year. Gold continued to flow in from 1925 to the middle of 1927, and the cash basis was further increased through an expansion in treasury credit, chiefly in the form of silver certificates. In 1927, the Federal Reserve banks lowered their discount rates and enlarged the credit basis by buying Government securities; foreign securities were marketed in the United States in increasing volume, the gold inflow stopped and was replaced by an outflow, and commercial bank credit expanded very rapidly. This expansion took the form chiefly of loans on securities for stock-market speculation, and loans on real estate. At the end of 1927, the Federal Reserve banks stopped buying Government securities, and, at the beginning of 1928, they reversed their former policy and tried to contract the basis of credit by selling Government securities and raising their discount and acceptance buying rates. The commercial banks, however, counteracted these efforts by selling acceptances to the Federal Reserve banks and by increasing their rediscounts with them. Moreover, from the middle of 1928 there was a renewed inflow of gold into the United States, which enabled the member banks to maintain, though not to increase, their reserve balances. It has already been shown that the stock-market speculation of the last stages of the boom was largely financed through an increase in the velocity of turnover of bank deposits and not through an increase in their volume.

•••

Table 6 below shows the decline of bank credit (*i.e.*, loans and investments) for all banks in the United States between October 4th, 1929, and December 31st, 1932.

¹ Legal cash reserve requirements for member banks of the Federal Reserve system are 13, 10 and 7 per cent against demand deposits, depending on whether the bank is located in central reserve city, other reserve city or elsewhere, and 3 per cent against all classes of time deposits.

² *Federal Reserve Bulletin*, January 1933.

Table 6. — ALL BANKS¹ : TOTAL LOANS AND INVESTMENTS, 1929 AND 1932.

	\$(000,000's)				
	All Banks	MEMBER BANKS			
		Total	New York city banks	Other reserve city banks	"Country" banks
October 4th, 1929.	58,835	35,914	8,150	13,983	13,780
December 31st, 1932.	44,946	27,469	7,327	10,535	9,607
Decline October 4th, 1929, to December 31st, 1932.	13,889	8,445	823	3,448	4,173
Per cent decline October 4th, 1929, to December 31st, 1932.	24	24	10	25	30

¹ Including, in addition to national banks, State banks, trust companies and private banks (which are regarded in this Memorandum as commercial banks), stock savings banks and mutual savings banks.

The liquidation of bank credit in the period October 4th, 1929, to December 31st, 1932, amounted to almost \$14,000 million, or three fourths of the total expansion in the period 1922-1929.¹ The rate of decline was the same for member banks of the Federal Reserve system and non-member banks, but considerably less for the

banks of New York City than the other reserve cities, and greatest of all for the "country" banks. The various classes of bank credit did not, of course, decline at a uniform rate. Table 7 shows the decline for member banks according to class of loan and investment from October 4th, 1929, to December 31st, 1932.

Table 7. — ALL MEMBER BANKS : LOANS AND INVESTMENTS, BY CLASSES, 1929 AND 1932.

ACCOUNTS	October 4th, 1929	December 31st, 1932	Difference		Percentage distribution of loans and investments	
	\$(000,000's)		\$(000,000's)	%	October 4th, 1929	December 31st, 1932
1. Total loans.	26,165	15,204	- 10,961	- 41.9	72.9	55.3
(a) Loans to customers	23,249	13,905	- 9,344	- 40.2	64.7	50.6
(i) Security loans	8,109	4,848	- 3,261	- 40.2	22.6	17.6
(ii) Real-estate loans	3,152	2,862	- 290	- 9.2	8.8	10.4
(iii) All other loans	11,988	6,195	- 5,793	- 48.3	33.3	22.6
(b) Loans to banks	670	444	- 226	- 33.7	1.9	1.6
(c) Open-market loans	2,275	855	- 1,420	- 62.4	6.3	3.1
2. Total investments	9,749	12,265	+ 2,516	+ 25.8	27.1	44.7
(a) U. S. Government securities	4,022	6,540	+ 2,518	+ 62.6	11.2	23.8
(b) Other securities	5,727	5,726	- 1	-	15.9	20.9
Total loans and investments	35,914	27,469	- 8,445	- 23.5	100.0	100.0
Thereof :						
3. Eligible assets	7,979	8,009	+ 30	0.4	22.2	29.2
(a) Eligible paper	4,598	2,246	- 2,352	51.2	12.8	8.2
(b) U. S. Government securities ¹	3,381	5,763	+ 2,382	+ 70.5	9.4	21.0
3(a) as % of 1(a), (iii)	—	—	—	—	38.4	36.3

¹ Excluding about \$650 million of Government securities pledged against national bank-note circulation.

The \$8,500 million decline in total loans and investments of member banks over this period is accounted for by a decline of \$11,000 million in loans compensated in part by an increase of \$2,500 million in investments. The increase in investments was entirely due to increased holdings of Government securities, which were over 60 per cent higher at the end of 1932 than in October 1929; other investments showed no net change over this period.

The very sharp decline in commercial ("all other") loans reflects partly the reduced demand

for such loans inevitable in a period of business depression and partly, more particularly in the last two years covered by the above table, the pressure brought to bear by banks on commercial borrowers to repay such loans in order to enable the banks to meet extraordinary demands for funds through large-scale withdrawals of deposits. The liquidation of customers' security loans is connected with the sharp decline in security prices and shows the falling-off in the commercial banks' indirect provision of credit to industry and trade through the security markets. The moderate

¹ The total amount of loans and investments of all these institutions outstanding on June 30th, 1922, was \$40,304 million.

decline in real-estate loans is due to the long maturity of such loans and the virtual absence of any market for real-estate or real-estate mortgages in this period. The large fall in open-market loans is entirely accounted for by the contraction in loans to brokers (\$1,500 million), as the banks' holdings of acceptances and commercial paper increased somewhat over the period.

The last two columns of Table 7 show that, during the period covered, the share of investments in total credit outstanding rose from 27 to 45 per cent, chiefly as a result of a large increase in the banks' holdings of Government securities. "All other" loans, which are chiefly commercial in character, accounted for a third of the total volume of member-bank credit outstanding in October 1929, and less than 23 per cent at the end of 1932. As a result, the banks' holdings of paper eligible for rediscount (shown at the foot of the table) also

fell sharply; but this decline was more than offset by a rise in the relative importance of Government securities, so that member banks were in a position to borrow at the Federal Reserve banks against over 29 per cent of their credit portfolio at the end of 1932, as compared with only 22 per cent in October 1929. The quality of the commercial paper held by the banks was somewhat worse at the later date, as shown in the last line of the table.

The figures given in Table 7 for open-market loans, which show a decline of \$1,400 million (62 per cent), greatly understate the drop in the total volume of funds borrowed in the open market, as a very large proportion of the funds loaned to brokers in 1929 was derived from non-banking sources. Table 8 shows the decline in the total of open-market loans outstanding from the end of September 1929 to the end of December 1932.

Table 8. — OPEN-MARKET LOANS OUTSTANDING, 1929 AND 1932.

	September 30th, 1929	December 31st, 1932	Per cent decline, September 30th, 1929, to December 31st, 1932
	\$(000,000's)		
Stock-Exchange loans :			
From New York banks and trust companies	7,077	279	96.1
From other sources	1,472	68	95.4
Total	8,549	347	95.9
Commercial loans :			
Open-market commercial paper	265	81	69.4
Prime bankers' acceptances	1,272	710	44.2
Total	1,537	791	48.4
Grand total	10,086	1,138	88.7

The stock-exchange loans from New York banks, as shown in the first line of Table 8, include, not only loans on own account and for the account of out-of-town banks, but also loans for the account of "others" — i.e., non-banking lenders. This last group declined from almost \$4,000 million at

the end of September 1929 to \$4 million at the end of 1932.

Table 9 shows the degree to which member banks in various areas took part in the general credit liquidation over the period under review.

Table 9. — MEMBER BANKS, BY GEOGRAPHICAL CLASSIFICATION : TOTAL LOANS AND INVESTMENTS, 1929 AND 1932.

CLASS OF CREDIT	\$(000,000's)											
	NEW YORK CITY				OTHER RESERVE CITIES				COUNTRY BANKS			
	October 4th, 1929	Decem. 31st, 1932	Change		October 4th, 1929	Decem. 31st, 1932	Change		October 4th, 1929	Decem. 31st, 1932	Change	
		Amount	%			Amount	%			Amount	%	
Total loans	6,343	3,538	- 2,805	- 44	10,595	6,173	- 4,422	- 42	9,226	5,767	- 3,459	- 37
Security loans	1,944	1,247	- 697	- 36	3,869	2,169	- 1,700	- 44	2,295	1,432	- 863	- 38
Real-estate loans	176	160	- 16	- 9	1,491	1,398	- 93	- 6	1,485	1,304	- 181	- 12
All other loans	2,726	1,214	- 1,512	- 56	4,415	2,312	- 2,103	- 48	4,847	2,669	- 2,178	- 45
Acceptances and commercial paper	100	364	+ 264	+ 264	114	103	- 11	- 10	177	31	- 146	- 82
Loans to brokers	1,096	337	- 759	- 69	413	12	- 481	- 97	376	8	- 368	- 98
Loans to banks	302	216	- 86	- 29	494	178	- 316	- 64	45	50	+ 5	+ 11
Total investments	1,807	3,789	+ 1,982	+ 110	3,388	4,362	+ 974	+ 29	4,554	4,114	- 440	- 10
U. S. Government securities	989	2,603	+ 1,614	+ 163	1,671	2,462	+ 791	+ 47	1,361	1,474	+ 113	+ 8
Other securities	817	1,186	+ 369	+ 45	1,717	1,900	+ 183	+ 11	3,193	2,640	- 553	- 17
Total loans and investments	8,150	7,327	- 823	- 10	13,983	10,535	- 3,448	- 25	13,780	9,607	- 4,173	- 30

The decline in the total volume of bank credit outstanding after October 4th, 1929, was most marked in the case of the "country" banks and least marked in the case of the New York City banks. The "country" banks account for about half the total credit contraction between these dates; their total loans and investments fell by 30 per cent, while those of the New York City banks fell by 10 per cent and those of the other reserve city banks by 25 per cent. These divergences are accounted for by the fact that the decline in total loans, though relatively more severe for the New York banks (44 per cent) than for either reserve city (over 42 per cent) or "country" banks (38 per cent), was offset to a considerable extent by a large increase in the investment portfolio of the New York banks, particularly their holdings of Government securities. The decline in loans of the other reserve city banks was also offset in part by an increase in investments; while the total security holdings of the "country" banks fell during the course of this period, the decline in other securities being greater than the increase in their holdings of Government obligations.

The contraction of bank credit between October 1929 and December 1932 indicated above was, of course, accompanied by a corresponding reduction in the volume of bank deposits. In part, this latter reduction was determined by the contraction in credits outstanding; and, in part, particularly during the period of financial crisis, it was due to the withdrawal of bank deposits for currency hoarding. The total decline in net demand and time deposits of all member banks from October 1929 to December 1932 was \$7,000 million. Of this amount, the "country" banks account for \$4,000 million, their deposits falling by 32 per cent; the provincial reserve city banks account for \$2,700 million, their deposits falling by 21 per cent, and the New York City banks for \$250 million, their deposits falling by 3 per cent.

The proportion of demand deposits to total deposits rose, during this period, from 81 to 86 per cent in the case of the New York banks; fell from 59 to 55 per cent for other reserve city banks and from 47 to 42 per cent for "country" banks.

More striking even than the contraction in the volume of bank deposits which took place during the depression is the decrease in the efficiency with which the deposits were used — *i.e.*, the decrease in their rate of turnover. The volume of business payments is reflected in the bank debits to individual accounts, which represent chiefly transfers by cheque. It is officially estimated¹ that bank debits to individual accounts fell off by \$700,000 million between 1929 and 1932, or by

70 per cent. Two-thirds of this decline is accounted for by New York City banks and reflects chiefly the decline in the volume of security transactions and the lower level of security prices. In places outside New York, the decline reflects chiefly the slump in business activity and the lower levels of prices and wages. The total volume of bank debits to individual accounts, both in and outside New York City, was at a lower level in 1932 than in any year since 1920.

According to estimates of the Federal Reserve Board,¹ the rate of turnover of bank deposits in reporting member banks in leading cities dropped from 45 times a year in 1929 to less than 20 times a year in 1932 and 16 times a year in the last quarter of that year. Outside New York City, the decline was from a rate of turnover of 22 times a year in 1929 to about 13 times a year in 1932.

* * *

The foregoing analysis has given a general picture of the evolution of commercial bank credit in the United States from October 4th, 1929, two weeks before the break of the New York stock market, to December 31st, 1932, the last date for which complete returns for all member banks are available. The analysis is, however, incomplete as, on the one hand, very important developments have taken place in American banking since the end of 1932, and, on the other hand, the three-year period covered includes several distinct phases which require separate analysis. Accordingly, the following periods are considered separately below: October 1929 to June 1931, a period characterised chiefly by declining business activity, falling prices, and moderate credit liquidation; June 1931 to June-July 1932, a period characterised chiefly by financial crisis and sharp credit liquidation; June-July 1932 to January 1933, a period of relative stability in both business and credit; February to March 1933, a period of intense financial panic, culminating in a short-lived but general banking moratorium after March 4th; and, from the latter date to the time of writing, a period of recovery from the disorganisation of the credit system.

A general view of the development of all bank credit outstanding in the United States during the first period may be had from Table 10, which shows the movements of loans and investments and of deposits of all banks from October 4th, 1929, to the middle of 1931:

¹ See *Federal Reserve Bulletin*, January 1933.

Table 10. — ALL BANKS¹: (A) LOANS AND INVESTMENTS AND (B) DEPOSITS,² 1929, 1930 AND 1931.

	\$(000,000's)					
	Total		Member banks		Non-member banks	
	A	B	A	B	A	B
October 4th, 1929.	58,835	55,180	35,914	33,004	22,922	22,176
June 30th, 1930.	58,109	54,954	35,656	33,690	22,453	21,264
June 30th, 1931.	55,022	51,782	33,923	31,566	21,099	20,218
<i>Decline,</i>						
October 4th, 1929, to } <i>Amount</i> . .	3,813	3,398	1,991	1,438	1,823	1,960
June 30th, 1931 . . } <i>Per cent</i> . .	6.6	6.2	5.6	4.3	7.9	8.8

¹ Including mutual savings banks and stock savings banks in addition to national banks, State banks, trust companies and private banks.

² Exclusive of inter-bank deposits.

The total decline in the loans and investments of all banks from October 1929 to June 1931 was \$3,800 million, or less than 7 per cent and deposits fell rather less. The credit contraction represented by these figures, though considerable, does not appear to have been greater than that experienced in previous periods of intense depression, such, for example, as 1920-21 or 1894. It will be observed in Table 10 that aggregate loans and investments declined comparatively little and aggregate deposits hardly at all from October 1929 to June 1930; deposits with member banks, indeed, increased by \$700 million or over 2 per cent in that period. During the next twelve months, the decline in bank credit was more rapid.

Both the loans and investments and the deposits of non-member banks fell more drastically than those of member banks. Non-member institutions include both commercial and savings banks. From October 1929 to June 1931 deposits in savings banks rose by some \$750 million and their loans and investments increased by about \$400 million. The decline in the loans and deposits of non-member commercial banks was therefore even greater than that indicated in the Table 10. The total decline in the loans and investments of commercial banks during the period mentioned was \$4,200 million, or 9 per cent, and the decline in their deposits was \$4,150 million. There was moreover some tendency for time deposits to increase in importance relatively to demand deposits. For member banks of the Federal Reserve system as a whole, time deposits rose from 41.3 per cent of the total in October 1929 to 42.5 per cent in June 1931; this rise was entirely due to the country and provincial reserve city banks.

In the months following the break on the New York stock market, the Federal Reserve banks tried to restore confidence and ease the situation by a policy of cheap money. Discount rates were progressively reduced and the credit basis was expanded through purchases of Government securities. The first effect of the break of the New

York stock market was to free a large amount of bank credit which had formerly been directed to speculative channels. This is reflected in a rapid reduction in member bank indebtedness to the Federal Reserve banks; borrowings fell from over \$1,000 million in August 1929 to \$250 million in June 1930. Large masses of loans, particularly those made on securities, became frozen as a result of the decline in values, and, during this period, the liquidation was almost entirely confined to commercial loans. As the depression continued, the Federal Reserve adopted a more passive policy and, from the middle of 1930, the liquidation of bank credit became more general and extended to all classes of loans.

All classes of loan were, however, not affected with equal severity. A comparison of the first columns of Table 7 above and Table 15 below will show that the most important decline was in "all other" loans, representing the bulk of genuine commercial credit, which dropped by over \$3,000 million or 25 per cent. Security loans fell by \$1,000 million or 12 per cent. Investments, on the other hand, increased by \$2,350 million, of which over \$1,300 million was due to purchases of Government securities. The increase in the banks' holdings of Government securities more than offset the decline in the amount of commercial paper eligible for discount, so that a somewhat higher proportion of their total loans and investments were available for borrowing at the Federal Reserve banks at the end than at the beginning of the period. Commercial paper, in addition to declining in relative importance, also deteriorated in average quality; only 35 per cent of "all other" loans were eligible for rediscount in 1931, as compared with 38 per cent in 1929.

A detailed examination of the figures for various groups of member banks shows that the decline in commercial loans was fairly uniform, but that the New York City and Chicago banks' loans on stocks and bonds were about the same at the middle of 1931 as in October 1929, while those of the other

reserve cities and the country banks were considerably lower. The increase in investments was most marked in the central reserve city banks; the investment portfolio of the country banks was no higher in June 1931 than in October 1929. The country banks, in fact, show a liquidation of credit all along the line; they account for \$1,600 million of the \$2,000 million reduction in member bank credit outstanding in the period under review. In part, this liquidation of country bank credit is due to the elimination of banks through suspensions; but it reflects chiefly the diminished activity of trade in rural areas and a decline in deposits resulting from diminished sales of agricultural products and a drastic decline in the prices of principal crops.

In short, the period from October 1929 to June 1931 may, for the member banks as a whole, be characterised as one of relatively moderate liquidation of commercial bank credit, a considerable decline in loans being partly offset by a large increase in investments. During the period of the stock-market crisis, the Federal Reserve banks purchased large quantities of Government securities in the open market; they further assisted the commercial banks in 1930 and 1931 by standing ready to buy acceptances at stated rates and by lowering their discount rates. A large inflow of gold and a sharp decline in the amount of money in circulation enabled the member banks to reduce their indebtedness at the Federal Reserve; member bank borrowings fell from over \$1,000 million in August 1929 to \$185 million in June 1931 and their excess cash reserves increased by over \$90 million. Federal Reserve credit outstanding declined from \$1,750 million in October 1929 to less than \$950 million in June 1931 — the lowest level since 1926.

Although the decline in the amount of commercial bank credit outstanding in the United States from October 1929 to June 1931 partook of the nature of a gradual and orderly liquidation, rather than of a rapid deflation, there were, nevertheless, certain disquieting features in the general banking situation, even at that date. The most important of these was the large number of bank failures. Suspensions took place, indeed, with considerable frequency long before the depression.

Of the 30,000 banks of all kinds in existence at the beginning of 1922, over 10,000 banks, or one in every three, had gone out of business by the end of 1932; deposits in these institutions amounted to about \$5,000 million. Five thousand of these bank suspensions occurred in the period of high business activity from 1922 to 1929; the great

majority represented failures. In the last three months of 1929, 163 banks failed; in 1930 the number was 1,345, and, in the first six months of 1931, 687. In all, 2,295 banks, with deposits aggregating over \$1,300 million, closed their doors in this period. As the total decline in deposits of all banks in the United States between October 4th, 1929, and June 30th, 1931, amounted to \$3,400 million, bank suspensions are seen to account for a substantial proportion of this decline.

Another disquieting feature was the appearance of a tendency to hoard currency out of distrust of the safety of banking institutions. Currency hoarding became a factor of major importance only during the financial panic; but, even at this period, it was not without significance. The total amount of money in circulation in the United States increased by \$400 million in the last two months of 1930, when bank suspensions were very numerous, and, after declining by almost \$300 million in the first quarter of 1931, again increased by over \$200 million in the second quarter of that year.

With the impact of the financial crisis in the summer of 1931, the American banks (whose liquidity, moreover, had already been impaired by the fall in commodity prices, security and real-estate values and personal incomes) were faced with the necessity of meeting large withdrawals of deposits on the part both of foreigners and of American citizens. During this period, the fear of bank failures and the consequent withdrawals of currency for hoarding were major factors in the banking situation; a great many banks were unable to realise their assets in sufficient amount to meet the extraordinary demands for currency; the attempt on the part of the banking system to convert large holdings of investments into cash appears to have dominated security markets and to have caused a drastic fall in bond prices, which had hitherto been relatively well maintained.

A general view of the development of bank credit during the financial panic may be secured from Table II, which shows the movement of loans and investments and of deposits in all banks in the United States from the end of June 1931 to the end of June 1932; for purposes of comparison, figures for October 4th, 1929, are also shown.

Table II. — ALL BANKS: (A) LOANS AND INVESTMENTS AND (B) DEPOSITS,¹ 1929, 1931 AND 1932.

	\$(000,000's)	
	(A) Loans and investments	(B) Deposits
October 4th, 1929	58,835	55,180
June 30th, 1931	55,022	51,782
June 30th, 1932	46,071	41,963
<i>Decline, June 30th</i> } <i>Amount.</i>	8,951	9,819
1931-1932. . . } <i>Per cent.</i>	16.3	19.0

¹ Exclusive of inter-bank deposits.

From the middle of 1931 to the middle of 1932, deposits in all American banks declined by almost \$10,000 million or by nearly 20 per cent; loans and investments fell somewhat less. This fall in bank credit outstanding was about three times as great as in the previous fifteen months, and was as great as the entire expansion of bank credit in the United States from the middle of 1925 to the middle of 1929.

The main features of the financial crisis need only be briefly indicated here. American monetary gold stocks increased without interruption from the middle of 1928 to the middle of 1931, when they reached their high point of \$5,000 million. Against this gold reserve, the United States had foreign short-term obligations officially estimated¹ at over \$2,700 million at the end of 1930. In part, these obligations represented the dollar balances of central banks; in part deposits of foreign capitalists and commercial banks; in part, foreigners' holdings of acceptances and short-dated Treasury bills. When the United Kingdom suspended gold payments in September 1931, a general feeling of insecurity developed in the international financial market; a large part of the realisable short-term balances of the world were held in the United States, and foreigners, influenced partly by the numerous bank failures in that country, withdrew large amounts of their deposits in American banks and converted them into other currencies. These deposits were chiefly concentrated in the large New York City institutions, which were, accordingly, the first to be affected by their withdrawal in October and November 1931. Net demand and time deposits of member banks in New York City, which were \$300 million higher on October 2nd, 1931, than on October 4th, 1929, declined by \$1,000 million, or almost 15 per cent, between the former date and the end of 1931; of this amount, at least three-quarters would appear to be due to foreign withdrawals. A fresh withdrawal of foreign short-term balances took place in May and June 1932, the amount involved this time being about \$500-\$750 million. In all, therefore, the American foreign short-term debt would appear to have been reduced by some \$1,500-\$1,750 million between June 1931 and June 1932. This was accomplished in part by a corresponding reduction of American short-term assets held abroad, but mainly by the export of gold. Between the end of June 1931 and the end of June 1932, the total monetary gold stock of the United States declined by \$1,100 million.

The liquidation of foreign short-term balances in the United States, which took the form chiefly of a withdrawal of sight deposits in American commercial banks, was accompanied by a

withdrawal of deposits on the part of domestic depositors. The amount of currency hoarded can only be estimated indirectly. Table 12 shows the amount of money in circulation in the United States (outside the Treasury and Federal Reserve Banks) from the end of June 1931 to the end of June 1932.

Table 12. — MONEY IN CIRCULATION, JUNE 1931 TO JUNE 1932.

End of	\$(100,000's)
1931 :	
June	4,821
July	4,837
August	5,052
September	5,246
October	5,540
November	5,536
December	5,647
1932 :	
January	5,642
February	5,603
March	5,459
April	5,465
May	5,480
June	5,695

The amount of money in circulation in the United States was \$875 million higher at the middle of 1932 than at the middle of 1931. But, during this year, there was a great contraction in the volume of business transactions; both prices and production fell considerably. Therefore, less currency was required for business purchases at the middle of 1932 than at the middle of 1931. The drop in the amount of currency actually required may be conservatively estimated at some \$400-\$450 million, which is slightly more than the decline in the amount of money in circulation during the first year of depression — *i.e.*, October 1929 to October 1930. Therefore, the amount of currency hoarding which took place during the year of financial crisis is seen to be at least \$1,300 million. Currency hoarding, however, had already begun in the winter of 1930; between then and June 1931 some \$300-\$400 million would appear to have been hoarded. The actual amount of hoarding in June 1932 was therefore at least \$1,600 million and probably more.

Another indication of the widespread distrust

¹ United States Department of Commerce, *Trade Information Bulletin*, No. 803: "The Balance of International Payments of the United States in 1931."

in American banks characteristic of this period is the rapid increase in the United States Postal Savings deposits. These deposits, which are a direct liability of the United States Government, fluctuated between \$140 and \$155 million from the beginning of 1927 to the middle of 1929; they showed a steady tendency to increase after the beginning of the depression, a tendency which became very marked during the outbreak of bank failures in the winter of 1930-31 and again during the period of financial crisis. By the end of 1932, they had risen to over \$900 million, and, by the end of July 1933, to almost \$1,200 million.

Under the influence of large gold withdrawals,

currency hoarding, and the breakdown of the capital market and consequent impairment of the banks' investment portfolios, the pace of bank failures was greatly accelerated in the summer of 1931. In the twelve-month period ending June 1932, 2,429 banks with deposits aggregating \$1,750 million failed in the United States. During the same period, 259 banks with deposits aggregating \$150 million were able to reopen. The decline in deposits due to bank failures during this year was therefore \$1,600 million.

Table 13 below gives a classification of bank suspensions from 1929 to 1932 by groups of banks.

Table 13. — BANK SUSPENSIONS: NUMBER AND DEPOSITS, BY GROUPS OF BANKS, 1929-1932.

YEAR	NUMBER				DEPOSITS \$(000,000's)			
	All banks	Member banks		Non-member banks	All banks	Member banks		Non-member banks
		National	State			National	State	
1929.	642	64	17	561	234.5	37.0	20.1	177.4
1930.	1,345	161	26	1,158	864.7	173.3	207.2	484.3
1931.	2,298	409	108	1,781	1,691.6	439.2	294.4	958.0
1932.	1,453	276	54	1,123	730.4	215.3	555.0	459.6

Bank suspensions were much more frequent among the State banks which are not members of the Federal Reserve system than among the member banks. Of the 5,738 banks which failed in 1929-1932, 4,623, or over 80 per cent, were non-member banks; they accounted for about 60 per cent of the deposits of the institutions failing. Average deposits in member banks failing in this period were \$1,300,000 per bank as compared with \$450,000 for non-member banks. Bank failures were most frequent among small institutions operating with a minimum of own funds. More than half of the American banks which failed in the period 1929-1932 had a capital of \$25,000 or less, 80 per cent of less than \$100,000 and only 1 per cent of \$1,000,000 or more. Almost a third of bank suspensions in the period 1929-1932 occurred in places with population of less than 500 persons and one-half in places with population of less than 1,000.

The effects of the three aspects of the financial crisis which have been outlined above — namely, gold exports, currency hoarding and bank failures — on the total volume of bank credit outstanding may be summarized at this point. Table 14 shows in round figures the amount of credit contraction imposed on the banks from June 30th, 1931, to June 30th, 1932, by each of these factors.

Table 14. — ALL BANKS: FACTORS IN DECLINE IN CREDIT OUTSTANDING, JUNE 30TH, 1931, TO JUNE 30TH, 1932.

	\$(000,000's)
Gold exports.	1,100
Deposits involved in bank failures.	1,600
Currency hoarding	1,300
Total	4,000

These three special factors alone account for \$4,000 million of bank credit contraction. If it is borne in mind that the total decline in loans and investments of all banks during this period was \$8,900 million (in deposits \$9,800 million), it will be seen that some 40 to 45 per cent of the total deflation of bank credit from June 30th, 1931, to June 30th, 1932, was directly due to the extraordinary incidence of bank failures and financial panic.

Table 15 shows in detail the changes which took place in the volume of credit extended by banks members of the Federal Reserve system from June 1931 to June 1932.

Table 15. — MEMBER BANKS : LOANS AND INVESTMENTS, BY CLASSES, JUNE 30TH, 1931, AND JUNE 30TH, 1932.

ACCOUNTS	June 30th, 1931	June 30th, 1932	Difference		Percentage distribution of loans and investments	
	\$(000,000's)		\$(000,000's)	%	June 30th, 1931	June 30th, 1932
1. Total loans	21,817	16,587	- 5,230	- 24	64.3	39.2
(a) Loans to customers	19,257	15,267	- 3,990	- 21	56.8	54.5
(i) Security loans	7,117	5,292	- 1,825	- 26	21.0	18.9
(ii) Real-estate loans	3,218	2,894	- 324	- 10	9.5	10.3
(iii) "All other" loans	8,922	7,081	- 1,841	- 20	26.3	25.3
(b) Loans to banks	457	573	+ 116	+ 25	1.3	2.0
(c) Open-market loans	2,103	747	- 1,356	- 60	6.2	2.7
2. Total investments	12,106	11,414	- 692	- 6	35.7	40.8
(a) U. S. Government securities	5,343	5,628	+ 285	+ 5	15.8	20.1
(b) Other securities	6,763	5,786	- 977	- 14	19.9	20.7
Total loans and investments	33,923	28,001	- 5,922	- 17	100.0	100.0
Thereof :						
3. Eligible assets	7,905	7,407	- 498	- 6	23.3	26.5
(a) Eligible paper	3,198	2,428	- 770	- 24	9.4	8.7
(b) U. S. Government securities	4,707	4,979	+ 272	+ 6	13.9	17.8
3(a) as % of 1(a), (iii)	—	—	—	—	35.8	34.3

The decline in total loans and investments of member banks in the twelve-month period from June 1931 to June 1932 amounted to about \$6,000 million, or 17 per cent, as compared with a decline of \$2,000 million, or 6 per cent, in the twenty-one-month period from October 1929 to June 1931. Unlike the earlier period, the liquidation from June 1931 to June 1932 was not concentrated on ordinary commercial ("all other") loans; the fall in these loans, though substantial (\$1,850 million), was less than from October 1929 to June 1931 (over \$3,000 million). The deflation during the financial crisis was most marked for security loans, which fell by \$1,800 million (a 26 per cent drop, as compared with a 10 per cent drop in the earlier period), open-market loans, which fell by \$1,350 million (60 per cent, compared with a decline of less than \$200 million earlier), and investments in securities other than United States Government stock, which fell by almost \$1,000 million (as compared with a rise of more than that amount from October 1929 to June 1931). Security loans investments in "other" securities and open-market loans account for over two-thirds of the total decline in loans and investments of member banks from the middle of 1931 to the middle of 1932.

The last column of Table 15 shows that there was, during this period, a further increase in the relative importance of investments and decline in the relative importance of loans. The most marked change during this year was the decline in the importance of open-market loans, both loans to brokers and holdings of acceptances and commercial paper falling off very considerably. Real-estate loans continued to lag behind in the general liquidation.

One effect of the contraction of credit was to

put a very great pressure on security markets. Banks threatened with a run and endeavouring to achieve as great liquidity as possible first called their loans to brokers. Loans to brokers declined from \$1,217 to \$278 million between the middle of 1931 and the middle of 1932. Brokers, thus cut off from banking assistance, were no longer able to carry customers' margin accounts, and the latter were accordingly forced to throw their stock on the market in order to meet their indebtedness to brokers. A second line of defence for the banks was their security loans and their own investments. Credits granted to customers on the security of stocks and bonds were withdrawn, and customers were forced to dispose of their securities in order to meet their indebtedness to the banks. Similarly, the banks sold large amounts of their own security holdings; in the last quarter of 1931 they sold \$250 million of Government securities and \$640 million of other securities; but, in the first half of 1932, further sales of \$200 million other securities were more than offset by \$300 million purchases of Government bonds. The total volume of member-bank loans secured by stocks and bonds (including loans to banks and brokers) fell by \$2,650 million between June 1931 and June 1932 and, in addition, the banks' own investment portfolio declined by \$700 million.

The effect of the security sales involved in this type of credit contraction may be seen in the price movement of high-grade bonds on the New York Stock Exchange. The Standard Statistics Co. index number of sixty high-grade bonds, which stood at 99.4 per cent of par in June 1931, fell to 72.2 per cent in June 1932, a decline of 28 per cent. The effect of distress liquidation on the prices of various types of bonds is shown in Table 16 below.

Table 16. — BOND PRICES, OCTOBER 1929 TO JUNE 1932.

MONTH	DOMESTIC ISSUES ¹					U. S. Government bonds ²	Municipal bonds ³	Foreign bonds ⁴
	Total	Industrial	Public utilities	Rails				
				High grade	Second grade	Per cent of par value	October 1929 = 100	Per cent of par value
	Per cent of par value of 4 per cent bonds							
October 1929	78.2	74.9	73.3	86.7	79.4	102.2	100.0	88.4 ⁴
June 1931	79.0	64.4	82.8	97.7	78.5	106.3	113.8	83.8
December 1931	53.2	47.4	65.8	75.3	39.1	98.2	89.8	45.6
June 1932	41.3	36.0	60.5	68.8	26.5	101.8	85.9	44.5

¹ Source : Dow-Jones.

² Source : New York Trust.

³ Calculated from yields on twenty municipal bonds as published by *The Bond Buyer*.

⁴ December 1929.

In June 1932, domestic bonds as a whole were almost 50 per cent lower in price than in June 1931, foreign bonds had fallen in similar proportion, municipal bonds were over 25 per cent lower and Government bonds 4 per cent lower. The effect of this breakdown of the capital market on the American banking system will become clear when it is pointed out that, at the middle of 1931, the banks in the United States held about \$20,000 million of their resources in the form of investments. Detailed figures of the type of security held are available only for the national banks; assuming that the distribution of investment holdings was the same for other classes of banks, it may be estimated on the basis of these figures that the losses to American banks due to the fall in bond prices from June 1931 to June 1932 amounted to at least \$2,000 million, or enough to wipe out half the paid-up capital of all American banks in existence at the former date. In fact, the decline in the market value of the banks' investment holdings must have been considerably larger, as the national banks habitually keep a much higher proportion of their investment portfolio in the form of Government bonds than do the State institutions; and Government bonds fell least in price.

In the preceding analysis, the period June 1931 to June 1932 has been considered as a whole; in fact, the greater part of the credit liquidation of that year was concentrated in the period from September 1931 to April 1932, while the decline in loans and investments was very much slower in subsequent months. This would appear to be due chiefly to the remedial measures taken to overcome the financial crisis, which may therefore be considered at this point.

The financial crisis was dominated by two factors: foreign withdrawals of gold and domestic hoarding of currency (with which is closely connected the outbreak of bank failures). Both factors tend to reduce the cash basis of credit, and the measures to be reviewed all aimed at preventing that reduction from taking place, or at actually widening

the basis of bank credit. The remedial measures fall into three main groups: the establishment of the National Credit Corporation and, later, of the Reconstruction Finance Corporation with the object of checking the reduction in the basis of credit through hoarding by making loans to banks on the basis of slow assets and so enabling them to meet withdrawals and restore confidence; the Glass-Steagall Banking Act, which aimed at checking the contraction in the basis of credit which would result from foreign gold withdrawals by widening the basis of eligibility for the note cover; and the open-market policy of the Federal Reserve banks, which aimed at increasing the cash resources of the commercial banks and thus widening the basis of credit.

The commercial banks met the first impact of the financial crisis through recourse to the Federal Reserve banks; member-bank indebtedness rose from \$169 million in August to \$613 million in October. The Federal Reserve banks raised their rediscount rates, but, at the same time, bought bills freely, their bill holdings rising by over \$600 million in the period mentioned; their holdings of Government securities rose by \$60 million. The total volume of reserve bank credit outstanding increased from \$950 million in July to over \$2,000 million in October. There was some abatement in domestic hoarding towards the end of October and, in order to strengthen this tendency and to assure depositors of the safety of their deposits, a group of large American banks, acting on the suggestion of President Hoover, organised in October 1931 the *National Credit Corporation* with the function of extending credit to banks in temporary difficulties on the basis of assets not eligible for discount at the Federal Reserve banks. The working funds of this institution were raised through the issue of bonds to the organising banks; the nominal amount subscribed was \$450 million; but only one third of this amount was called, as the National Credit Corporation did not in fact extend more than \$155 million of credit (to 575 banks)

during its lifetime. The fact of its organisation, however, appears to have had a temporary reassuring influence on public confidence in the banks, as suspensions, which had reached the record figure of 522 in October, dropped to 175 in November and currency hoarding also continued to fall off.

This alleviation was short-lived, however, for 800 new bank failures, involving \$275 million in deposits, occurred in December 1931 and January 1932. In February 1932, the Reconstruction Finance Corporation was organised and took over the business of the National Credit Corporation. The *Reconstruction Finance Corporation* is a public body with a capital stock of \$500 million subscribed and fully paid up by the Treasury. It is, moreover, empowered, with the approval of the Secretary of the Treasury, to issue its own notes, debentures, bonds, etc., up to \$3,300 million. Bonds issued by the Reconstruction Finance Corporation are tax-exempt and are fully and unconditionally guaranteed as to interest and principal by the United States Government. The management of the Corporation is vested in a board of eight directors, consisting of the Secretary of the Treasury, the Governor of the Federal Reserve Board and the Farm Loan Commissioner, who are *ex-officio* members, and five other persons appointed by the President of the United States. The administration is centred in Washington, but thirty-two branches have been established in various sections of the United States.

The original Act authorised the Reconstruction Finance Corporation to make loans to banks, to other specified financial institutions, including insurance companies, mortgage-loan companies, etc., and, with the approval of Interstate Commerce Commission, to railroads. Loans made by the Corporation must be "fully and adequately secured" and may bear such rates of interest as the corporation may determine. They may be made for periods not exceeding three years, and may be renewed from time to time, but must be repaid in full within five years of the date of the original loan.

The *Emergency Relief Act* of July 1932 authorises the Corporation, under certain conditions, to make available to States and territories for the relief of distress a total not to exceed \$300 million, the amount advanced to bear interest at 3 per cent. It further provides for loans by the Corporation to States and other public bodies, and to private corporations, for self-liquidating projects of a public or semi-public nature, such as bridges, tunnels, docks and housing facilities in slum areas. In addition, the Corporation is authorised to make loans for the purpose of financing sales of surplus agricultural products in foreign markets; to make loans to *bona-fide* institutions to enable them to finance the carrying and orderly marketing of agricultural commodities and live-stock produced in

the United States; and to create in any Federal land bank district a regional agricultural credit corporation with a paid-up capital of not less than \$3 million subscribed by the Corporation.

The capital stock of the Reconstruction Finance Corporation has been entirely paid up by the United States Government, and the Corporation raised, up to the end of 1932, additional working funds of \$825 million through the issue of its own 3½ per cent notes to the Government; the latter in turn raised these funds through issuing its own bonds and Treasury bills which were, as will be shown later, largely taken up by the Federal Reserve banks and, to a more limited extent, by the commercial and savings banks. With working resources of \$1,325 million, the Reconstruction Finance Corporation authorised loans to the extent of slightly less than \$2,000 million and disbursed \$1,525 million in cash from its inception on February 2nd, 1932, to the end of that year. The distribution of loans by periods is shown below:

Table 17. — LOANS AUTHORISED BY THE RECONSTRUCTION FINANCE CORPORATION, 1932.

Period.	\$(000,000's)
Prior to July 21st, 1932	1,172
July 21st to July 31st.	50
August	190
September.	139
October.	163
November.	95
December.	127
Total authorisations.	1,936

Of this amount, about \$1,250 million was outstanding at the end of 1932. During the first ten months of 1933, new loans to the extent of \$1,900 million were authorised and, on October 31st, 1933, a total of \$2,250 million was outstanding.

The greater part of the cash disbursements of the Reconstruction Finance Corporation were made to banks and trust companies to meet withdrawals or anticipated withdrawals of deposits, to pay indebtedness, to replenish reserves and to strengthen their cash position; some loans were also made to receivers or liquidating agents of closed banks to pay a liquidating dividend to depositors and to assist in reorganisation. In all, loans authorised to banks and trust companies amounted to \$950 million in the course of 1932 and an additional \$700 million in the first ten months of 1933, of which \$650 million remained outstanding on October 31st, 1933. 5,582 banks, or one in every four, received loans from the Reconstruction Finance Corporation during 1932. About 4,000 of these banks were located in places of less than 5,000 population; but these small banks accounted for only 18 per cent of total loans made. Many loans were made to large city institutions, the largest being a loan of \$90 million to a Chicago bank.

The next largest group of borrowers were the railroads, whose bonds are widely held by banks and other financial institutions. They received cash disbursements in excess of \$380 million up to the end of October 1933 for the purpose of providing funds for additions and betterments; meeting maturing obligations, principal and interest; paying accrued expenses, auditors' vouchers, wages, etc.; and paying other indebtedness.

The *Glass-Steagall Act*,¹ the other most important piece of American banking legislation in the period under review, sought to prevent the withdrawals of short-term credits from the United States from causing a corresponding deflation of bank credit by increasing the amount of "free gold" available in the American banking system and enabling the Federal Reserve banks to increase the basis of credit through purchasing Government securities in the open market.

Under the Federal Reserve Act, the Federal Reserve banks must maintain a 35 per cent reserve in gold or lawful money against their deposit liabilities and a reserve of 40 per cent in gold against their notes. The Federal Reserve agent must, however, hold 100 per cent collateral against all the Federal Reserve notes issued by him to the Federal Reserve bank and this collateral must consist of gold or gold certificates or eligible paper in the form of discounts or acceptances purchased in the open market. On February 24th, 1932 — i.e., just before the enactment of the law under discussion — the amount of notes issued by Federal Reserve agents to Federal Reserve banks was \$2,908 million. Against these, the agents held all the eligible paper discounted by the Federal Reserve banks, amounting to \$921 million. Deducting this from the total note issue of the Federal Reserve agents, it is seen that almost \$2,000 million in gold had, under the old law, to be held against notes, instead of merely 40 per cent (\$963 million), on February 24th, 1932. In addition, deposits in the Federal Reserve banks amounted to almost \$2,000 million against which a 35 per cent gold backing (\$691 million) was held. Moreover, the Federal Reserve banks maintain in gold with the American Treasury a special redemption fund consisting of 5 per cent of that portion of their notes not covered by gold; on February 24th, 1932, this amounted to \$46 million. In order to calculate the amount of free gold in the Federal Reserve system at the date mentioned, it is therefore necessary to deduct from their gold reserves of \$3,140 million, first, \$1,987 million required as collateral against notes; second, \$691 million held as reserve against deposits; and third, \$46 million required for the redemption fund, leaving \$416 million of gold entirely free, not being required either as reserves or as collateral.

Free gold, as defined above, indicates neither the extent to which the Federal Reserve banks can make advances to member banks nor the extent to which gold can be withdrawn for export without infraction of the law. A demand for gold for export, resulting from a withdrawal of foreign sight balances in commercial banks, will cause member banks to rediscount eligible paper with their Federal Reserve bank, which will proceed to substitute this eligible paper for gold as collateral against Federal Reserve notes, thus releasing an exactly equal amount of gold for export. The amount of free gold does, however, limit the extent to which the Federal Reserve banks may, through open-market operations, enable member banks to meet an external demand for gold or an internal demand for currency without increasing their indebtedness at the Federal Reserve banks. When the member banks have to borrow in order to secure gold or currency, this becomes an element of tightness in the credit situation and constrains the commercial banks to reduce their own credits outstanding. If acceptances were sold to the reserve banks for gold or currency, there would be no inroad into the amount of free gold available, as acceptances are eligible as collateral for Federal Reserve notes. The amount of bankers' acceptances outstanding had, however, sunk to a very low figure as a result of the decline in the volume of trade, and a substantial portion of these instruments was held by the big city institutions who were reluctant to part with their most liquid earning asset. At the end of 1931, bankers' acceptances outstanding amounted to less than \$1,000 million, of which over \$550 million were already held by Federal Reserve banks and some \$250 million by accepting banks.

Under the *Glass-Steagall Act*, the Federal Reserve banks are authorized to use Government securities as collateral against Federal reserve notes. This measure resulted, of course, in a very large increase in the amount of "free gold" in the Federal Reserve system and made it possible for Reserve banks to carry on open-market operations on a much larger scale than would otherwise have been the case.

Other sections of the *Glass-Steagall Act* provide means whereby, in unusual circumstances, member banks that are without adequate amounts of eligible and acceptable assets to enable them to obtain sufficient accommodation from the Federal Reserve banks under other provisions of the Federal Reserve Act may receive assistance on other security under definite restrictions and at a higher rate of discount. This legislation does not appear to have been passed on account of any shortage in the supply of eligible assets in the hands of member banks as a whole. At the end of 1931, these reported \$2,573 million of eligible paper as

¹ This Act entered into force for a period of one year in March 1932; it was extended for a year in March 1933.

well as \$4,964 million of Government securities, making a total of nearly \$7,300 million against which they could borrow at the Federal Reserve banks, or nearly ten times their actual indebtedness at that time. These eligible assets, moreover, appear to have been well distributed throughout the country. No official information is available, however, regarding their distribution among individual banks. The Act is intended to apply in exceptional cases where an individual bank faced with a loss of deposits is under the necessity of disposing at a loss of some of its sound but ineligible assets or else closing its doors. During the year 1932, loans aggregating \$33 million were authorised under these provisions to 50 member banks ; \$14 million were outstanding at the end of the year.

The *Emergency Relief Bill* of July 1932 introduced a new element into the operations of the Federal Reserve system by extending the power of the Reserve banks to make discounts, previously limited to member banks, to individuals and corporations. In unusual circumstances, the Federal Reserve Board may, by the affirmative vote of five members, authorise any Reserve bank to discount paper directly for individuals and business firms. The paper so discounted must conform to the requirements of eligibility laid down

in the Federal Reserve Act and must be endorsed and otherwise secured to the satisfaction of the Federal Reserve bank. Before discounting paper under this amendment, the Federal Reserve bank must obtain evidence that the firm offering it is unable to secure adequate credit accommodation from other banking institutions. In the course of 1932, less than \$1 million was advanced under these provisions.

Another change in American banking legislation during the period under review was the granting to the national banks, in a rider to the *Federal Home Loan Bank Act* of July 1932, for three years, of the right to issue notes against cover consisting of any bond of the United States bearing interest at not more than $3\frac{3}{4}$ per cent, instead of against only certain limited issues of 2 per cent bonds as hitherto. The new law adds \$3,000 million to the volume of bonds qualifying as cover for national bank-notes. The limiting factor in the issue of these notes, which was formerly the availability of bonds which might legally serve as cover, now becomes the provision that the note-issue shall not exceed the paid-up capital of the issuing banks. Table 18 shows the distribution of the potential issue of national bank-notes among various classes of banks under the new Act, as at June 30th, 1932.

Table 18. — UNUSED ISSUING POWER OF NATIONAL BANKS, UNDER ACT OF JULY 1932, AS AT JUNE 30TH, 1932.

	\$(000,000's)		
	Paid-in capital	Notes in circulation	Unused issuing power
New York City banks	305	33	272
Chicago banks	32	—	31
Other reserve city banks	538	177	360
"Country" banks	695	442	253
All national banks	1,569	652	917

It will be seen that the New York City and Chicago banks had the power to issue a relatively large volume of notes under the new Act ; other reserve city banks also had a relatively small issue outstanding. The new Act, in addition to widening the circulation-cover privilege, also widened the margin of profit by allowing bonds bearing higher rates of interest to serve as cover. Up to the present, however, the national banks have by no means made full use of the additional note-issuing power granted by the Act. The total national bank-note issue which, as shown above, was \$652 million at the end of June 1932 was \$820 million at the end of the year, and \$909 million at the end of September 1933. It may be pointed out that the issue of notes by national banks does not increase general currency requirements and therefore tends to result in the retirement from circulation of other forms of currency.

The open-market operations of the Federal

Reserve banks from March to June 1932, though falling into a different category from the legislative measures of defence described above, are none the less intimately connected with the same. It has been shown that the Reconstruction Finance Corporation raised its entire working funds through Government subscriptions or loans and that the Government in turn raised these funds through issuing its own securities. It was desired that this increased issue of Government securities should be taken up by the Federal Reserve banks. But their power to purchase Government securities was limited by the amount of free gold available, which, as stated above, amounted to about \$400 million in February 1932. The passage of the Glass-Steagall Act greatly increased the free gold at their disposal and hence their power to purchase Government securities. The purchase of Government securities not only provided the Government with funds to advance to the Reconstruction

Finance Corporation, but it was hoped that, by increasing the amount of Federal reserve credit outstanding, the basis of commercial bank credit would be widened.

Table 19. — FEDERAL RESERVE BANKS: HOLDINGS OF UNITED STATES GOVERNMENT SECURITIES, FEBRUARY TO JUNE 1932.

1932: End of	\$(000,000's)
February	740
March	872
April	1,228
May	1,549
June	1,784

Table 19 shows the Federal Reserve banks' holdings of United States Government securities by months from the end of February to the end of June 1932.

The most intensive purchases took place in April, May and June; the net result of the purchases was that the Reserve banks' holdings of Government securities were over \$1,000 million higher at the end of June than at the end of February 1932. This expansion of Federal Reserve credit was not used as the basis of a credit expansion, but in the ways shown in Table 20.

Table 20. — DESTINATION OF EXPANSION OF FEDERAL RESERVE CREDIT, FEBRUARY TO JUNE 1932.

1932 End of:	\$(000,000's)					
	Federal Reserve banks' holdings of		Monetary gold stock	Money in circulation	Bills discounted by Federal Reserve banks	Member-bank reserve balances
	United States securities	Bills				
February	740	109	4,353	5,604	828	1,849
June	1,784	67	3,919	5,695	440	1,982
Change	+ 1,044	- 42	- 434	+ 91	- 388	+ 133

The Federal Reserve banks' large purchases of Government securities was accompanied by a moderate sale of bills, so that the total expansion of Federal reserve credit outstanding between the end of February and the end of June 1932 on account of bill and security holdings amounted to almost exactly \$1,000 million. Table 20 shows what happened to this credit. The sum of \$434 million was withdrawn in the form of gold and almost \$100 million of the Federal Reserve credit issued was nullified by an increase in monetary circulation. Over \$500 million, or about half the expansion of Federal Reserve credit, did find its way into member banks, who used almost \$400 million to reduce their indebtedness at the Federal Reserve

banks by retiring rediscounts, and over \$100 million to increase their reserve balances with the Reserve banks. Although member-bank credit continued to decline during this period, its rate of contraction was greatly reduced. Net time and demand deposits of member banks were almost \$5,000 million lower in February 1932 than in September 1931, while from February to June 1932 they fell by only \$640 million, the decline being largely concentrated in June, a month of large gold withdrawals, bank failures and currency hoarding.

The effect of the various emergency measures outlined above is also evident in the decline in the number of bank failures, shown in Table 21.

Table 21. — BANK SUSPENSIONS AND BANKS RE-OPENED, SEPTEMBER 1931 TO DECEMBER 1932.

	BANKS SUSPENDED		BANKS RE-OPENED	
	Number	Deposits \$(000,000's)	Number	Deposits \$(000,000's)
1931:				
September	305	234	6	4
October	522	471	22	5
November	175	68	21	13
December	358	277	31	19
1932:				
January	342	219	19	11
February	121	57	43	15
March	48	15	38	20
April	74	32	22	11
May	82	34	23	33
June	151	133	21	12
July	132	49	24	70
August	85	30	25	33
September	67	14	16	14
October	103	20	27	38
November	95	44	18	12
December	153	83	14	6

It will be noted that the number of bank suspensions fell off considerably after February, when the Reconstruction Finance Corporation began its operations, and during the next three months, when the Federal Reserve banks were pursuing their purchases of Government securities. There was a fresh wave of bank failures in June and July, with the recrudescence of the financial panic; but, in the latter month, the banks which failed were in general very small institutions, and the deposits in banks which were able to reopen were greater than in those which failed. This is also true of the next three months. In November and December, however, bank suspensions again became both numerous and important, and fewer banks were able to resume operations.

outstanding did not change appreciably between June-July 1932, when the financial panic came to an end, and the beginning of 1933. Net demand and time deposits of all member banks rose by \$400 million, a \$900 million increase in the deposits of New York banks being compensated in part by a fall in the deposits of "country" banks. Total loans and investments fell by \$550 million, a \$1,350 million decline in loans (commercial loans \$900 million and security loans \$450 million) more than outweighing a \$900 million increase in holdings of Government securities.

During the period June to December 1932, the relationship of the member banks to the Federal Reserve banks underwent marked changes. As is brought out in Table 22, there was a substantial reduction in the indebtedness of member banks to the central institutions and the accumulation of large excess cash reserves on the part of the member banks.

The total volume of commercial bank credit

Table 22. — EXCESS RESERVES OF MEMBER BANKS AND BILLS DISCOUNTED BY FEDERAL RESERVE BANKS, JUNE 1931 TO DECEMBER 1932.

MONTH	\$(1,000,000's) (averages of daily figures)				
	Excess reserves				Bills discounted
	Total: all member banks	New York City	Other reserve cities	"Country" banks	All Federal Reserve banks
1931: June	128.9	71.4	21.0	30.5	188
1932: February	43.8	7.2	11.3	25.3	848
June	234.4	89.4	111.4	33.6	495
July	204.4	75.0	91.6	37.9	523
August	269.9	127.7	108.9	33.3	451
September	345.5	193.4	119.6	32.4	387
October	435.9	241.6	160.5	33.7	328
November	482.2	266.8	181.8	33.7	313
December	525.8	283.2	206.9	35.7	282

A comparison between the first two lines of Table 22 will show the extent to which the American banks met the financial crisis of 1931-32 by drawing on their excess reserve balances and increasing their borrowings from the Federal Reserve banks. The remedial measures taken in the early months of 1932 made their effects felt through an increase in the unused cash reserves of member banks and a reduction in the volume of their indebtedness to the reserve banks. In December 1932, excess cash reserves of member banks amounted to \$525 million. The accumulation of excess reserves was particularly marked in the case of the New York City banks which were, moreover, entirely free of debt to the Federal Reserve banks from April 1932 until the end of February 1933.

The first six weeks of 1933 marked a continuance of the tendency to moderate credit liquidation, already in evidence since November 1932. Total loans and investments of reporting member banks,¹ which stood at \$18,800 million at the end of 1932, fell by \$230 million between then and February 8th, 1933; this decline was confined to loans, holdings of Government securities being somewhat higher. Reporting member banks' borrowings from the Federal Reserve at the latter date stood at \$70 million, practically the same as at the end of the year. The New York City banks were still free of debt to their Federal Reserve bank, as they had been since April 1932. Total bills discounted by

¹ These banks account for about two-thirds of the total loans and investments of all member banks.

all Federal Reserve banks stood at \$250 million, the lowest level since August 1931. Maturing Government securities held by the Federal Reserve banks were allowed to run off without being replaced by fresh purchases in the open market and holdings were \$70 million lower than at the end of the year. The monetary gold stock was about \$30 million higher. The discount rate of the Federal Reserve bank of New York stood at 2½ per cent and call money was 1 per cent.

Conditions of considerable monetary ease thus obtained during this period. The banks in the interior accumulated large balances on deposit with their New York City correspondents. At the beginning of February, amounts due by New York City banks to inland correspondents exceeded \$1,650 million and were twice as high as a year earlier. The net demand deposits of the New York City banks amounted to \$5,860 million and their time deposits to \$860 million. They held cash and liquid assets at the beginning of February 1933 amounting to over 70 per cent of their net demand and time deposits and almost 60 per cent of their net demand and time deposits *plus* bankers' balances.

In spite of the ease prevailing in money markets and the relatively moderate character of bank credit liquidation, there were, none the less, some disquieting features in the banking situation during the first six weeks of 1933. Bank failures continued to increase; during the month of January over 200 banks with deposits exceeding \$150 million went into liquidation, and, during the first half of February, another 125. This fresh wave of bank failures was primarily due to the withdrawal of deposits on a large scale in various parts of the country. Until the first week in February, these withdrawals represented chiefly the transfer of accounts from banks in which the depositors had lost confidence to other institutions; but, after that date, withdrawals became general and resulted in currency hoarding. Towards the end of the month, the withdrawals of currency included substantial amounts of gold.

The troubles began to come to a head in the middle of February; certain important banks in Michigan were subjected to serious runs, and, when bank plans for assistance fell through, the Governor of that State proclaimed that all banks should remain closed for a week. An effect of this proclamation outside of Michigan was to increase the movement of funds from weaker to stronger banks and also the hoarding of currency in many parts of the country. As the panic spread, the declaration of bank holidays or extensive limitations of bank operations became general. By March 4th, each of the forty-eight States of the Union had declared "bank holidays" for shorter or longer periods, or limited withdrawals of deposits to specified proportions of deposits, in few cases exceeding 5 per cent; and, on the date mentioned,

the new President, acting on the authority of the Couzens Amendment to the National Bank Act passed by Congress on February 25th, declared a complete national banking moratorium.

The extent of the public demand for currency may be judged from Table 23, which shows the volume of money in circulation from the beginning of February to the beginning of March.

Table 23. — MONEY IN CIRCULATION,
FEBRUARY 1ST TO MARCH 4TH, 1933.

	\$(000'000's)
February 1st.	5,652
February 8th.	5,705
February 15th.	5,854
February 21st.	5,988
March 1st.	6,720
March 2nd.	6,960
March 3rd.	7,415
March 4th.	7,485

Between February 1st and March 4th, 1933, the total volume of money in circulation in the United States increased by over \$1,830 million; a detailed examination of the daily figures shows that three-fourths of this increase took place during the week beginning February 27th and one half was concentrated in the first three days of March.

As already mentioned, the drain was first felt by the banks in the interior, and they attempted to meet the run by drawing on their balances with New York banks; balances due by New York banks to banks in the interior fell by \$800 million from the beginning of February to March 4th. The New York City banks had built up large excess reserves during the preceding period of easy credit conditions; these excess reserves, which had amounted to some \$300 million during the greater part of January were entirely wiped out during the last week of the crisis. In addition, the New York City banks, which had been out of debt to the Federal Reserve banks for the preceding twelve months, borrowed \$630 million from the central institution in the first three days of March; moreover, between February 1st and March 4th, they sold Government securities to the extent of over \$400 million. Through these sources alone, the New York City banks mobilised resources to the extent of over \$1,300 million, which they placed at the disposal of their country correspondents and their own depositors.

The country banks also borrowed heavily from the Federal Reserve banks, which, moreover, made credit available through the purchase of bills and Government securities. The variations in the volume of Reserve bank credit outstanding from the beginning of February to the culmination of the crisis are shown in Table 24.

Table 24. — FEDERAL RESERVE BANK CREDIT OUTSTANDING, FEBRUARY 1ST TO MARCH 4TH, 1933.

	\$(100,000's)			
	Bills discounted	Bills bought	United States Government securities	Total Reserve bank credit outstanding ¹
February 1st.	269	31	1,764	2,075
February 8th	253	31	1,784	2,085
February 15th.	286	31	1,809	2,136
February 21st	327	174	1,834	2,351
March 1st.	712	384	1,836	2,936
March 4th.	1,414	417	1,881	3,644

¹ Including small items not shown separately.

Bills discounted by the Federal Reserve banks increased by \$1,150 million to reach their highest level since 1921 ; the Reserve banks bought bills to the extent of \$385 million and Government securities to the extent of \$120 million. The increase in Federal Reserve credit outstanding during these five weeks amounted to almost \$1,600 million, and, at \$3,650 million, the total volume of Reserve bank credit outstanding stood at the highest figure reached since the establishment of the Federal Reserve system.

Between the beginning of February and March 4th, the gold holdings of the Treasury and Federal Reserve banks dropped from \$3,477 million to \$2,853 million, or by over \$600 million. At least half of this amount was withdrawn for domestic hoarding as the volume of gold coin and gold certificates in circulation each increased by about \$150 million.

The effect of all these changes on the position of the Federal Reserve banks may now be briefly summarised : On February 1st, before the banking crisis had developed, the Reserve banks had reserves of \$1,476 million in excess of legal requirements and the reserve ratio of the twelve Federal Reserve banks combined was 65.6 per cent. As a result of the run on banks in all parts of the country, member banks in need of additional cash presented paper for discount to the extent of \$1,150 million and, in addition, the Reserve banks furnished funds through the purchase of acceptances and Government securities in the open market, amounting to over \$500 million. The greater part of this expansion was due to an increase in the amount of Federal Reserve notes in circulation, which require a 40 per cent backing in gold ; at the same time, however, there were withdrawals of gold which reduced the reserves of the Federal Reserve banks by \$300 million. Consequently, the reserves of the Federal Reserve banks in excess of legal requirements were reduced to \$416 million on March 4th, and the reserve ratio of the system as a whole dropped to 45.1 per cent.

The Federal Reserve bank of New York felt the strain even more than the other Reserve banks, as

it had to meet, not only the demand for currency originating within the district, but also the liquidation of the large volume of bankers' balances held by interior banks with their New York correspondents. The reserve ratio of the New York bank fell to 41.4 per cent, and it was able to maintain the legal ratio only by rediscounting a substantial amount of its paper with other Reserve banks in the last stages of the crisis and by selling them, in addition, some Government securities.

The climax of the crisis was reached on March 4th, 1933, when the Governors of New York and Illinois proclaimed a "banking holiday" for all banks operating in their States ; and the New York Stock Exchange also declared a temporary holiday. The President of the United States proclaimed a general banking holiday until after the meeting of the special session of Congress summoned for March 10th and imposed an embargo on the export of gold and silver. On March 6th, further paying out by banks of gold coin and gold certificates was prohibited by proclamation and the Federal Reserve banks were requested to prepare lists of persons who had recently withdrawn gold and who did not return it within a specified time-limit. The special session of Congress approved emergency proposals giving the President complete control over all banks for the protection of depositors and creditors, authorising the opening of such banks as had already been ascertained to be in a sound condition and the reorganisation of such banks as might be found to require reorganisation before opening. In addition, amendments to the Federal Reserve Act were passed permitting direct loans to corporations and individuals against collateral in the form of United States obligations, and extending broad powers to the Federal Reserve banks to lend to member banks on "sound assets" not formerly eligible as collateral for such borrowing. Moreover, the Federal Reserve banks were authorised to issue Federal Reserve bank-notes against obligations of the United States, against notes of corporations, partnerships, or individuals secured by United States Government obligations and against notes of member banks

of November. Federal Reserve banks' holdings of Government securities then stood at the highest level ever attained. The chief result of these open-market operations was to reduce member banks' rediscounts and to increase their excess reserves, which, at the beginning of November, reached the record figure of \$850 million. Open-market rates were reduced still further, the rate on call loans to the Stock Exchange being reduced early in September to $\frac{3}{4}$ per cent, the lowest official figure since 1908. On October 19th, the Federal Reserve bank of New York reduced its rediscount rate from $2\frac{1}{2}$ to 2 per cent, and on the following day the Reserve banks of Cleveland and Chicago made similar reductions from 3 to $2\frac{1}{2}$ per cent.

During this nine-month period (from the beginning of March to the end of November), member-bank reserve balances increased by almost \$800 million; moreover, the gold reserves of the Federal Reserve banks increased by \$900 million, representing chiefly a return of gold coin and gold certificates from circulation. The reserve ratio of the twelve Federal Reserve banks, which had touched the low level of 45.1 per cent on March 4th, stood at 64.8 per cent on December 1st, and their excess reserves amounted to about \$2,000 million.

The development of member-bank credit during this period may be estimated from Table 26, which shows the loans and investments of reporting member banks in ninety leading cities.

Table 26. — REPORTING MEMBER BANKS IN NINETY LEADING CITIES :
LOANS AND INVESTMENTS, MARCH TO NOVEMBER 1933.

	Total loans and investments	Loans on securities	All other loans	INVESTMENTS	
				Total	United States securities
			\$ (000,000's)		
March 1st	15,900	3,727	4,554	7,619	4,631
March 8th	15,728	3,759	4,551	7,418	4,427
March 22nd	16,021	3,725	4,665	7,631	4,578
April 5th	15,927	3,617	4,640	7,670	4,585
April 19th	15,876	3,583	4,627	7,666	4,635
May 3rd	16,288	3,698	4,706	7,884	4,909
May 31st	16,426	3,713	4,772	7,941	4,948
June 28th	16,665	3,748	4,704	8,213	5,254
July 26th	16,662	3,789	4,772	8,101	5,117
August 30th	16,607	3,766	4,787	8,074	5,131
September 27th	16,529	3,687	4,853	7,987	5,056
October 25th	16,467	3,584	4,959	7,924	4,956
November 29th	16,672	3,569	4,999	8,104	5,114
			NEW YORK CITY		
March 1st	6,512	1,640	1,439	3,433	2,338
March 8th	6,412	1,668	1,453	3,291	2,186
March 22nd	6,484	1,626	1,525	3,333	2,210
April 5th	6,439	1,548	1,515	3,376	2,215
April 19th	6,439	1,538	1,535	3,366	2,236
May 3rd	6,753	1,676	1,615	3,462	2,353
May 31st	6,933	1,733	1,694	3,506	2,429
June 28th	6,913	1,791	1,609	3,513	2,438
July 26th	6,731	1,790	1,579	3,362	2,293
August 30th	6,726	1,794	1,591	3,341	2,293
September 27th	6,698	1,731	1,613	3,354	2,297
October 25th	6,670	1,636	1,741	3,293	2,194
November 29th	6,804	1,651	1,790	3,363	2,225

The difference between the first two lines of Table 26 indicates the extent of the credit contraction during the last days of the crisis. During the first four days of March 1933 (the figures shown for March 8th refer in reality to March 4th, as all the banks were closed at the first date mentioned), the total loans and investments of reporting member banks dropped by \$200 million; it will be seen that this decline was entirely due to the sale of Government securities. An examination of the figures relating to reporting member banks in 101 leading cities shows that, between February 1st and March 1st, 1933, their

total loan and investments dropped from \$18,725 to \$17,825 million, or by \$900 million. The greater part of this decline was due to a contraction of "all other" (commercial) loans, which fell by over \$500 million. United States securities fell by \$350 million. Most of this credit contraction (\$700 million) was borne by the customers of New York City banks.

The increase in most of the columns shown above for March 22nd is partly due to the fact that, on March 9th, a member bank in Chicago took over assets and assumed deposit liabilities of a non-member bank aggregating approximately \$135

million. A genuine upward movement in the total loans and investments of reporting member banks was in evidence for several weeks after April 19th, the date on which the United States officially abandoned the gold standard by placing an embargo on the export of gold, but between the end of May and the end of November there has been no marked trend in either direction. The increase in total loans and investments of the banks covered by Table 26 between April 19th and November 29th exceeds \$750 million. The greater part of this increase is due to purchases of Government securities (\$500 million), although the total held by the banks has been reduced since the end of June. Investments in non-Government securities declined somewhat (\$40 million). The greater part of the increase in security loans by the New York City banks is accounted for by a rise in their loans to brokers consequent upon the increase in security speculation which followed the American abandonment of the gold standard; their loans to brokers for own account amounted to \$363 million on April 19th and to \$608 million on November 29th. The return flow of bankers'

balances to New York City which followed the re-opening of the banks is shown in the increase in amounts due from New York banks to other banks from \$898 million on March 1st to \$1,474 million on June 14th; but after the passage of the Glass Banking Act of 1933, which, *inter alia*, prohibited member banks from paying interest on 'demand deposits, there was a marked reduction in bankers' balances with New York city banks, which fell to \$1,148 million on November 29th.

It is clear from Table 26 that the business revival which took place in the United States in the spring and summer of 1933 was not accompanied by any striking increase in the volume of commercial bank credit outstanding, as measured in total loans and investments. The increased volume of transactions was, indeed, not financed by an expansion of bank credit, but by a more active use of bank credit already outstanding. This is illustrated in Table 27 below, which shows the total of net demand and time deposits in member banks and their velocity of circulation by months since the beginning of 1933.

Table 27. — DEPOSITS IN MEMBER BANKS AND THEIR VELOCITY OF CIRCULATION, JANUARY TO NOVEMBER 1933.

1933	NET DEMAND AND TIME DEPOSITS IN MEMBER BANKS		VELOCITY OF CIRCULATION OF DEMAND DEPOSITS ¹	
	New York City	Outside New York City	New York City	Outside New York City
	\$(000,000's)		1919-1925 = 100	
January	7,050	18,591	44	73
February	6,722	18,256	52	72
March ²	—	—	—	—
April ³	6,120	15,591	52	72
May ³	6,517	15,992	52	73
June ³	6,669	16,304	62	78
July ³	6,424	16,736	75	90
August ³	6,282	16,757	60	80
November ³	6,289	17,197	51	72

¹ Source: Federal Reserve Bank of New York.

² Figure not available.

³ Licensed banks only.

The figures for months after April refer only to licensed member banks; a comparison of the April and February figures for deposits suggests that some \$3,000 million remained immobilised in unlicensed banks in the latter month. Between April and June, the rise in net demand and time deposits was of modest proportions for both New York City banks and those outside New York City. For the former, it was \$550 million, or 9 per cent, and for the latter \$700 million, or less than 5 per cent. Between June and November, deposits in New York City banks fell almost as much as they had risen in the preceding months,

while deposits elsewhere continue their moderate increase.

The second part of Table 27 shows that, in spite of the relative stability of bank deposits during these months, there was a very substantial increase in the efficiency with which they were used. Their velocity of circulation in New York City banks rose from 52 per cent of the 1919-1925 level in April to 75 per cent in July. For deposits in banks outside New York City, which are not influenced to nearly the same extent by purely financial transactions, the rise was somewhat less. Between April and July 1933, however, the

velocity of circulation in the banks mentioned increased by the very striking figure of 25 per cent. Since July, however, there has been a further sharp contraction in the velocity of circulation of bank deposits both in New York City and elsewhere.

On June 16th, 1933, the Presidential sanction was given to the Glass Banking Act of 1933. Its most important feature is the provision for the insurance of bank deposits. For this purpose, a corporation is set up (Federal Deposit Insurance Corporation) whose stock shall be subscribed to by the Treasury to the amount of \$150 million, by the Federal Reserve banks to an amount equal to one-half their surplus (also about \$150 million) and by member and non-member banks certified to be solvent at the rate of $\frac{1}{2}$ of 1 per cent of their deposits. During the six months beginning January 1st, 1934, a temporary fund will be in operation insuring in full deposits up to \$2,500. After July 1st, 1934, deposits up to \$10,000 will be insured in full, amounts in excess of that and up to \$50,000 at the rate of 75 per cent and all above \$50,000 at 50 per cent. Provision is made for assessment against the stock-holder banks in the event of depletion of the fund. After July 1st, 1936, all stock-holder banks must be members of the Federal Reserve system.

The Act increases the powers of the Federal Reserve Board over member banks in checking speculative operations. It authorises the board to withhold Reserve bank credit from a bank when undue speculative use is made of its funds, and

to fix the percentage of a bank's capital and surplus which may be represented by stock and bond collateral. If a bank borrowing from its Reserve bank increases its loans on such collateral in spite of official warning, its obligations to the Federal Reserve bank become immediately due and payable. Member banks are forbidden to act as agents for non-banking corporations in making loans to brokers and dealers on the security of stocks and bonds. The Board may remove officers and directors of member banks from office.

The Act requires the divorce by member banks of their security affiliates within one year, and prohibits any person or institution engaged principally in a security business from receiving deposits.

National banks are authorised to establish branches throughout the limits of States which permit institutions chartered by them to engage in State-wide branch banking, provided that no bank with a capital of less than \$500,000 may establish a branch outside its own city.

Finally, banks members of the Federal Reserve system are prohibited from paying interest on demand deposits and the Federal Reserve Board is directed to limit by regulation from time to time the rate of interest which may be paid by member banks on time deposits. Member banks may not pay time deposits before maturity nor waive any requirement of notice before payment of any savings deposit.

UNITED STATES OF AMERICA.

COMMERCIAL BANKS¹

Table 26 (a) I.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF JUNE:					
	1922	1925	1929	1930	1931	1932
Number of : Banks	28,704	27,258	23,972	22,759	20,817	18,067
Branches	—	—	—	—	—	—
ASSETS.		\$ (ooo,ooo's omitted)				
1. Cash	3,065	3,568	3,910	4,133	4,124	3,307
(a) Gold, silver and small coins	57	89	71	71	91	66
(b) Inland notes and balances with Central Bank	3,008	3,479	3,839	4,062	4,033	3,241
2. Other Items of a Cash Nature	1,567	2,164	1,680	2,880	1,941	976
3. Bills discounted and bought	—	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—
4. Investments and Securities	9,215	11,619	13,191	13,694	15,220	13,679
(a) Government	3,726	4,322	4,975	4,838	7,220	7,524
(b) Other	5,489	7,297	8,216	8,856	8,000	6,155
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents)	2,804	3,730	3,323	3,712	3,768	2,544
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
7. Loans and Advances	23,704	28,209	34,625	33,695	28,398	21,356
(a) On current account	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
8. Cover for Acceptances	176	177	450	586	938	528
9. Premises, etc.	985	1,269	1,601	1,656	1,652	1,521
10. Sundry Assets	974	1,315	1,796	1,847	1,655	1,110
11. Total Assets	42,490	52,051	60,576	62,203	57,696	45,021
LIABILITIES.						
12. Capital paid up	2,864	3,086	3,735	3,829	3,618	3,274
13. Reserve Funds	2,188	2,555	4,034	4,403	4,229	3,644
14. Profit-and-Loss Account, Undivided Profits, etc.	873	920	936	986	833	555
15. Notes in circulation	726	648	649	652	639	652
16. Cheques and Drafts, etc., in circulation	552	698	837	1,614	1,083	566
17. Due to Banks (Correspondents)	3,243	4,366	3,621	4,331	4,823	3,207
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
18. Deposits	30,088	37,791	42,985	43,288	39,713	30,597
(a) Current accounts and sight deposits	14,875	17,201	24,032	23,960	21,208	16,322
(b) Savings accounts	9,485	11,903	18,654	19,000	18,042	13,845
(c) Time or fixed deposits	5,728	8,687	299	328	463	430
(d) Other deposits	1,041	916	1,624	661	449	1,214
19. Rediscounts and other Borrowings	176	177	450	586	939	528
20. Acceptances and Endorsements	739	894	1,705	1,853	1,370	784
21. Sundry Liabilities	—	—	—	—	—	—
22. Total Liabilities	42,490	52,051	60,576	62,203	57,696	45,021

¹ Abstract of combined reports of : National, State (Commercial) and Private banks, and Loan and Trust Companies.

UNITED STATES OF AMERICA.

NATIONAL BANKS

Table 26 (a) II.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF JUNE :					
	1922	1925	1929	1930	1931	1932
Number of Banks	8,249	8,072	7,536	7,252	6,805	6,150
ASSETS.		\$ (ooo,ooo's omitted)				
I. Cash.	1,478	1,686	1,643	1,764	1,787	1,490
(a) Gold, silver and small coins	60	56	51	49	53	39
(b) Inland notes and balances with Central Bank.	1,418	1,638	1,592	1,715	1,734	1,451
2. Other Items of a Cash Nature	895	1,139	785	1,298	854	427
3. Bills discounted and bought.	—	—	—	—	—	—
(a) Treasury bills.	—	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—
4. Investments and Securities.	4,563	5,730	6,656	6,888	7,675	7,197
(a) Government	2,700	3,131	3,561	3,546	4,253	4,384
(b) Other	1,863	2,599	3,095	3,342	3,422	2,813
5. Participations.	—	—	—	—	—	—
6. Due from Banks (Correspondents).	1,598	1,967	1,854	2,353	2,354	1,569
(a) At home.	—	—	1,777	—	—	—
(b) Abroad	—	—	77	—	—	—
7. Loans and Advances.	11,258	12,684	14,811	14,897	13,185	10,286
(a) On current account	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
8. Cover for Acceptances.	176	177	393	511	442	279
9. Premises, etc.	452	585	748	788	796	760
10. Sundry Assets	286	383	550	617	550	360
II. Total Assets	20,706	24,351	27,440	29,116	27,643	22,368
LIABILITIES.						
12. Capital paid up.	1,307	1,369	1,627	1,744	1,688	1,569
13. Reserve Funds	1,049	1,179	1,634	1,765	1,687	1,458
14. Profit-and-Loss Account, Undivided Profits, etc.	527	516	488	546	444	303
15. Notes in circulation.	726	649	649	652	639	652
16. Cheques and Drafts, etc., in circulation	451	560	373	738	531	241
17. Due to Banks (Correspondents)	2,502	2,886	2,176	2,680	2,746	1,800
(a) At home.	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
18. Deposits	13,333	16,429	19,049	19,851	18,920	15,419
(a) Current accounts and sight deposits.	8,779	9,674	10,504	10,926	10,106	7,941
(b) Savings accounts	4,075	5,812	8,317	8,753	8,579	7,265
(c) Time or fixed deposits	479	943	228	172	235	213
(d) Other deposits	—	—	—	—	—	—
19. Rediscounts and other Borrowings	509	479	714	229	154	507
20. Acceptances and Endorsements.	176	177	393	511	443	279
21. Sundry Liabilities.	126	107	337	400	391	140
22. Total Liabilities.	20,706	24,351	27,440	29,116	27,643	22,368

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:					
	1922	1925	1929	1930	1931	1932
Number of Banks.	8,246	8,070	7,536	7,252	6,805	6,150
	\$ (ooo,ooo's omitted)					
Capital paid up.	1,307.2	1,369.4	1,627.4	1,744.0	1,687.7	1,569.0
Reserve Funds	1,049.2	1,119.0	1,479.0	1,591.3	1,493.9	1,259.4
1. Gross Profits	767.3	776.1	970.4	973.3	894.6	787.9
<i>To be deducted.</i>						
2. Expenses.	391.2	411.1	497.2	513.4	498.5	427.1
(a) Salaries, etc.	198.4	218.1	271.8	276.1	275.6	239.2
(b) Other working expenses	113.4	127.2	159.4	171.2	158.8	139.8
(c) Taxes, etc.	79.4	65.8	66.0	66.1	64.1	48.1
3. Reserved for Pension Funds, etc.	—	—	—	—	—	—
4. Amounts written off on (Depreciation Accounts).	192.4	141.1	171.4	213.6	343.5	500.5
(a) Premises, etc.	—	—	25.1	28.8	18.4	17.7
(b) Investments and securities	170.7	123.2	130.5	165.4	306.4	464.1
(c) Other assets	21.7	17.9	15.8	19.4	18.7	18.7
5. Remaining Net Profit	183.7	223.9	301.8	246.3	52.6	-139.7
6. Carried forward from preceding year.	—	—	—	—	—	—
7. Taken from Reserves or Capital.	—	—	—	—	158.7	308.9
8. Total Amount disposed of for Dividends, etc.	183.7	223.9	301.8	246.3	211.3	-169.2
9. Dividends	165.9	165.0	222.7	237.0	211.3	169.2
10. Carried to Reserves	—	—	—	—	—	—
11. Directors' Fees, etc.	17.8	58.9	79.1	9.3	—	—
12. Carried forward to following year	—	—	—	—	—	—
13. Total as above	183.7	223.9	301.8	246.3	211.3	169.2

Balance-sheet Summary.

Unless otherwise indicated, the following notes refer to Table 26 (a) I, showing the combined accounts of national banks, State banks, trust companies and private banks.

I. Cash.

The amounts shown in the summary table for gold, silver and small coins are composed in the years under review as follows:

	\$ (ooo,ooo's)				
	1922	1929	1930	1931	1932
Gold coin	39	25	25	23	23
Gold certificates	18	46	46	68	43
Total (1 (a))	57	71	71	91	66
Paper currency	402	444	470	564	520
Cash not classified	298	256	274	177	136
Reserve with Federal Reserve Banks or reserve agents.	2,308	3,139	3,318	3,292	2,585
Total (1 (b))	3,008	3,839	4,062	4,033	3,241
Grand Total : (1(a)+(b)).	3,065	3,910	4,133	4,124	3,307

2. *Other Items of a Cash Nature.*

The amounts shown under this heading in the summary table consist of cheques on other banks and exchanges for the clearing house.

Advances " in group 7 of the summary table (see note to that group).

3. *Bills discounted and bought.*

Discounts are included under "Loans and

4. *Investments and Securities.*

The amounts shown in the summary table are composed as follows in the years under review :

	\$ (000,000's)				
	1922	1929	1930	1931	1932
<i>Government (public) securities:</i>					
United States bonds.	3,002	3,744	3,616	5,471	5,832
State, county or municipal bonds.	724	1,231	1,222	1,749	1,692
Total (4 (a)).	3,726	4,975	4,832	7,220	7,524
<i>Other securities:</i>					
Railroad and other public service bonds	1,348	1,907	2,069	2,490	2,075
Other bonds, stocks, warrants, etc.	4,141	6,309	6,787	5,510	4,080
Total (4 (b)).	5,489	8,216	8,856	8,000	6,155
Grand Total (4 (a)+(b)).	9,215	13,191	13,694	15,220	13,679

6. *Due from Banks.*

Sums due from foreign correspondents are not shown separately in the official summary balance-sheets; separate figures available for national banks for the end of June, 1929 and 1932, are shown below :

	\$ (000,000's)	
	1929	1932
Items with Federal Reserve banks in process of collection	444	265
Due from banks and trust companies in the United States.	1,333	1,238
Total due from banks at home (6(a))	1,777	1,503
Balances payable in dollars from foreign branches of American banks	1	—
Due from banks and bankers in foreign countries	76	67
Total due from banks abroad (6(b))	77	67
Grand Total	1,854	1,570

7. *Loans and Advances.*

The composition of this item in the years under review is as follows :

	\$ (000,000's)			
	1929	1930	1931	1932
1. Commercial paper, etc., bought in the open market.	2,729	836	1,057	638
2. Overdrafts	57	50	46	15
3. Loans to banks	372	347	369	489
4. Loans secured by United States and other bonds	11,146	11,459	9,043	5,956
5. Loans secured by real estate.	4,540	4,452	4,315	3,979
Whereof:				
Farm land.	1,855	407	440	495
Other real estate.	2,684	4,005	3,875	3,484
6. All other loans.	15,781	16,593	13,568	10,279
Grand Total (1 to 6)	34,625	33,697	28,398	21,356

Loans and discounts, as shown in the summary tables and above, include paper rediscounted at Federal Reserve banks and other institutions; liability on account of rediscounts is shown separately in the note to group 19 below.

9. *Premises.*

The amounts shown in the summary table refer only to buildings, furniture, fixtures, etc., used in the business of the banks. Other real estate held by them is included under "Sundry Assets".

10. Sundry Assets.

This item includes real estate other than bank premises owned by the banks and other unspecified assets.

15. Notes in Circulation.

This item shows the gross note circulation of the national banks and includes notes held in the Treasury and by banks as well as those in circulation.

16. Cheques and Drafts in Circulation.

This item consists of certified cheques and cashiers' cheques, and, since 1929, dividend cheques, cash letters of credit and travellers' cheques outstanding.

17. Due to Banks (Correspondents).

In the years under review, about two-thirds of the amounts due to banks were reported by national banks.

No distinction is made in the official summary

balance-sheets between sums due to banks at home and abroad. In a separate statement for national banks, however, the composition of this item in 1929 and 1932 is shown as follows :

	\$ (000,000's)	
	1929	1932
Due to Federal Reserve banks (deferred credits)	37	29
Due to other banks and trust companies in the United States.	1,935	1,676
Due to banks in foreign countries.	204	95
Total	2,176	1,800

18. Deposits.

The composition of the amounts shown in the summary table in the years under review is as follows :

	\$ (000,000's)				
	1922	1929	1930	1931	1932
Individual deposits subject to check.	14,275	21,281	20,955	18,565	14,249
Demand certificates of deposits. . .	600	409	402	367	248
State, county and municipal deposits.	.	1,873	1,912	1,849	1,538
Other demand deposits. . . . .	.	469	691	427	287
Total (a), sight deposits . . .	14,875	24,032	23,960	21,208	16,322
Savings account deposits.	7,026	14,045	13,859	12,714	9,760
Time certificates of deposit.	2,415	3,063	3,030	2,881	2,069
Other time deposits . . . . .	.	906	1,150	1,543	1,006
Postal savings deposits.	44	89	139	261	647
State, county and municipal deposits.	.	418	509	484	310
Deposits of other banks . . . . .	.	133	313	160	53
Total (b), time deposits . . .	9,485	18,654	19,000	18,043	13,845
United States deposits.	125	281	246	444	421
Unclassified deposits.	5,603	18	82	19	9
Total (c), other deposits. . .	5,728	299	328	463	430
Grand Total	30,088	42,985	43,288	39,713	30,597

19. Rediscounts and Other Borrowings.

The amounts shown in the summary table include

bills payable as well as rediscounts with the Federal Reserve and other banks.

Summary of Profit-and-Loss Accounts.

The attached summary table of profit and loss accounts refers to national banks ; similar data with regard to State banks, trust companies and private banks are not published in the reports of the Comptroller of the Currency.

I. Gross Profits.

The composition of gross profits since 1920 has been as follows :

	\$ (000,000's)			
	1929	1930	1931	1932
Net interest and discount earned	747.6	740.4	660.9	584.3
Exchange and collection charges	18.1	18.3	15.2	12.1
Foreign exchange	12.4	13.5	15.3	18.2
Insurance and real estate loans	0.9	0.9	0.7	0.6
Trust department	20.6	22.8	26.7	22.4
Profits on securities sold	35.1	41.7	50.3	24.9
Recoveries on assets previously written down	35.6	31.6	35.3	42.3
Other earnings	100.1	104.1	90.2	83.1
Total	970.4	973.3	894.6	787.9

4. *Amounts written off.*

The composition of the amounts charged against investments and securities is given below :

	\$ (000,000's)				
	1922	1929	1930	1931	1932
Loans and discounts	135.2	86.8	103.8	186.9	259.5
Bonds, securities, etc	33.4	43.5	61.4	119.3	201.8
Foreign exchange	2.1	0.2	0.2	0.2	2.8
Total	170.7	130.5	165.4	306.4	464.1

6. *Carried forward from preceding Year.*

The amounts carried forward from preceding year are not shown separately in the official statistics.

disposal of the net profits in excess of the declared dividends.

7. *Taken from Reserves, etc.*

10, 11 and 12. *Carried to Reserves. Directors' Fees. Carried forward to following Year.*

The official statistics give no indication of the

The amounts shown in the summary table are not given in the official statistics, but represent the difference between net profit or loss and dividends declared.

ARGENTINE.

Introductory Note.

The structure of the Argentine credit system and its development up to 1928 were described in the last edition of this *Memorandum*. Attention was there directed, in particular, to the diverse functions of the Caja de Conversión, an autonomous body responsible for the note-issue, the Banco de la Nación Argentina, an official commercial bank having close relations with the Government and rediscounting for the private banks, and the ordinary commercial banks. Since 1928, the outstanding developments affecting the banking position have been : (1) the heavy gold losses suffered by the Caja de Conversión and the commercial banks, leading finally to the suspension of gold payments, a substantial depreciation of the Argentine peso and the institution of foreign exchange control ; (2) the rediscount operations carried out by the Banco de la Nación Argentina at the Caja de Conversión ; (3) a large contraction in the use of bank credit consequent upon the general economic depression, and (4) the report of Sir Otto Niemeyer on the financial and banking system of the Argentine, recommending *inter alia* the establishment of a Central Bank.

Like other agricultural States which had borrowed heavily abroad in the period preceding the depression, the Argentine Republic was forced to export gold in order to balance her international accounts when capital imports ceased and the prices of her raw products fell. The total visible gold supplies and their distribution among the various groups of institutions mentioned above since 1928 are shown in the following statement.

End of :	Millions of paper pesos at par			
	Caja de Conversión	Banco de la Nación	Other banks	Total
1928.	1,112.9	317.7	26.3	1,456.9
1929.	953.7	68.5	25.3	1,047.5
1930.	967.7	2.9	19.0	989.6
1931.	592.9	2.3	4.9	600.1
1932.	583.9		4.8	588.7
June 1933 . . .	583.9		4.8	588.7

Between the end of 1928 and the end of 1931, the visible gold stocks of the Argentine were reduced by over 850 million pesos, or almost 60 per cent. The Caja de Conversión was closed in 1929 and the exchange was supported chiefly by exports of the gold by the Banco de la Nación. In the course of 1930, the Banco de la Nación exported practically the whole of its remaining gold stocks and the other banks also lost gold, but the amounts thus made available were not sufficient to supply the whole demand for foreign currencies and the peso depreciated in value. In 1931, the Banco de la Nación was authorised to control the foreign exchange market and to withdraw gold from the Caja de Conversión to the extent which it deemed expedient. It will be observed from the above table that 375 million pesos were withdrawn in the course of 1931. After the British abandonment of the gold standard, the pressure on the peso increased and, towards the end of 1931, the exchange control was made more rigid and a Committee of Exchange Control set up to collaborate with the Banco de la Nación. Since the beginning of 1932, no further gold has been exported and the official rate of the peso has been maintained at a level equivalent to a depreciation of about 40 per cent in relation to its gold parity.

In order to prevent the loss of gold from resulting in a contraction of the volume of circulating media (notes issued by the Caja de Conversión) in the country, the Banco de la Nación was authorised in April 1931 to rediscount commercial paper with the Caja de Conversión (operating with the advice of a Rediscount Commission) and secure notes in exchange. Before this date, the Banco de la Nación had itself extended substantial rediscount and other credits to the ordinary banks : its active rediscounts rose from 80 million pesos at the end of 1928 to 160 millions in April 1931, and its advances to banks against Government bills from 190 to over 250 million pesos.

At the end of 1931, the Banco de la Nación's rediscounts at the Caja de Conversión reached a total of 359 million pesos. The bank used the funds so acquired partly (145 million pesos) to

Increase its rediscount and other credits to the ordinary banks, which rose from a total of 410 million pesos in April 1931 to 555 million pesos at the end of 1931, partly (160 million pesos) to meet withdrawals of deposits, and partly (65 million pesos) to increase its cash holdings. By the end of 1932, the Caja de Conversión's rediscounts of commercial paper had fallen to 295 million pesos, but it made additional advances to the Government against the Patriotic Loan of May 1932 to the amount of 166 millions, representing an increase of 100 million pesos in the total credit extended by it in the course of the year.

The effect of these rediscount operations is partly reflected in the following statement, which indicates the total volume of notes in circulation and the gold reserve proportion at the end of each year since 1928 :

End of :	Paper pesos (000,000's)	
	Note circulation	Gold reserve %
1928	1,405.9	79.2
1929	1,246.8	76.5
1930	1,260.7	76.8
1931	1,245.1	47.6
1932	1,338.8	43.6

The contraction of the note circulation was confined to the year 1929. There was some expansion in the note circulation and (as will be seen from the attached summary table) in the total volume of credit outstanding in 1930. The volume of sight and other deposits and of most credit items fell quite sharply in 1931. There was some recovery in 1932, however, and, on the whole, the volume of deposits was only about 8 per cent lower and the total volume of credits outstanding only 3 per cent lower at the end of that year than at the end of 1929. These figures understate the real diminution in the effective use of bank credit: this is more clearly reflected in the following figures showing the total volume of bank clearings by years since 1929.

	Paper pesos (000,000's)		
	Federal capital	Rest of country	Total
1929.	40,890	8,113	49,003
1930.	36,361	5,921	42,302
1931.	32,205	5,375	37,580
1932.	24,808	4,903	29,711
Percentage decline 1929-1932 . . .	39.3	39.6	39.4

At the beginning of 1933, Sir Otto Niemeyer visited the Argentine Republic, at the invitation of the Government, to report on the financial and banking position. He recommended the establishment of a Central Bank to take over the functions of the Caja de Conversión and the Rediscount Commission; the assets held by the Caja de Conversión, thus liberated, should be used to cancel part of the Government indebtedness to the Banco de la Nación. All central banking functions exercised by this institution should also be absorbed by the new bank of issue. With regard to commercial banks, the report contains various recommendations concerning minimum cash ratios, nature of investments, limitation of savings accounts and of interest on deposits, publication of balance-sheets, etc. Up to the time of writing, none of the recommendations of the report have been carried into effect.

The summary balance-sheet here presented is based upon statistics published in the *Economic Review* of the Banco de la Nación Argentina. It is not completely comparable with that published in the last edition, which was based upon annual balance-sheets of the individual banks. The publication referred to does not give full balance-sheets, but only a statement of principal accounts. Total assets and liabilities therefore do not balance in the summary table. Double counting of certain items as between the Banco de la Nación and the ordinary banks has been eliminated. The figures given are fully representative of the commercial banking position and they are comparable over the whole period. The figures shown for the end of 1925 refer to January 1926, the earliest month for which data are available.

Balance-sheet Summary.

1. Cash.

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

held by the Banco de la Nación and the ordinary banks and clearing-house balances held by the ordinary banks to the following amounts :

ARGENTINE.

COMMERCIAL BANKS

Table 25 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1925 ¹	1929	1930	1931	1932
Number of Banks	26	26	26	26	26
ASSETS.					
	Pesos (ooo,ooo's omitted)				
I. Cash	616	470	467	514	640
(a) Gold, silver and small coins	53	94	22	7	5
(b) Inland notes and balances with Central Bank	563	376	445	507	635
2. Other Items of a Cash Nature	128	93	136	77	121
3. Bills discounted and bought	1,671	1,684	1,699	1,710	1,558
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	137	208	233	259	262
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	—	92	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	92	—	—	—
7. Loans and Advances	1,578	2,032	2,220	2,018	1,933
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	—	—	—	—	—
10. Sundry Assets	—	—	—	—	—
11. Total Assets	4,130	4,579	4,755	4,578	4,514
LIABILITIES.					
12. Capital paid up	513	522	537	554	557
13. Reserve Funds	159	169	174	176	178
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	2	2	3	3
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	4	—	25	46	27
(a) At home	—	—	—	—	—
(b) Abroad	4	—	25	46	27
17. Deposits	3,416	3,945	4,029	3,555	3,554
(a) Current accounts and sight deposits	1,207	1,218	1,263	1,009	1,112
(b) Savings accounts	1,332	1,771	1,713	1,648	1,570
(c) Time or fixed deposits	642	710	795	667	654
(d) Other deposits	235	246	258	231	218
18. Rediscounts	—	—	—	359	295
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	—	—	—	—	—
21. Total Liabilities	4,092	4,884	4,767	4,693	4,614
22. Other Borrowings	320	404	379	524	490
23. Value of currency in cents of a U.S. dollar at the end of each year	91.4	95.1	83.5	66.7	58.4

¹ Figures refer to January 1926.

	Pesos (000,000's)				
	1925	1929	1930	1931	1932
Notes	464	292	318	383	549
Banco de la Nación	(219)	(97)	(92)	(114)	(166)
Ordinary banks	(245)	(195)	(226)	(269)	(383)
Clearing-house balances of ordinary banks	99	84	127	124	86
Total	563	376	445	507	635

The amounts shown as clearing-house balances are held with the Banco de la Nación, which acts as clearing-house. They are included by that bank as part of its own cash reserves in its published balance-sheet. To avoid double counting, however, they are not shown as part of the cash holdings of the Banco de la Nación in the present group and are likewise excluded from its deposit liabilities in group 17.

2. Other Items of a Cash Nature.

The amounts shown under this heading consist

	Pesos (000,000's)				
	1925	1929	1930	1931	1932
Banco de la Nación	642	681	683	675	633
Ordinary banks	1,029	1,003	1,016	1,035	925
Total	1,671	1,684	1,699	1,710	1,558

4. Investments and Securities.

No distinction is made between Government and other securities; the amounts given are shown under the title "bonds in portfolio".

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

The basic statistics show only the net balance

of sight deposits held by the ordinary banks in banks other than the Banco de la Nación.

3. Bills discounted and bought.

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

of sums due to or from foreign banks at the end of each year. The following statement shows in what proportions the Banco de la Nación and the other banks accounted for the sums shown in the summary table in the years under review. A plus (+) sign indicates balances held abroad and a minus (-) sign balances due abroad.

	Pesos (000,000's)				
	1925	1929	1930	1931	1932
Banco de la Nación	+ 6	+ 55	+ 72	0	+ 10
Ordinary banks	- 10	+ 37	- 97	- 46	- 37
Total	- 4	+ 92	- 25	- 46	- 27

Sight balances of banks with other domestic banks are included in group 2 (see note to that group).

7. Loans and Advances.

The statistics published in the *Economic Review* do not distinguish between advances on current account and others. The following details are available for the years under review:

	Pesos (000,000's)				
	1925	1929	1930	1931	1932
Loans	869	1,058	1,072	752	650
Banco de la Nación	(183)	(143)	(108)	(126)	(130)
Ordinary banks	(686)	(915)	(964)	(626)	(520)
Advances on Government securities	354	528	657	691	673
Banco de la Nación	(80)	(197)	(265)	(247)	(248)
Ordinary banks	(274)	(331)	(392)	(444)	(425)
Other loans and advances	355	446	491	575	610
Banco de la Nación	(141)	(96)	(103)	(120)	(146)
Ordinary banks	(214)	(350)	(388)	(455)	(464)
Total loans and advances	1,578	2,032	2,220	2,018	1,933
Banco de la Nación	(404)	(436)	(476)	(493)	(524)
Ordinary banks	(1,174)	(1,596)	(1,744)	(1,525)	(1,409)

The figures given for the Banco de la Nación in the first two items exclude advances to the ordinary banks, but appear to include small amounts of credit granted to certain minor banks not included in the basic statistics on which the summary table is based. Advances on Government securities are generally made on current account; "Other loans and advances", as shown above, would appear to include long-term and overdue debts.

It will be observed that the decline in total loans and advances since 1930 is entirely due to a sharp contraction in the loans of the ordinary banks outstanding. All credit items of the Banco de la Nación included in this group have shown a continuous increase over the period covered.

Monthly averages of the interest rates charged by the private banks on various classes of loan are shown in the next column for December 1929-1932.

December	Commercial paper	Direct loans with guarantee of signed document	Advances
1929.	7.84	7.97	8.20
1930.	6.73	6.76	7.93
1931.	7.91	7.89	8.26
1932.	7.04	7.27	7.95

11 and 21. Total Assets and Liabilities.

These accounts are incomplete and, for the reasons stated in the introductory note, they do not balance.

12 and 13. Capital and Reserve Funds.

The figures shown for 1925 and based on the 1927 accounts of the ordinary banks as earlier data have not been available.

17. Deposits.

The division of the various accounts among the Banco de la Nación and the ordinary banks in the years under review was as follows:

	Pesos (000,000's)				
	1925	1929	1930	1931	1932
Current accounts	1,207	1,218	1,263	1,009	1,112
Banco de la Nación	(422)	(448)	(452)	(320)	(363)
Ordinary banks	(785)	(770)	(811)	(689)	(749)
Savings deposits	1,332	1,771	1,713	1,648	1,570
Banco de la Nación	(780)	(956)	(882)	(847)	(805)
Ordinary banks	(552)	(815)	(831)	(801)	(765)
Time deposits	642	710	795	667	654
Banco de la Nación	(98)	(53)	(78)	(57)	(134)
Ordinary banks	(544)	(657)	(717)	(610)	(520)
Other deposits	235	246	258	231	218
Banco de la Nación	(102)	(112)	(111)	(103)	(102)
Ordinary banks	(133)	(132)	(147)	(128)	(116)
Total deposits	3,416	3,945	4,029	3,555	3,554
Banco de la Nación	(1,402)	(1,569)	(1,523)	(1,327)	(1,404)
Ordinary banks	(2,014)	(2,376)	(2,506)	(2,228)	(2,150)

There is probably a small amount of double counting involved in the above figures for current accounts, as the only inter-bank deposits excluded are the clearing-house deposits kept by the ordinary banks at the Banco de la Nación. The interest rates paid by private banks on deposits at ninety days' notice fell from an average of 5½ per cent at the end of 1929 to an average of 2½ per cent at the end of 1932. Other deposits, as shown in the above statement, include judicial and various miscellaneous accounts.

18. *Rediscounts.*

The amounts shown under this heading in the summary table represent rediscounts of commercial paper which the Banco de la Nación effected with the Caja de Conversión. Beginning in 1932, the latter institution also made direct advances to the Government on the security of the Patriotic Loan

of 1932; the amount of such advances outstanding at the end of that year was 167 million pesos.

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

22. *Other Borrowings.*

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

	Pesos (000,000's)				
	1925	1929	1930	1931	1932
Rediscounts of commercial paper . . .	122	138	135	252	287
Borrowings against Government securities	198	266	244	272	203
Total	320	404	379	524	490

The Banco de la Nación's advances to the few small banks not covered by the basic statistics on which the summary table is based are not included

in the above figures. These amounted to 30 to 40 million pesos between the end of 1929 and the end of 1932.

BOLIVIA.

Introductory Note.

The earliest commercial banks were established in Bolivia around 1870 and several others were organised towards the beginning of the present century; but they were gradually absorbed by the "Banco Nacional", a private bank founded in 1871, and by the semi-official, "Banco de la Nación Boliviana", which was established in 1911 for the purpose of centralising the note issue, promoting exchange stability and acting as banker to the Treasury. There is at present only one other bank¹ operating in the country — namely, the "Banco Mercantil", organised in 1906. This bank did not take part in the process of amalgamation, but extended its resources very rapidly through internal expansion. In 1929, the "Banco de la Nación" was re-organised under the name "Banco Central", with a view to providing the country with a central bank. The greater part of its business, however, continued to be transacted with the general public, and, in view of its mixed character, it has been included in the summary table of the present chapter.

The commercial banks have established branches in all parts of the Republic. Their operations are of the type generally known as deposit and discount banking. The Banco Central handles practically the whole note issue and most of the foreign exchange business of the country; since 1930, it has also made rediscounts on a limited scale. So far as purely commercial banking accounts are concerned, the Banco Nacional is at present the leading institution, while the Banco Mercantil is at least as important as the Banco Central, which is developing its central banking functions. The share of the Banco de la Nación in total deposits, loans and discounts and investments dropped very markedly after its re-organisation as the Banco Central. This is largely due to the liquidation of Government accounts. According to the organic law of the Banco Central, the total direct and indirect obligations of the National Government and other political subdivisions of the Republic may not exceed 25 per cent of the bank's paid-up capital and reserve funds, or 35 per cent in times of panic. The public obligations transferred to the Banco Central by the Banco de la Nación considerably exceeded this sum and, though a large part has been liquidated, Government obligations at the end of 1930 were still above the legal maximum.

In 1928, comprehensive banking laws were passed providing, *inter alia*, for the nomination of a Superintendent of Banks, whose function is to enforce the laws, to supervise the issue of bank-notes and mortgage bonds, and to submit an annual report on the condition of each bank to the Minister of Finance. Individuals wishing to establish a bank must first obtain the permission of the Superintendent, and his consent is also necessary for the setting-up of new branches or mortgage, savings and trustee departments. The law provides that at least 50 per cent of subscribed capital shall be paid in before a bank starts functioning, and prohibits institutions from extending credit on the security of their own shares. Banks are required at the close of each half-year to carry at least 10 per cent of net profits to a reserve fund until it is equal to 25 per cent of paid-up capital. All banks are required to keep on deposit with the Superintendent of Banks first-class securities to a value of 10,000 bolivianos (or, in the case of larger banks, 20,000) as a guarantee against infractions of the law. Banks other than the Banco Central are required to maintain cash reserves equal to at least 20 per cent of sight deposits and 10 per cent of time deposits in Bolivia. Certain State bonds may be regarded as cash reserves to the extent of 5 per cent of deposits. Included in legal cash reserves are, further: Bolivian, British, Peruvian and American gold currency, Bolivian silver and other metallic currency, notes of the Banco Central and deposits with that institution. The same proportionate cash reserves must be held against sight and time deposits payable in foreign currencies; but sight and three-day drafts on London and New York may be counted as cash for this purpose. The law provides that commercial banks shall have a capital of at least 1 million bolivianos in places with a population of 100,000 or more, and 500,000 bolivianos in places with smaller population. The paid-up capital and reserves may not be less than one-third of a bank's obligations to the public. The banks are authorised to purchase mortgage bonds; but they may not invest more than 10 per cent of their paid-up capital and reserves in the bonds of the same institution, or more than 30 per cent of this amount in mortgage bonds in general. They may also buy mortgage bonds issued by their own mortgage sections up to

¹ A fourth bank, the (foreign) "Banco Alemán Transatlántico", after functioning in Bolivia on a relatively small scale for several years, withdrew its offices in 1930.

20 per cent of their paid-up capital and reserves. No commercial bank may directly or indirectly make advances to any single individual or firm of amounts exceeding 20 per cent of its paid-up capital and reserves. Government loans and Government paper owned by an ordinary bank are likewise limited to a total of 30 per cent of capital and reserves. No commercial bank may accept more than 10 per cent of the capital stock of other banks or companies as security for advances. Such stock may, however, be taken as additional security for loans already contracted. Loans on the security of real estate are limited to two-thirds the value of the estate and, in aggregate, to 15 per cent of the banks' paid-up capital and reserves.

Every domestic and foreign commercial bank in Bolivia is required to subscribe to the stock of the Banco Central to the extent of 15 per cent of its own paid-up capital and reserves.¹ In its direct dealings with the public, the Banco Central is subject to more severe restrictions than the ordinary commercial banks, the intention of the legislation being that this bank should ultimately become a purely central banking institution. Thus, it may only receive non-interest-bearing deposits,² and may not grant loans or discount paper with more than ninety days' maturity, or to an amount exceeding 1,500,000 bolivianos to any single

individual or firm. Moreover, it was required to liquidate, within a period of three years — subsequently extended to the end of 1935 — certain classes of loans which were considered incompatible with central banking functions. On the other hand, its business extends over a wide range of operations of particular importance for the carrying out of these functions. It is the sole depository of Government funds and, in general, acts as fiscal agent for the Government. It may buy and sell Government securities and, in addition,³ mortgage bonds and certain other kinds of readily marketable securities. The total investment of the bank in this form of securities, domestic or foreign, may not exceed 30 per cent of its capital and reserves.

The notes of the Banco Central, which has enjoyed the exclusive privilege of note issue since the end of 1932, are legally redeemable in gold or specified foreign exchange, and the bank is required to keep a cash reserve of 50 per cent against its combined note and deposit liabilities. The bank pays to the Government specified proportions of its net profits in return for the monopoly of note issue and other privileges.

No uniform official banking statistics are published for the Republic of Bolivia. The summary table presented in the chapter is compiled from the balance-sheets of the individual banks.

Balance-sheet Summary.

I. Cash.

The composition of the cash item in the years under review was as follows:

	Bolivianos (000,000's)													
	1925			1926	1927	1928			1929	1930			1931	1932
	Banco de la Nación	Other banks	Total			Banco de la Nación	Other banks	Total		Banco Central	Other banks	Total		
Gold	16.8	4.2	21.0	21.9	22.0	17.8	4.1	21.9	13.6	2.8	3.6	6.4	7.0	8.0
Silver and nickel	1.1	—	1.1	1.3	1.4	1.4	—	1.4	1.4	1.3	—	1.3	1.4	1.2
Total (a)	17.9	4.2	22.1	23.2	23.4	19.2	4.1	23.3	15.0	4.1	3.6	7.7	8.4	9.2
Notes of the Banco de la Nación (Banco Central)	—	1.1	1.1	0.6	0.5	—	0.9	0.9	1.0	—	0.4	0.4	0.9	0.9
Deposits with Banco Central.	—	—	—	—	—	—	1.8	1.8	4.9	—	0.8	0.8	1.8	4.3
Total (b)	—	1.1	1.1	0.6	0.5	—	2.7	2.7	5.9	—	1.2	1.2	2.7	5.2

Before its re-organisation, the Banco de la Nación held the bulk of the gold reserves of the Bolivian banking system. When the monetary reform adopting the gold exchange standard

was put into effect in 1929, the greater part of the bank's gold holdings were converted into deposits in foreign credit institutions (see group 6 below).

¹ At the end of 1930, the share of the capital stock of the Banco Central held by the associated banks amounted to some 2 million bolivianos, while the shares held by the Government and the public represented 14 and 6 million respectively.

² Under the law, five years' exemption was granted from this restriction regarding the payment of interest on deposits received from the public.

³ According to an amendment of October 1930.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :								
	1925	1926	1927	1928	1929	1930	1931	1932	
Number of Banks	3	3	3	3	3	3	3	3	
ASSETS.		Bolivianos (ooo,ooo's omitted)							
1. Cash	23.2	23.8	23.9	26.0	20.9	8.9	11.1	14.4	
(a) Gold, silver and small coins	22.1	23.2	23.4	23.3	15.0	7.7	8.4	9.2	
(b) Inland notes and balances with Central Bank	1.1	0.6	0.5	2.7	5.9	1.2	2.7	5.2	
2. Other Items of a Cash Nature	—	—	—	—	—	—	—	—	
3. Bills discounted and bought	15.0	14.9	14.3	11.5	22.2	20.1	20.3	12.0	
(a) Treasury bills	15.0	14.9	14.3	11.5	16.7	18.2	16.3	11.7	
(b) Commercial bills, Inland	—	—	—	—	5.5	1.9	4.0	0.3	
(c) Commercial bills, Foreign	—	—	—	—	—	—	—	—	
4. Investments and Securities	24.2	20.5	21.7	15.5	19.1	22.5	28.3	85.1	
(a) Government	—	—	—	—	—	—	—	—	
(b) Others	—	—	—	—	—	—	—	—	
5. Participations	—	—	—	—	—	—	—	—	
6. Due from Banks (Correspondents)	7.9	7.1	9.8	45.6	47.0	39.6	22.8	29.5	
(a) At home	—	—	—	—	—	—	—	2.5	
(b) Abroad	7.9	7.1	9.8	45.6	47.0	39.6	22.8	27.0	
7. Loans and Advances	85.6	84.7	85.4	60.1	47.1	46.0	41.0	41.8	
(a) On current account	64.1	60.0	56.5	37.9	26.1	22.1	20.5	16.5	
(b) Other	21.5	24.7	28.9	22.2	21.0	23.9	20.5	25.3	
8. Cover for Acceptances	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.2	
9. Premises, etc.	7.0	7.1	7.4	6.6	6.4	6.6	6.2	7.1	
10. Sundry Assets	1.9	2.7	2.7	1.6	4.8	5.6	5.5	4.7	
II. Total Assets	165.3	161.3	165.7	167.4	168.0	149.8	135.7	194.8	
LIABILITIES.									
12. Capital paid up	45.7	45.7	45.7	45.7	45.6	46.5	46.5	47.3	
13. Reserve Funds	20.3	21.0	22.5	22.2	20.3	21.3	19.7	20.1	
14. Profit-and-Loss Accounts, Undivided profits, etc.	3.1	3.2	2.9	2.8	3.1	3.2	2.7	4.5	
15. Notes in Circulation	38.5	37.6	39.6	44.4	43.0	32.2	27.0	37.7	
16. Cheques and drafts in Circulation	—	—	—	—	1.7	5.6	0.1	—	
17. Due to Banks (Correspondents)	—	—	—	0.3	5.7	0.9	2.1	5.4	
(a) At home	—	—	—	0.3	5.7	0.9	2.1	4.5	
(b) Abroad	—	—	—	—	—	—	—	0.9	
18. Deposits	54.9	51.8	52.8	49.4	45.3	38.0	35.0	60.2	
(a) Current accounts and sight deposits	30.4	26.0	26.4	28.0	26.3	20.7	19.2	48.6	
(b) Savings accounts	4.2	5.1	5.4	5.7	4.8	4.1	3.9	3.4	
(c) Time or fixed deposits	18.2	19.7	19.2	14.5	12.9	12.0	10.8	7.3	
(d) Other deposits	2.1	1.0	1.8	1.2	1.3	1.2	1.1	0.9	
19. Rediscounts and Other Borrowings	—	—	—	—	—	—	—	—	
20. Acceptances and endorsements	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.2	
21. Sundry Liabilities	2.3	1.5	1.7	2.1	2.8	1.6	2.1	19.4	
22. Total Liabilities	165.3	161.3	165.7	167.4	168.0	149.8	135.7	194.8	
23. Value of currency in cents of a U.S. dollar	34.5	33.8	34.8	36.5	36.0	36.8	25.4	18.3	

3. *Bills discounted and bought.*

Government paper separately from commercial paper; the classification of domestic bills is shown below:

The balance-sheets of the banks do not give

	Bolivianos (000,000's)							
	1925	1926	1927	1928	1929	1930	1931	1932
Bills discounted ¹	11.9	11.5	10.8	7.7	12.8	11.8	5.4	4.7
Bills overdue	2.6	2.9	2.9	2.5	1.4	2.2	6.2	3.9
Due bills at sight	0.5	0.5	0.6	0.4	0.2	0.2	0.4	0.4
Bills in process of collection	—	—	—	0.8	1.3	2.8	—	—
Bills in liquidation	—	—	—	0.1	1.0	1.2	4.3	2.7
Total	15.0	14.9	14.3	11.5	16.7	18.2	16.3	11.7

¹ Excluding rediscounts at the Banco Central (see introductory note and the note to group 14 below).

4. *Investments and Securities.*

The banks do not in all cases distinguish between their holdings of Government and other securities. In recent years, Government obligations appear to have constituted some 35 per cent of the total investment portfolio of the banks and have been held almost entirely by the Banco Central. Of the other securities, the most important class would appear to be mortgage bonds.

6. *Due from Banks (Correspondents).*

Amounts due from domestic banks are not shown separately in the balance-sheets, except for the Banco Mercantil in 1932. Deposits maintained with the Banco Central and other institutions are shown in the note to group 1 above.

Sums shown for foreign correspondents consist of sight deposits held with banks abroad by the Banco Central as backing for its note circulation, and sight deposits and balances accruing to this and other banks in the ordinary course of business. The increase in this item after 1927 is due to the conversion of gold into foreign assets by the Banco Central.

7. *Loans and Advances.*

The fall in the total shown for this group in the summary table between 1927 and 1929 was chiefly due to the progressive liquidation of the portfolio of the Banco de la Nación under the terms of the re-organisation law (see introductory note).

8. *Acceptances and Endorsements.*

These amounts consist of cover for letters of credit issued by the banks where shown separately.

9. *Premises, etc.*

The amounts given under this heading include real estate as shown below:

	Bolivianos (000,000's)		
	Real estate	Buildings, etc.	Total
1925.	6.3	0.7	7.0
1926.	6.1	1.0	7.1
1927.	6.3	1.1	7.4
1928.	5.7	0.9	6.6
1929.	5.5	0.9	6.4
1930.	5.7	0.9	6.6
1931.	5.4	0.8	6.2
1932.	6.4	0.7	7.1

10. *Sundry Assets.*

Consisting of various provisional, inter-branch and miscellaneous accounts.

11 and 22. *Total Assets and Liabilities.*

This item excludes *comptes d'ordre*, unpaid capital and the capital stock of mortgage sections of the commercial banks.

12. *Capital paid up.*

This account does not include the capital stock of the mortgage sections of the commercial banks; amounts so excluded are 0.8 million bolivianos in 1925-1928, 1.8 million in 1929-31, and 1 million in 1932. In preparing the summary table, it has not proved possible to eliminate inter-bank holdings of capital stock, the details of which are not shown in the bank balance-sheets. From

information available elsewhere, it would appear, however, that the consequent double counting involved in this item of the summary table amounted to some 10 millions in 1932, the capital stock thus counted twice also being included to corresponding amounts under securities in group 4 of the summary table. The bulk of the capital stock of the Banco Mercantil (12.5 million bolivianos actually paid up) is held by British financial houses.

13. Reserve Funds.

The amounts shown in the summary table include special funds for amortisation of furniture and buildings, reserves against doubtful debts, funds for dividend equalisation, etc.

15. Notes in Circulation.

The Banco Central has a legal monopoly of note circulation ; but the Associated Banks were permitted to maintain small amounts in circulation until the end of 1932. The sums shown in the summary table consist of *net* circulation — *i.e.*, they exclude the banks' holdings of their own notes. They include, however, the portion of the note issues of the Banco Central held by the Associated Banks. The division of the note circulation among the Banco Central and the other banks, and the latter's holdings of Banco Central notes are shown below :

	Bolivianos (000,000's)							
	1925	1926	1927	1928	1929	1930	1931	1932
Note circulation of :								
Banco Central	37.2	36.6	38.8	43.7	42.5	31.8	26.6	37.6
Associated Banks	1.3	1.0	0.8	0.7	0.5	0.4	0.4	0.1
Total net circulation	38.5	37.6	39.6	44.4	43.0	32.2	27.0	37.7
Notes of Banco Central held by Associated Banks	0.9	0.5	0.4	0.8	0.9	0.3	0.7	0.7
Net circulation in hands of public	37.6	37.1	39.2	43.6	42.1	31.9	26.3	37.0

16. Cheques and Drafts in Circulation.

This item, shown only for 1929-1931, consists of drafts payable by, and unpaid cheques issued by, the Banco Central.

Banco Central. Sums due to banks abroad are shown only in the case of one bank and for that bank, only in 1932.

17. Due to Banks (Correspondents).

Mainly balances of associated banks with the

18. Deposits.

The amounts shown in the summary table are composed as follows in the years under review :

	Bolivianos (000,000's)							
	1925	1926	1927	1928	1929	1930	1931	1932
Current accounts	27.5	23.1	24.1	26.2	23.6	18.7	17.2	46.7
Sight deposits	2.9	2.9	2.3	1.8	2.7	2.0	2.0	1.9
Total (a)	30.4	26.0	26.4	28.0	26.3	20.7	19.2	48.6
Ordinary savings deposits	3.0	3.7	4.2	4.5	3.6	3.1	2.9	2.5
Workmen's savings deposits	1.2	1.4	1.2	1.2	1.2	1.0	1.0	0.9
Total (b)	4.2	5.1	5.4	5.7	4.8	4.1	3.9	3.4
Time deposits (c)	18.2	19.7	19.2	14.5	12.9	12.0	10.8	7.3
Judicial deposits	2.1	1.0	1.8	1.2	1.2	1.1	0.8	0.8
Deposits in foreign money	—	—	—	—	0.1	0.1	0.3	0.1
Total (d)	2.1	1.0	1.8	1.2	1.3	1.2	1.1	0.9
Grand total	54.9	51.8	52.8	49.4	45.3	38.0	35.0	60.2

Current accounts arise from credits granted by the banks ; sight deposits represent money lodged with them. The decline in total deposits in recent

years is entirely due to the liquidation of a large part of its current accounts by the Banco Central in connection with the banking re-organisation.

Workmen's savings deposits represent special accounts in which the banks attempt to collect the savings of the lower-income groups of the population. Other deposits, (d), as shown above, include judicial deposits, deposits in foreign currencies and the deposits of the Associated Banks with the Banco Central. The latter amounts do not correspond exactly with the inter-bank deposits shown under the assets of the Associated Banks (see note to group 1 above), because these include small deposits with banks other than the Banco Central. The amount shown as deposited by the Associated Banks with the Banco Central in 1929 includes a small deposit of the Banco Alemán Transatlántico which was still functioning in Bolivia in that year.

19. *Rediscounts and Other Borrowings.*

As stated in the introductory note, the Associated Banks availed themselves of the privilege of rediscounting with the Banco Central for the first time in 1930. At the end of that year, their rediscounts outstanding were, according to their balance-sheets, 1.5 million bolivianos. As this

item, however, is offset by the rediscount credit of the Banco Central and constitutes neither a net asset nor a net liability of the banking system as a whole, it has been excluded from the summary table. As the rediscount credit of the Banco Central is slightly (0.3 million bolivianos) larger than the rediscount liability shown by the Associated Banks in 1930, an amount corresponding to the difference has been deducted from sundry liabilities in that year. A small rediscount liability (0.1 million bolivianos) of the Chile branch of the Banco Mercantil is included in sundry liabilities in 1929.

20. *Acceptances and Endorsements.*

See note to group 8 above.

21. *Sundry Liabilities.*

Inter-branch and various miscellaneous and provisional accounts are grouped under this heading. It includes 0.1 million bolivianos rediscount liability in 1929.

BRAZIL.

Introductory Note.

The Banco do Brasil, the leading bank in Brazil, is a State-controlled institution combining central and commercial banking functions. It does an unrestricted business with the public, but also rediscounts for other banks under normal conditions. Since the end of 1931, it has had a monopoly of transactions in foreign exchange. Its right of note-issue has, however, been taken over by the Treasury with the proviso that it may maintain 170 million milreis of its notes in circulation. The Banco do Brasil, being chiefly a commercial bank, is included in the official banking statistics which comprise all national banks and the Brazilian branches of all foreign banks operating

in the country, and form the basis of the summary table here presented.

In a report submitted to the Brazilian Government in July 1931, Sir Otto Niemeyer recommended the establishment of an independent central bank with sole right to issue notes. The Banco do Brasil was to be relieved of its central banking functions, and to continue functioning as a commercial bank. Although, as stated above, the right of note issue was taken away from the Banco do Brasil, no central bank has so far been established.

The following statement gives an idea of the relative importance of national and foreign banks in 1932.

ITEM	Milreis (000,000's)					
	NATIONAL BANKS		FOREIGN BANKS		ALL BANKS	
	Amount	%	Amount	%	Amount	%
Cash	1,029	56	816	44	1,845	100
Bills discounted and bought	2,685	85	459	15	3,144	100
Loans and advances	2,896	77	885	23	3,781	100
Investments and securities	340	83	70	17	410	100
Capital paid up	726	84	138	16	864	100
Reserves	610	97	17	3	627	100
Sight deposits	3,521	74	1,211	26	4,732	100
Time or fixed deposits	1,243	78	358	22	1,601	100
Savings accounts	400	78	110	22	510	100

The balance-sheet summary is based on the official banking statistics (Movimento Bancario) published annually by the Bureau of Commercial Statistics of the Ministry of Finance. These reports do not contain profit and loss accounts.

The official banking statistics cover all commercial

banks operating in the country, but the actual number of these institutions is not stated; nor is the number of branches and agencies given. The statistics are prepared from obligatory returns which the banks submit to the Ministry of Finance on a common standard form.

Balance-sheet Summary.

I. Cash.

The sums under (a) do not include the gold reserve held in the note issue department of the Banco do Brasil. This reserve, which was lent to the bank under a special convention in 1923, was

taken over by the Government when the Treasury assumed responsibility for the note issue in 1931. See note to group 10 below.

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

	Milreis (000,000's)				
	1925	1929	1930	1931	1932
Bank and State notes	682	1,269	896	925	1,029
Balances with Banco do Brasil	203	264	252	273	814
Total	885	1,533	1,148	1,198	1,843

BRAZIL.

COMMERCIAL BANKS

Table 29 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1925	1929	1930	1931	1932
Number of : Banks					
Branches and Sub-Branches					
ASSETS.					
	Milreis (ooo,ooo's omitted)				
1. Cash	892	1,550	1,164	1,228	1,845
(a) Gold, silver and small coins	7	17	16	30	2
(b) Bank notes, State notes and balances with Central Bank	885	1,533	1,148	1,198	1,843
2. Other Items of a Cash Nature	147	204	191	166	114
3. Bills discounted and bought	2,351	3,070	2,619	2,538	3,144
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	320	254	352	398	410
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	470	677	667	401	450
(a) At home	123	108	88	73	98
(b) Abroad	347	569	579	328	361
7. Loans and Advances	1,876	3,588	3,690	3,609	3,781
(a) On current account	1,876	3,588	3,690	3,609	3,781
(b) Others	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	—	—	—	—	—
10. Sundry Assets	1,577	2,987	2,816	3,557	3,561
11. Total Assets	7,633	12,330	11,499	11,897	13,314
LIABILITIES.					
12. Capital paid up	595	851	788	848	864
13. Reserve Funds	335	509	562	587	627
14. Profits and Loss, undivided Profits, etc.	20	21	25	39	35
15. Cheques and Drafts, etc., in circulation	47	45	34	49	285
16. Due to Banks (Correspondents)	417	706	685	402	991
(a) At home	92	78	74	86	872
(b) Abroad	325	628	611	316	119
17. Deposits	3,661	5,925	5,731	5,962	6,843
(a) Current accounts	2,420	3,487	2,856	3,490	4,732
(b) Savings accounts	320	431	394	451	510
(c) Time or fixed deposits	921	2,007	2,481	2,021	1,601
(d) Other deposits	—	—	—	—	—
18. Rediscounts	—	—	—	—	—
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	2,558	4,273	3,674	4,010	3,669
21. Total Liabilities	7,633	12,330	11,499	11,897	13,314
22. Value of currency in cents of a U.S. dollar at the end of each year	14.2	11.3	9.6	6.2	7.6

2. *Other Items of a Cash Nature.*

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

3. *Bills discounted and bought.*

The composition of the sums shown in this group of the summary table is as follows :

	Milreis (000,000's)				
	1925	1929	1930	1931	1932
Bills discounted	1,989	2,488	2,272	2,284	2,916
Bills receivable for own account :					
Inland	247	429	274	196	217
Foreign	115	153	73	58	11
Total	2,351	3,070	2,619	2,538	3,144

7. *Loans and Advances.*

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

In addition, some banks grant mortgage loans against the issue of mortgage bonds. But as these

operations do not fall within the field of commercial banking proper, mortgage loans and corresponding bond issues, which as a rule are handled by separate mortgage departments, have been included under sundry assets and liabilities in the summary table.

10. *Sundry Assets.*

The sums shown in the table are composed as follows :

	Milreis (000,000's)				
	1925	1929	1930	1931	1932
Assets in liquidation	22	29	50	99	66
Mortgage loans	301	1,081	965	1,256	1,610
Net balance of collection guarantee and safe deposit accounts	158	—	318	160	275
Accounts of Note Issue Department of Banco do Brasil	383	353	53	54	—
Other accounts	713	1,524	1,430	1,988	1,610
Total	1,577	2,987	2,816	3,557	3,561

20. *Sundry Liabilities.*

The sums shown in the table are composed as follows :

	Milreis (000,000's)				
	1925	1929	1930	1931	1932
Mortgage bonds	405	943	973	1,275	846
Net balance of branches and agencies accounts	293	642	870	491	333
Net balance of collection guarantee and safe deposit accounts	—	209	—	—	—
Accounts of Note Issue Department of Banco do Brasil	673	715	170	170	170
Other accounts	1,187	1,764	1,661	2,074	2,320
Total	2,558	4,273	3,674	4,010	3,669

CHILE.

Introductory Note.

The introductory note on Chilean banking published in the first edition of this Memorandum contains a summary of the banking legislation of 1925, to which reference should be made. The relative importance of foreign banks in the Chilean banking system as measured by their share in the total balance-sheet of all private joint-stock banks was roughly the same in 1932 as that shown for 1929 in the special statement there published. The attached summary table is based on the last periodical census of bank accounts of each year (falling as a rule in November) as published by the "Superintendencia de Bancos" in the special series "Resumen de los Bancos del Pais".

Balance-sheet Summary.

1. Cash.

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

	Pesos (000,000's)				
	1926	1929	1930	1931	1932
Gold	14	11	12	6	11
Token coins	5	3	3	2	6
Total	19	14	15	8	17

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

	Pesos (000,000's)				
	1926	1929	1930	1931	1932
Bank-notes		71	65	96	147
Balances with Central Bank	233	81	51	75	138
Total	233	152	116	171	285

2. Other Items of a Cash Nature.

The composition of this item is as follows :

	Pesos (000,000's)				
	1926	1929	1930	1931	1932
Foreign bank-notes	18	25	16	9	9
"Exchange" (canjes)	—	39	30	18	21
Total	18	64	46	27	30

The second item presumably represents cheques on banks abroad.

4 and 5. Securities and Participations.

The commercial banks do not practise partici-

pation in industrial or other business undertakings.

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

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1926	1929	1930	1931	1932
Number of Banks	25	23	23	22	22
ASSETS.					
	Pesos (ooo,ooo's omitted)				
1. Cash	252	166	131	179	302
(a) Gold, silver and small coins	19	14	15	8	17
(b) Bank-notes, State notes and balances with Central Bank	233	152	116	171	285
2. Other Items of a Cash Nature	18	64	46	27	30
3. Bills discounted and bought	373	495	374	160	129
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	325	462	355	155	124
(c) Commercial bills, Foreign	48	33	19	5	5
4. Investments and Securities	189	129	129	120	125
(a) Government	93	16	14	32	25
(b) Other	96	113	115	88	100
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	209	151	113	101	87
(a) At home	30	14	11	15	11
(b) Abroad	179	137	102	86	76
7. Loans and Advances	1,089	1,118	1,156	1,037	1,056
(a) On current account	654	578	635	450	433
(b) Other	435	540	521	587	623
8. Cover for Acceptances, etc	64	94	95	67	45
9. Premises, etc.	77	80	85	90	100
10. Sundry Assets	525	422	301	121	144
11. Total Assets	2,796	2,719	2,430	1,902	2,018
LIABILITIES.					
12. Capital paid up	388	423	427	420	427
13. Reserve Funds	179	215	217	204	170
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—
15. Cheques and Drafts, etc., in circulation	11	18	36	11	14
16. Due to Banks (Correspondents)	205	158	132	46	75
(a) At home	33	6	8	15	7
(b) Abroad	172	152	124	31	68
17. Deposits	1,263	1,276	1,119	906	1,043
(a) Current accounts and sight deposits	724	512	434	400	601
(b) Savings accounts	14	41	47	13	—
(c) Time or fixed deposits	525	709	630	490	439
(d) Other deposits	—	13	8	3	3
18. Rediscounts and other Borrowings	11	47	29	80	13
19. Acceptances and Endorsements, etc.	64	95	93	63	46
20. Sundry Liabilities	675	487	377	172	230
21. Total Liabilities	2,796	2,719	2,430	1,902	2,018
22. Value of currency in cents of a U.S. dollar at the end of each year	12.1	12.1	12.1	12.1	7.9

	Pesos (000,000's)				
	1926	1929	1930	1931	1932
Shares in Central Bank	39	62	65	64	63
Other shares and bonds	52	42	42	20	33
Securities in possession of "Superintendencia de Bancos"	5	9	8	4	4
Total	96	113	115	88	100

6. *Due from Banks.*

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

7. *Loans and Advances.*

The detailed composition of the sums shown is given below :

(a) <i>Advances on Current Account.</i>	Pesos (000,000's)				
	1926	1929	1930	1931	1932
<i>In national currency:</i>					
Against security	232	245	231	162	136
Without special security	212	205	194	149	119
	444	450	425	311	255
<i>In foreign currency:</i>					
Against security	63	73	121	33	50
Without special security	147	55	89	106	128
	210	128	210	139	178
Total (a)	654	578	635	450	433

(b) <i>Other Loans and Advances.</i>	Pesos (000,000's)				
	1926	1929	1930	1931	1932
<i>Loans in national currency:</i>					
Against security	238	322	300	301	293
Without special security	60	93	93	104	104
	298	415	393	405	397
<i>Loans in foreign currency:</i>					
Against security	36	24	26	21	25
Without special security	21	10	13	22	37
	57	34	39	43	62
Credits to directors and staff	25	22	24	20	5
Other loans	55	69	65	119	159
	80	91	89	139	164
Total (b)	435	540	521	587	623
Grand total	1,089	1,118	1,156	1,037	1,056
<i>Thereof:</i>					
In national currency	822	956	907	855	816
In foreign currency	267	162	249	182	240

8. *Cover for Acceptances, etc.*

The sums given in this group of the summary table represent documentary credits (Documentos por boletas de garantía) in respect of which the banks act as intermediaries for their customers by lending their guarantee. The liabilities thus incurred are shown in group (19) of the table.

10. *Sundry Assets.*

The sums given in this group of the summary table include, *inter alia*, various expenditure accounts and certain other accounts representing nominal assets for which no details are shown in the statistics.

11 and 21. Total Assets and Liabilities.

Collection accounts and other "comptes d'ordre" are excluded from the balance-sheet proper in the official statistics.

14. Profit and Loss and Dividend Accounts.

The balance of these accounts is not shown separately in the official balance-sheet summaries, but is included in sundry liabilities.

16. Due to Banks (Correspondents).

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

17. Deposits.

Sight deposits include deposits on less than one month's notice. The official statistics distinguish between deposits in national and in foreign currency. The figures are as follows:

	Pesos (000,000's)				
	1926	1929	1930	1931	1932
Sight deposits (less than 30 days)					
In national currency	577	464	382	335	530
In foreign currency	147	48	52	65	74
Total (a)	724	512	434	400	604
Savings accounts in national currency (b)	14	41	47	13	—
Time deposits (more than 30 days)					
In national currency	371	582	485	360	307
In foreign currency	154	127	145	130	132
Total (c)	525	709	630	490	439
Other deposits in national currency (d)	—	13	8	3	3
Grand total	1,263	1,275	1,119	906	1,043
Thereof:					
In national currency	962	1,100	921	712	840
In foreign currency	301	175	198	194	203

Most of the savings deposits in the country are held by the National Savings Bank, which also

holds considerable amounts of other deposits, as will be seen from the following comparison:

END OF:	Pesos (000,000's)										
	SAVINGS DEPOSITS				SIGHT DEPOSITS			TIME DEPOSITS			GRAND TOTAL
	National Savings Bank	Commer- cial banks	Other credit institu- tions	Total	National Savings Bank	Commer- cial banks	Total	National Savings Bank	Commer- cial banks	Total	
1926	96 ¹	14	60	170	164 ¹	724	888	60 ¹	525	585	1,643
1929	228	41	9	278	201	512	713	68	722	790	1,781
1930	220	47	8	275	175	434	609	77	368	445	1,329
1931	158	13	6	177	132	400	532	68	493	561	1,270
1932	192	—	7	199	193	601	794	59	442	501	1,494

The share of the National Savings Bank in total deposits as shown above was about 30 per cent in 1932.

18. Acceptances and Endorsements, etc.

The sums given in this group of the table represent the liabilities arising from the documentary credits referred to in note (8) above.

19. Sundry Liabilities.

The sums in this group of the summary table include, *inter alia*, interest and commission accounts, inter-branch accounts and various other accounts representing nominal liabilities. They also include a small amount of mortgage bonds.

¹ Including deposits of the Savings Bank of Santiago subsequently absorbed by National Savings Bank; distribution between sight and time deposits estimated.

COLOMBIA.

Introductory Note.

The present organisation of the Colombian banking system dates from 1923, when a general banking law was passed in connection with the currency reform and the establishment of a central reserve system largely modelled on the United States Federal Reserve System, the member banks being shareholders of the Central Bank, the Banco de la República de Colombia. (For a summary

of the main provisions of the banking legislation, see the introductory note given in the first edition of this memorandum.) The commercial banking system comprises 11 domestic banks (with 40 branches) and 5 foreign banks (with 22 branches), the latter accounting in 1932 for some 40 per cent of the joint balance-sheet.

Balance-sheet Summary.

1. Cash.

The sums shown under this heading in the summary table are composed as follows :

End of June	Pesos (ooo,ooo's)				
	1925	1929	1930	1931	1932
Gold coins, bank-notes, State notes, other currency	7.8	7.2	4.8	3.7	1.2
Cash held in savings departments	0.2	0.9	1.0	1.8	1.6
Total	8.0	8.1	5.8	5.5	2.8
Reserve balances with Banco de la República	1.2	5.0	3.4	3.7	10.5
Grand total	9.2	13.1	9.2	9.2	13.3

The gold included in the first item above in 1929 and subsequent years amounted to 1.9, 1.8, 1.8 and 0.01 million pesos respectively.

3. Bills discounted and bought.

The official statistics make no distinction between discounts, loans and advances, nor is Government paper shown separately from commercial paper. Distinction is made, however, between paper eligible for rediscount at the Banco de la República and non-eligible paper. Only the former category is shown under discounts in the summary table, while the second, which may also include a certain proportion of bills, is given in group (6) (Loans and Advances) of the table. Rediscounts at the Banco de la República are maintained in the balance-sheet proper, and are shown separately both under assets and liabilities. Consequently, they are included in groups (3) and (18) of the summary

table. The composition of the sums given under (3) is shown in detail below :

End of June	Pesos (ooo,ooo's)		
	Bills eligible for rediscount		
	Actually redis-counted	Other	Total
1925.	4.7	15.0	19.7
1929.	13.7	41.9	55.6
1930.	13.0	33.9	46.9
1931.	14.4	24.1	38.5
1932.	5.8	17.2	23.0

Foreign bills are not shown separately in the official statistics. Paper discounted for speculative business or for purposes of permanent investments is not eligible for rediscount at the Banco de la República.

COLOMBIA.

COMMERCIAL BANKS

Table 31 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF JUNE :				
	1925	1929	1930	1931	1932
Number of Banks	28	17	16	16	16
ASSETS.					
	Pesos (000,000's omitted)				
1. Cash	9.2	13.1	9.2	9.2	13.3
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—	—
3. Bills discounted and bought	19.7	55.6	46.9	38.5	23.0
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	6.9	12.1	13.1	14.7	17.5
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	3.3	6.9	7.0	8.0	3.5
(a) At home	0.5	0.6	0.5	0.7	0.6
(b) Abroad	2.8	6.3	6.5	7.3	2.9
7. Loans and Advances	22.4	45.9	39.3	40.8	34.4
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	—	6.7	4.6	2.8	0.5
9. Premises, etc.	2.7	3.4	4.8	6.0	4.2
10. Sundry Assets	10.6	4.6	6.2	6.2	8.0
11. Total Assets	74.8	148.3	131.1	116.2	104.4
LIABILITIES.					
12. Capital paid up	15.3	24.7	24.8	24.9	22.5
13. Reserve Funds	5.4	11.2	12.8	15.4	10.3
14. Profit and Loss, Undivided Profits, etc.	1.1	2.3	2.0	0.4	0.3
15. Cheques and Drafts in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	0.9	10.4	14.3	11.6	4.8
(a) At home	—	—	—	—	—
(b) Abroad	0.9	10.4	14.3	11.6	4.8
17. Deposits	36.7	73.6	54.8	53.2	55.3
(a) Current accounts	26.9	50.8	33.3	27.0	31.8
(b) Savings accounts	1.2	6.2	6.5	8.2	7.5
(c) Time or fixed deposits	8.6	16.6	15.0	18.0	16.0
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	5.6	14.5	13.3	14.7	8.1
19. Acceptances and Endorsements	—	6.7	4.6	2.8	0.5
20. Sundry Liabilities	9.8	4.9	4.5	3.2	2.6
21. Total Liabilities	74.8	148.3	131.1	116.2	104.4
22. Value of currency in cents of a U.S. dollar at the end of each year	97.3	97.3	97.3	96.6	95.2

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

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

End of June	Pesos (ooo,ooo's)				
	1925	1929	1930	1931	1932
Ordinary investments :					
Shares in the Banco de la República	2.0	4.8	5.0	4.9	5.0
Other securities	3.6	1.3	1.9	2.4	5.7
Total	5.6	6.1	6.9	7.3	10.7
Investments of savings departments	1.3	6.0	6.2	7.4	6.8
Thereof investments of "immediate convertibility"		(5.4)	(5.5)	(6.5)	(6.2)
Grand total	6.9	12.1	13.1	14.7	17.5

The banks do not participate directly in commercial and industrial enterprises.

7. *Loans and Advances.*

As mentioned in the note to group (3) above, the sums given in the present group of the summary table may include a certain proportion of bills not eligible for rediscount with the Central Bank which are not shown separately in the official statistics.

8. *Cover for Acceptances, etc.*

Since 1929, the official statistics give separate figures under assets showing "Customers' Responsibility" for letters of credit, acceptances and guarantees as follows :

End of June	Pesos (ooo,ooo's)			
	1929	1930	1931	1932
Letters of credit	4.7	2.4	1.7	0.4
Acceptances and guarantees	2.0	2.2	1.1	0.1
Total	6.7	4.6	2.8	0.5

In 1925, these items are included in loans and advances.

9. *Premises, etc.*

The official statistics subdivide this item into bank buildings, other real estate and furniture, etc. The book value of the real estate not used for the business of the banks amounted, in June 1932, to 1.2 million pesos.

10. *Sundry Assets.*

The sum shown for 1925 includes mortgage loans to the amount of 8.1 million pesos, the whole of which had by 1929 been either liquidated or transferred to the institutions specialising in this business. Bills unpaid which likewise are included in this group rose in amount from 1.4 million pesos in 1929 to 6 millions in 1932.

11 and 21. *Total Assets and Liabilities.*

Collection accounts and other *comptes d'ordre* are excluded from the balance-sheet proper in the official statistics.

16. *Due to Banks (Correspondents).*

Sums due to domestic banks are not distinguished from ordinary deposits. Sums due to foreign correspondents as given in the official statistics include the banks' liabilities for letters of credit, acceptances and guarantees. As stated in the note to group (8) above, these items are shown separately under assets since 1929. In constructing the summary table, therefore, an amount equal to the sums thus shown under assets has been deducted from foreign correspondent creditors since 1929 and carried to group (19) of the table.

17. *Deposits.*

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

End of June	Pesos (000,000's)				
	1925	1929	1930	1931	1932
(a) Sight deposits :					
In national currency	23.1	41.7	26.8	22.5	29.3
In other currencies	3.8	9.1	6.5	4.5	2.5
Total sight deposits	26.9	50.8	33.3	27.0	31.8
(b) Savings deposits	1.2	6.2	6.5	8.2	7.5
(c) Time deposits :					
In national currency	6.6	14.7	11.5	14.6	13.7
In other currencies	2.0	1.9	3.5	3.4	2.3
Total time deposits	8.6	16.6	15.0	18.0	16.0
Grand total	36.7	73.6	54.8	53.2	55.3

18. *Rediscounts and Other Borrowings.*

Under this heading are given the rediscounts of

the commercial banks with the Banco de la República and their other borrowings from that bank as follows :

End of June	Pesos (000,000's)				
	1925	1929	1930	1931	1932
Rediscounts with the Banco de la República	4.7	13.7	13.0	14.4	5.8
Other borrowings from the Banco de la República	0.9	0.8	0.3	0.3	2.3
Total	5.6	14.5	13.3	14.7	8.1

19. *Acceptances and Endorsements.*

See notes to groups (7), (8) and (16) above.

20. *Sundry Liabilities.*

The sum shown for 1925 includes mortgage bonds to an amount of 6.1 million pesos. Since 1929, the commercial banks no longer handle mortgage credits (see note to group (10) above).

ECUADOR.

Introductory Note.

The present organisation of the commercial banking system in Ecuador is of very recent origin, dating from the visit of Professor Kemmerer to that country in 1927, and the passing of the General Banking Law in September of that year. Many banks carried on operations before 1927; but they were subject to little regulation. A large proportion of their resources were devoted to currency speculation, and their loans showed little turnover, consisting in large part of capital participations in the firms to which they were extended.

With the re-organisation of the banking system in 1927, the right of note issue, previously enjoyed by all the banks, was concentrated in the Banco Central del Ecuador; and a clear distinction was made between commercial banking activities and the other forms of banking in which the banks formerly engaged. The commercial banks were permitted to organise mortgage, savings and trust sections, but they were required to keep the accounts of these sections separately from those of their commercial banking section. At the end of 1932, there were only five institutions in Ecuador whose activity was entirely devoted to commercial banking; the other seven banks included in the attached summary table for that year also operated mortgage and/or savings sections. Until recently the most important of the commercial banks was the Banco del Ecuador, which accounted for about one-third of the total balance-sheet of the commercial banks in 1930. This bank, however, went into liquidation in 1931. One of the most important commercial banks in the country is now a foreign institution, the Anglo-South American Bank.

Branch banking is as yet little developed; at the end of 1930, only two of the commercial banks had established branches. As the official statistics do not distinguish clearly between the accounts of the mortgage sections of commercial banks and those of the commercial banking sections, the former are included in the summary table and shown separately, where possible, in the detailed notes. The purely mortgage banks, the most important of which is the Banco Hipotecario del Ecuador, organised in 1928, are, however, excluded.

The law of 1927 provided for the nomination of a Superintendent of Banks, attached to the Ministry

of Finance, whose functions are to supervise all banks and other institutions habitually accepting deposits, extending credits and dealing in domestic and foreign exchange. The authorisation of the Superintendent is required for the establishment of branches at home and abroad. The law lays down minimum capital requirements for commercial banks; these are 1 million sucres in cities of 80,000 inhabitants or more and 500,000 sucres in smaller places. The capital of foreign banks may not be less than that of national banks operating in cities of the same size; and, in general, their legal obligations are assimilated to those of the national institutions. The banks are forbidden to make advances on the security of their own shares, though they may take them as additional cover for advances already granted. At least 10 per cent of net profits must be transferred to reserve funds each year until the latter are 25 per cent of paid-up capital. The commercial banks are required to keep cash reserves of 25 per cent and 10 per cent against sight and time deposits respectively. Cash reserves consist of Ecuador gold coins, notes of the Banco Central and deposits with that institution, and silver and subsidiary coin to the extent of not more than 10 per cent of minimum legal reserves.¹ Corresponding cash ratios must be held against deposits payable in foreign currencies, but the banks' own sight deposits abroad may be regarded as cash reserves for this purpose. The paid-up capital and reserve funds of the commercial banks may not be less than 50 per cent of liabilities to the public. The commercial banks and commercial sections of other banks are authorised by law to make advances on mortgage or other security. Mortgage loans may be made for five years, but the currency of all other loans may not exceed one year. No bank may invest more than 10 per cent of its paid-up capital and reserves in mortgage bonds issued by a single institution nor more than 30 per cent in mortgage bonds in general. The banks may also hold bonds issued by their own mortgage sections up to 20 per cent of their paid-up capital and reserves. They are further authorised to hold stock in the Banco Central del Ecuador, and to receive custody deposits. No commercial bank may directly or indirectly make advances to a single individual or firm in excess of 10 per cent of its paid-up capital and reserve funds, except where the advances are secured by bills of

¹ By an amendment to the law passed in November 1930, the banks were authorised to keep 5 per cent of their legal cash reserves against sight deposits in national currency in the form of sight deposits abroad.

exchange, commercial paper or guaranteed notes, in which case the limit is raised to 20 per cent. The banks may not take more than 10 per cent of the share capital of other banks as security against loans, nor may their total holdings of the shares of other banks exceed 10 per cent of their own paid-up capital and reserve funds. This restriction does not apply to shares taken as additional security for debts previously contracted. Loans to directors or other persons connected with the banks are limited to 3,000 sucres, unless special approval is obtained from the Board of Directors. The banks may accept bills and letters of exchange drawn against them of a maturity not greater than six months, arising out of the production, transport, import and export of goods. Bills accepted on

behalf of a single individual or corporation may not exceed 10 per cent of the banks' paid-up capital and reserves, and total acceptances may not exceed the banks' paid-up capital and reserve funds.

Official half-yearly balance-sheets of all the banking institutions operating in Ecuador are published annually both in the *Informe* of the *Superintendencia de Bancos* and in the *Boletín de Hacienda*. The figures for 1927 and 1928 are published in less detail than those for more recent years; moreover, though they exclude the Banco Central and the Banco Hipotecario, they appear to include other mortgage banks and are therefore not strictly comparable with those for 1929 and subsequent years.

Balance-sheet Summary.

1. Cash.

The amounts shown under (a) consist of gold — only 14,000 sucres at the end of 1932 — and

other metallic currency. Those shown under (b) consist of notes of the Banco Central del Ecuador and deposits with that institution, as follows:

	Sucres (000,000's)					
	1927	1928	1929	1930	1931	1932
Notes of Banco Central.	6.1	5.7 ¹	4.2	3.5	2.0	3.2
Deposits with Banco Central.	5.6	5.4	4.0	3.9	1.8	10.2
Total.	11.7	11.1	8.2	7.4	3.8	13.4

¹ Including metallic currency not shown separately in 1928.

2. Other Items of a Cash Nature.

This account consists of sight deposits with

national banks other than the Banco Central and holdings of foreign banknotes and metallic currency.

	Sucres (000,000's)					
	1927	1928	1929	1930	1931	1932
Sight deposits with other banks.	3.5	2.3	0.4	0.9	0.3	0.4
Foreign currencies	—	0.1	0.1	0.1	0.1	—
Total.	3.5	2.4	0.5	1.0	0.4	0.4

3. Bills discounted and bought.

Domestic discounts were not shown separately from loans and advances before the publication of the first report of the Banking Superintendent referring to 1929. Amounts shown under (a) since that year consist of bills eligible for rediscount with the Banco Central; amounts shown under (b)

represent discounts of bills payable in foreign currencies. For rediscounts, see group 19.

4. Investments and Securities.

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

	Sucres (000,000's)					
	1927	1928	1929	1930	1931	1932
Mortgage bonds of other banks.	—	1.2	2.1	1.4	1.2	1.2
Shares of Banco Central	2.6	3.5	3.5	3.1	2.4	2.4
Other securities.	6.3	2.2	0.6	1.9	1.3	1.2
Total.	8.9	6.9	6.2	6.4	4.9	4.8

6. *Due from Banks (Correspondents).*

Ordinary domestic correspondent accounts are presumably included under sight deposits in domestic banks, as shown in the note to group 2 above. Balance of inter-branch accounts are included among sundry assets (group 10 below). The amounts shown under (b) are classified in the official statistics as deposits in foreign banks. Under the law of 1927, they may be regarded as

cash reserves against deposits in foreign currencies, and, by an amendment of 1930, to a limited extent also as cash reserves against deposits in national currency.

7. *Loans and Advances.*

The classification of loans and advances is shown below :

	Sucres (000,000's)					
	1927	1928	1929	1930	1931	1932
Loans made on security of one signature	11.8	—	—	—	—	—
Loans made on security of two or more signatures	18.2	34.5	—	—	—	—
Collateral loans	5.0	3.3	—	—	—	—
Mortgage loans	43.5	47.8	13.9	13.9	14.2	13.1
Short-period loans	—	—	8.0	7.4	5.7	5.5
Other loans not eligible for rediscount	—	—	21.2	18.0	11.6	13.0
Total	78.5	85.6	43.1	39.3	31.5	31.6

It will be observed that the grouping of loans is different in 1927 and 1928 than in the later years. The apparent decline in the total of loans after 1928 is partly due to the fact that the figures for the earlier years cover certain institutions not subsequently included ; it is also partly due,

however, to the writing-off of bad and doubtful loans which was made at the instance of the Superintendent of Banks.

9. *Premises, etc.*

	Sucres (000,000's)					
	1927	1928	1929	1930	1931	1932
Buildings	1.7	1.7	2.9	3.1	2.5	3.7
Furniture	0.4	0.6	0.7	0.7	0.5	0.5
Other real estate	2.9	2.6	—	—	—	—
Total	9.0	4.9	3.6	3.8	3.0	4.2

10. *Sundry Assets.*

Under this heading are grouped the balance of

inter-branch accounts, and other accounts due in national and foreign currencies, as follows :

	Sucres (000,000's)					
	1927	1928	1929	1930	1931	1932
Balance of inter-branch accounts	0.1	—	—	—	0.1	0.1
Other accounts due in sucres . .	0.7	1.0	0.6	0.9	0.7	0.6
Other accounts due in foreign currencies	0.4	—	0.1	—	—	—
Total	1.2	1.0	0.7	0.9	0.8	0.7

11 and 12. *Total Assets and Liabilities.*

Excluding unpaid capital and *comptes d'ordre*. The decline in the total balance-sheet after 1928

is explained in part by the exclusion of certain banks as from 1929, and in part by the liquidation of old accounts incidental to the re-organisation of the banking system.

12 and 13. *Capital and Reserve Funds.*

The amounts shown under this heading since 1929 include, in addition to the statutory reserves, small amounts of special reserves against contingencies (see note to following group). The decline in capital and reserve funds since 1929 is partly due to the writing-off of bad debts required by the Superintendent of Banks (see note to group 7).

14. *Undivided Profits, etc.*

Shown separately only since 1930. It would appear that these were included in the statutory reserve fund before that year.

17. *Due to Banks (Correspondents).*

Amounts due to banks at home and abroad are shown separately only in 1928. The sum shown

	1927	1928	1929	1930	1931	1932
	Sucres (000,000's)					
Public	30.1	28.6	23.9	21.9	12.4	24.7
Government	0.2	1.1	0.4	0.2	0.2	0.2
Total	30.3	29.7	24.3	22.1	12.6	24.9

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

19. *Rediscounts and Other Borrowings.*

This item consists of rediscounts with the Banco

	1927	1928	1929	1930	1931	1932
	Sucres (000,000's)					
Rediscounts with Banco Central.	2.1	4.0	3.4	2.9	2.6	2.0
Rediscounts with other domestic banks	0.7		0.1	0.3	0.1	0.3
Rediscounts abroad	0.2	2.0	0.2	0.2	0.1	—
Total rediscounts	3.0	6.0	3.7	3.4	2.7	2.3
Mortgage bonds outstanding	31.1	26.2	10.8	10.7	10.4	9.4
Grand Total	34.1	32.2	14.5	14.1	13.1	11.7

21. *Sundry Liabilities.*

Sundry liabilities consist of unearned interest received, balance of inter-branch accounts and

for foreign correspondents in that year includes 0.5 million sucres overdraft with foreign banks. The composition of the amounts shown for other years is as follows :

	1929	1930	1931	1932
	Sucres (000,000's)			
Due to banks at home and abroad	1.6	3.0	1.0	2.8
Overdrafts with foreign banks	1.2	1.1	2.1	1.1
Total	2.8	4.1	3.1	3.9

18. *Deposits.*

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

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

other accounts payable in sucres and foreign currencies, as follows :

	1927	1928	1929	1930	1931	1932
	Sucres (000,000's)					
Unearned interest received	0.4	0.3	0.3	0.3	0.2	0.2
Balance of inter-branch accounts	—	0.2	0.1	0.1	—	—
Other accounts payable in sucres	—	0.2	0.1	0.1	0.1	—
Other accounts payable in foreign currencies	2.1	0.2	0.1	0.2	—	0.1
Total	2.5	0.9	0.6	0.7	0.3	0.3

MEXICO.

Introductory Note.

The Mexican commercial banks, which are subject to strict regulations regarding, *inter alia*, liquidity requirements, withstood successfully the economic difficulties of the years under review. In 1931, a serious crisis occurred, currency panic leading to extensive withdrawals of deposits, especially gold deposits. Only one important bank, however, was obliged to close its doors as a result of this crisis and, from the statistics of important individual banks, it would appear that the banking position has since been greatly strengthened.

A series of laws passed in 1931 and 1932 considerably modified the organisation and operations of Mexican banks.¹ The first of these, the Currency Law of July 1931, abolished the internal convertibility of the peso into gold, made silver the sole metallic legal tender, and broadened the basis for the note-issue by the Banco de Mexico. The second, passed in April 1932, required the Banco de Mexico to give up its ordinary commercial banking business and confine itself to the normal operations of a central bank of issue. It further associated the commercial banks of the country with the Banco de Mexico by requiring those which accepted sight deposits to purchase shares of that Bank, or to make a special deposit with it, to an amount not less than 6 per cent of their paid up capital and reserves and to maintain a deposit with the Bank equal to 5 per cent of their outstanding sight deposits. The third (June 1932) regulated the organisation of "credit institutions", prescribed in detail the scope and nature of their operations and those of other financial institutions and extended the powers of inspection and control exercised by the National Banking Commission.

The latter body, created under the banking law of 1924, was alone empowered to authorise the establishment of new banks and revoke the licences of existing ones; it was required to approve of capital issues, to fix from time to time the cash reserves to be held by the banks against deposits and, in general, to supervise the application of the new code. Foreign banks were subjected in general to the same regulations as national institutions, but were forbidden to accept savings deposits, to issue mortgage or cash bonds or to act as trustees. A fourth law (August 1932), aiming at developing the domestic market for securities and other forms of paper, regulated the issue and status of credit instruments.

In consequence of the reorganisation of the banking system, the summary statistics for 1932 are not comparable with those for previous years. With the introduction of the new banking code, a number of new banks were established and existing banks transformed. Several firms included in the statistics for the years 1925-1931, which were not "credit institutions" under the terms of the banking law of 1932 — the old "assimilated institutions" and other firms not exclusively engaged in banking business — were omitted from the statistics for the end of 1932. Moreover, the commercial banking business of the Banco de Mexico, which is throughout excluded from the summary table, had by that time been taken over in large measure by other banks.²

The division of the banks by categories in 1925, 1929 and 1932 and the relative importance of the balance-sheet totals of each category were as follows:

	1925		1929			1932	
	Number of banks	Per cent of total balance-sheet	Number of banks	Per cent of total balance-sheet		Number of banks	Per cent of total balance-sheet
Industrial and agricultural banks	3	12	16	61	Industrial and agricultural banks	15	56
Foreign banks	3		5	25	Deposit and discount banks	19	13
Deposit and discount banks		25	5	2	Foreign banks	6	21
Banking firms	42		21	9	National banks	8	10
Assimilated institutions			6	3	Total	48	100
Old banks of issue	24	63	—	—			
Total	72	100	53	100			

¹ The basic laws previously in force were the Banking Law of November 1924 (summarised in the last edition of this memorandum) and the law of August 1925 creating the Banco de Mexico.

² See "Informe del Consejo de Administración", of the Banco de Mexico, 1933.

MEXICO.

COMMERCIAL BANKS

Table 33 (a).

ACCOUNTS	SUMMARY OF POSITION AT END OF:				
	1925	1929	1930	1931	1932
Number of Banks	72	53	56	58	48
ASSETS.					
Pesos (ooo,ooo's omitted)					
1. Cash	51.7	54.5	71.8	30.0	62.1
(a) Gold, silver and small coins	48.1	50.5	63.5	26.8	37.4
(b) Bank notes, State notes and balances with Central Bank	3.6	4.0	8.3	3.2	24.7
2. Other Items of a Cash Nature	2.6	8.3	6.7	3.5	5.9
3. Bills discounted and bought	54.2	92.4	95.9	41.6	46.9
(a) Government bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	64.5	31.6	30.8	18.9	21.4
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	39.3	49.9	25.1	29.4	18.7
(a) At home	20.0	19.9	9.8	5.8	6.8
(b) Abroad	19.3	30.0	15.3	23.6	11.9
7. Loans and Advances	224.5	130.8	126.9	135.8	115.7
(a) On current account	20.7	37.1	44.5	33.3	33.9
(b) Other	203.8	93.7	82.4	102.5	81.8
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	23.3	24.1	24.2	17.5	20.5
10. Sundry Assets	70.6	23.9	35.5	31.9	29.2
11. Total Assets	530.7	415.5	416.9	308.6	320.4
LIABILITIES.					
12. Capital paid up	147.1	100.9	100.6	98.6	95.8
13. Reserve Funds	66.3	28.1	21.6	19.9	14.6
14. Profit and Loss, Undivided Profits, etc.	—	—	—	—	—
15. Notes in circulation	48.9	11.2	5.5	5.5	5.2
16. Cheques and Drafts, etc., in circulation	25.5	14.7	5.2	5.0	4.8
17. Due to Banks (Correspondents)	10.2	11.8	12.0	7.7	11.9
(a) At home	3.6	10.1	8.6	2.0	8.2
(b) Abroad	6.6	1.7	3.4	5.7	3.7
18. Deposits	146.9	218.5	243.2	145.4	162.1
(a) Current accounts and sight deposits	135.2	175.6	183.0	102.0	135.2
(b) Savings accounts	—	—	—	—	—
(c) Time deposits	11.7	42.9	60.2	43.4	26.9
(d) Other deposits	—	—	—	—	—
19. Rediscounts and other Borrowings	3.6	8.2	7.8	5.5	14.5
20. Acceptances	—	—	—	—	—
21. Sundry Liabilities	82.2	22.1	21.0	21.0	11.5
22. Total Liabilities	530.7	415.5	416.9	308.6	320.4
23. Value of currency in cents of a U.S. dollar at the end of each year	49.8	49.8	45.5	30.0	32.0

The composition of the old banking groups was described in the last issue of this memorandum. The new item "National Banks" represents banks over which the State has direct control through majority representation or through veto on the decisions of their boards and assemblies. Only two of these banks, the Banco Nacional de

Credito Agricola and the Banco de Trabajo, are of importance. The former industrial and agricultural banks (*bancos refaccionarios*) and the former deposit and discount banks shown for 1932 are not entirely comparable with the corresponding groups shown for previous years.

Balance-sheet Summary.

(Notes on certain items not dealt with below are given in the previous edition of this memorandum.)

1. Cash.

The composition of the metallic cash holdings of the banks since 1929 is shown below :

	Pesos (000,000's)			
	1929	1930	1931	1932
Gold	30.2	27.1	3.7	2.2
Silver and small coins	20.3	36.4	23.1	35.2
Total	50.5	63.5	26.8	37.4

The drop in the banks' gold holdings in 1931 was a result of the currency panic in the summer of that year and the subsequent abolition of the domestic convertibility of the peso into gold.

4 and 5. Investments and Securities: Participations.

The division of the sums shown in the summary table between "approved" securities (see note in last edition) and other investments is given below :

	Pesos (000,000's)			
	1925	1929	1931	1932
Approved securities	9.4	6.5	6.6	8.3
Other investments	55.1	25.1	12.3	13.1
Total	64.5	31.6	18.9	21.4

6. Due from Banks (Correspondents).

The sums shown for domestic correspondents (a) are composed of sight deposits which the banks make in other banking establishments, and balances which arise with other banks in the course of current account transactions as follows :

	Pesos (000,000's)			
	1925	1929	1931	1932
Inter-bank deposits	4.2	7.1	5.3	5.6
Balances due from banks	15.8	12.8	0.5	1.2
Total	20.0	19.9	5.8	6.8

The sums shown for foreign correspondents (b) are described in the official statistics as "assets held in foreign banks"; balances in foreign banks considered "first class" by the National Banking Commission may be counted as cash reserves against sight deposits in national currency. (From 1925 to 1931 inclusive, not more than one-third of the statutory cash reserves might be constituted by such balances.)

7. Loans and Advances.

The sums given under (a) in the summary table include, in addition to advances which are distinguished in the official statistics as credits on current account, those granted against collateral and advances made to the Federal Government as shown below for the years 1925, 1929, 1931 and 1932 :

	Pesos (000,000's)			
	1925	1929	1931	1932
On current account	6.1	8.5	2.5	2.0
Against collateral	14.6	26.0	28.3	31.0
To Federal Government	—	2.6	2.5	0.9
Total (a)	20.7	37.1	33.3	33.9

In the same years the composition of the sums given under (b) was as follows :

	Pesos (000,000's)			
	1925	1929	1931	1932
1. Promotion loans	2.8	15.2	15.5	9.2
2. Sundry debtors	28.6	60.8	77.7	66.4
3. Other loans	—	1.2	1.0	0.9
Total 1-3	31.4	77.2	94.2	76.5
Subject to moratoria :				
4. "Constitutional Government" debt	34.3	0.3	—	—
5. Other old loans	138.1	16.2	8.3	5.3
Total 4-5	172.4	16.5	8.3	5.3
Grand total (b)	203.8	93.7	102.5	81.8

For details regarding the scope of the various items shown above, see the previous issue of this memorandum.

10. *Sundry Assets.*

The sums shown in this group of the summary table are composed of mortgage loans and miscellaneous accounts in the following proportions:

	Pesos (ooo,ooo's)			
	1925	1929	1931	1932
Mortgage loans	7.1	16.3	14.6	12.9
Miscellaneous	63.5	7.6	17.3	16.3
Total	70.6	23.9	31.9	29.2

Mortgage loans extended by mortgage banks (excluded from the summary table) declined from 26 million pesos in 1925 to 14 millions in 1929 and less than 11 millions in 1932. There was thus a considerable contraction of the total volume of such loans in the period considered. A decree was issued in August 1932 establishing a national mortgage bank, the Banco nacional hipotecario urbano y de Obras publicas. The capital of this institution, which opened in February, 1933, was subscribed by the State and important credit institutions.

12 and 13. *Capital and Reserves.*

In the case of foreign banks, only the capital assigned to the branches in Mexico is included.

15. *Notes in Circulation.*

The figures shown in the summary table include the unredeemed notes of those banks of issue which were transformed into banks of deposit and discount or industrial and agricultural banks under the banking law of 1924.

16. *Cheques and Drafts, etc., in Circulation.*

The sums shown under this heading in the summary table consist of "provisional bonds and certificates" (see note in the last edition of this memorandum) and cash bonds issued by the industrial and agricultural banks, as follows:

	Pesos (ooo,ooo's)			
	1929	1930	1931	1932
Provisional bonds	13.2	3.7	4.0	4.2
Cash bonds	1.5	1.5	1.0	0.6
Total	14.7	5.2	5.0	4.8

By the banking law of 1932, the right to issue cash bonds against time deposits was extended to all credit institutions other than foreign banks.

17. *Deposits.*

The detailed composition of deposits is shown below:

	Pesos (ooo,ooo's)			
	1925	1929	1931	1932
A. Sight deposits:				
In national currency	97.3	123.5	62.3	97.5
In foreign currency	30.4	35.2	31.3	26.4
Total	127.7	158.7	93.8	123.9
B. Undrawn balances of current account credits opened	2.4	2.4	0.2	0.5
Sundry creditors	5.1	14.5	8.0	10.8
Total	135.2	175.6	102.0	135.2
C. Time deposits:				
In national currency	8.1	34.1	22.9	20.3
In foreign currency	3.6	8.8	20.5	6.6
Total	11.7	42.9	43.4	26.9
Grand total	146.9	218.5	145.4	162.1

In 1929, 1930 and 1931, gold and silver sight deposits were shown separately as follows: gold deposits, 63.7, 61.6 and 1.0 millions; silver deposits 59.8, 77.7 and 61.5 millions. By the currency law of 1931, the banks were authorised to repay 70 per cent of their outstanding gold deposits in means of payment other than gold.

21. *Sundry Liabilities.*

Under this heading are grouped accounts classified in the official statistics as miscellaneous liabilities and the creditor accounts of the old banks of issue, of which moratoria have been declared (see note in previous edition of this memorandum). A third account, the balance of old unredeemed Federal notes and of provisional bonds and certificates, is included in 1930 and 1931. Separate figures for these various groups are given below:

	Pesos (ooo,ooo's)				
	1929	1930	1930	1931	1932
Federal notes, etc.	—	—	2.2	0.1	—
Miscellaneous liabilities	31.7	15.3	14.1	15.9	11.2
"Old accounts"	50.5	6.8	4.7	5.0	0.3
Total	82.2	22.1	21.0	21.0	11.5

The miscellaneous liabilities include, in addition to transitory accounts, the profits of the banks, which are not shown separately.

PERU.

Introductory Note.

The chief banking events in Peru since the last issue of this *Memorandum* have been (1) two devaluations of the currency and final suspension of the gold standard ; (2) the establishment of an agricultural bank, the Banco Agrícola del Perú, in August 1931 ; and (3) a reduction in the number of commercial banks.

The Peruvian currency was devalued in February 1930, when a new unit, the gold sol, of a par value of \$0.40 American currency, was adopted. The profits accruing from the devaluation were applied by the Government to the repayment of bank debts. The sol was again devalued (to the rate of \$0.28) in April 1931. Part of the revalorisation profits were turned over to the newly created Banco Agrícola del Perú, and additional capital was subscribed by the Government. In May 1932, the gold standard was suspended and the exchange value of the sol declined further.

The Banco Agrícola was, as its name suggests, established for the purpose of making loans to farmers. At the end of September 1932, the total paid-up capital of this institution amounted to 10 million gold sols ; its loans were slightly less than 5 million sols and it held 6 millions in the form of deposits in other banks.

The number of commercial banks operating in Peru has been reduced through failures and amalgamations. In October 1930, the Banco del Perú y Londres suspended payments, and there was a banking moratorium until the end of the year. By the end of 1932, the number of banks for which regular returns are published had fallen to nine, including the Caja de Ahorros de Lima (which is included throughout in the summary table). Foreign banks account for a high proportion of total commercial banking business in Peru.

Since the end of 1931, the Superintendencia Bancaria has published at different dates during the year, and at the end of each year, the banks' balance-sheets in a more detailed form than that previously used. The figures shown for 1931 and 1932 in the attached summary table are consequently not entirely comparable with those given in the previous years. The detailed notes which follow refer only to 1931 and 1932 ; the composition of the various items in earlier years may be judged on the basis of indications given in the previous issue of this *Memorandum*.

Balance-sheet Summary.

I. Cash.

The following is the composition of this item :

	Sols (000,000's)	
	1931	1932
Gold	2.9	3.8
Silver, nickel, etc.	1.2	0.8
Total I (a)	4.1	4.6
Notes	7.0	8.0
Balances with Central Bank	6.3	5.2
Total I (b)	13.3	13.2

2. Other Items of a Cash Nature.

Up to 1930, this item consists of foreign notes and coins ; since 1931, it includes as well small balances due from other banks.

3. Bills discounted and bought.

Until 1931, no distinction was made in the official statistics between inland and foreign bills ; nor

were rediscounts shown separately. Since that year, the detailed composition of the bill portfolio has been as follows :

	Sols (000,000's)	
	1931	1932
Treasury Bills :		
Discounted	4.6	4.8
Rediscounted . . . . .	.	6.1
Inland Bills :		
Discounted	29.6	27.6
Rediscounted	6.5	0.3
Foreign Bills :		
Discounted	3.3	20.1
Bought	0.5	0.1
Rediscounted	—	11.0
Total		
Discounts	38.0	52.6
Rediscounts	6.5	17.4
Net bill portfolio	31.5	35.2

PERU.

COMMERCIAL BANKS

Table 34 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1925	1929	1930	1931	1932
Number of banks	12	12	13	11	9
	Peruvian pounds (000,000's)		Sols (000,000's)		
ASSETS.					
1. Cash	2.4	2.7	18.5	17.4	17.8
(a) Gold, silver and small coins	0.3	0.3	3.0	4.1	4.6
(b) Bank-notes, State notes and balances with Central Bank	2.1	2.4	15.5	13.3	13.2
2. Other Items of a Cash Nature	—	—	0.1	0.4	0.4
3. Bills discounted and bought	8.3	8.0	55.7	38.0	52.6
(a) Treasury bills	—	—	—	4.6	4.8
(b) Commercial bills, Inland	8.3	8.0	55.7	29.6	27.6
(c) Commercial bills, Foreign	—	—	—	3.8	20.2
4. Investments and Securities	2.7	3.6	32.1	17.3	17.9
(a) Government	—	—	—	1.5	3.4
(b) Other	—	—	—	15.8	14.5
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	3.1	2.4	20.0	14.1	9.7
(a) At home	1.0	0.4	3.9	1.4	0.1
(b) Abroad	2.1	2.0	16.1	12.7	9.6
7. Loans and Advances	8.2	10.0	76.1	80.2	81.7
(a) On current account	—	—	—	57.4	57.9
(b) Others	—	—	—	22.8	23.8
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	0.5	0.8	5.0	5.8	4.5
10. Sundry Assets	2.8	3.7	14.2	17.5	23.3
11. Total Assets	28.0	31.2	221.8	190.7	207.9
LIABILITIES.					
12. Capital paid up	2.4	5.3	44.7	26.5	25.9
13. Reserve Funds	0.9	1.5	12.3	13.8	13.0
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	0.6	0.7	4.9	1.7	1.3
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	1.0	0.4	3.9	19.4	23.7
(a) At home	1.0	0.4	3.9	0.2	0.8
(b) Abroad	—	—	—	19.2	22.9
17. Deposits	16.1	17.2	120.1	103.4	102.6
(a) Current accounts and sight deposits	7.1	8.8	54.1	50.5	53.8
(b) Savings accounts	1.9	2.3	16.3	18.3	20.1
(c) Time or fixed deposits	6.4	5.3	43.3	34.3	28.5
(d) Other deposits	0.7	0.8	6.4	0.3	0.2
18. Rediscounts and other Borrowings	—	—	—	6.5	17.4
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	7.0	6.1	35.9	19.4	24.0
21. Total Liabilities	28.0	31.2	221.8	190.7	207.9
22. Value of currency in cents of a U.S. dollar at the end of each year	395.0	400.0	30.3	28.0	17.2

Before 1931, foreign bills bought were included under "due from banks abroad" in group (6) of the summary table.

4. Investments and Securities.

The sums shown under (a) include municipal securities; the composition of those shown under (b) is given below:

	Sols (000,000's)	
	1931	1932
Shares of Central Bank	1.8	1.7
Other shares	9.6	12.6
Securities in savings departments	4.3	—
Securities pledged with Banking Superintendent	0.1	0.2
Total	15.8	14.5

6. Due from Banks.

Amounts shown in the summary table as due from banks at home before 1931 represent balances due from the clearing house; since that year, they represent deposits in domestic banks.

7. Loans and Advances.

The composition of this item since 1931 has been as follows:

	Sols (000,000's)	
	1931	1932
(a) On current account:		
In Peruvian currency:		
Against collateral	26.5	18.7
Without collateral	15.2	14.5
In foreign currency:		
Against collateral	13.6	17.9
Without collateral	2.1	6.8
Total	57.4	57.9
(b) Other loans:		
In Peruvian currency:		
Against collateral	7.3	6.4
Without collateral	0.9	1.1
To Government	4.5	3.6
In foreign currency:		
Against collateral	1.5	1.6
Without collateral	1.6	0.3
To Government	—	1.0
Certificates of deposit	0.2	0.2
Other loans	6.8	9.6
Total	22.8	23.8
Grand total	80.2	81.7

10. Sundry Assets.

Since 1931, the details of this account have been as follows:

	Sols (000,000's)	
	1931	1932
Branch accounts	0.4	0.3
Exchange operations	10.7	15.5
Profit-and-loss account	—	0.1
Other accounts	6.4	7.4
Total	17.5	23.3

12 and 13. Capital and Reserve Funds.

Before 1931, these figures refer only to the national banks; since that year, they refer to all the banks included in the table.

18. Rediscounts.

See note to (3) above.

20. Sundry Liabilities.

The composition of this item in 1931 and 1932 was as follows:

	Sols (000,000's)	
	1931	1932
Branch accounts	0.8	—
Mortgage departments	0.6	0.4
Exchange operations	10.1	15.4
Other accounts	7.9	8.2
Total	19.4	24.0

Profit-and-Loss Accounts.

The Banking Superintendent has published, for the second half of 1932, a more detailed statement of the banks' profit-and-loss accounts than has hitherto been available. This statement is summarised below:

	Sols (000,000's)	
	1931	1932
Interest {	Income	4.8
	Outlay	2.2
	Net income	2.6
Commissions, etc. {	Income	1.7
	Outlay	1.1
	Net income	0.6
Gross profits		3.2
Salaries, etc.		1.6
Taxes, etc.		0.1
Written-off assets		1.0
Net profits		0.5

URUGUAY.

Introductory Note.

The most important banking institution in Uruguay is the State-owned Banco de la República Oriental, founded in the year 1896 as a bank of discount and note issue. The bank acts as fiscal agent to the Treasury, rediscounts paper for the ordinary commercial banks, buys and sells foreign currencies, and carries on certain other operations of a central banking character. It maintains direct contact with private industry, however, and its commercial deposits and loans are of considerably greater importance than its official and central banking accounts; accordingly, it is regarded as a commercial bank for the purposes of the present study and is included in the attached summary table.

Under a Charter of 1911, the year in which the State took over the whole of the capital stock of the Banco de la República, the bank was given the exclusive right of note issue. Its issues of "major" notes — *i.e.*, those of 10 pesos and over — are limited to three times the bank's paid-up capital, and its issues of "minor notes" — *i.e.*, those of less than 10 pesos, to one-half the paid-up capital. A gold reserve of 40 per cent is required against "major" issues outstanding, while "minor" issues may be covered by either gold or silver. The bank may also issue notes up to the amount of the rediscounts effected for local banks, provided that in no case the metallic cover falls below the minimum ratios mentioned above. The

bank is required to keep a gold reserve of 40 per cent against other sight liabilities, in addition to note circulation.

A large part of the bank's resources is devoted to the extension of rural credit, for which purpose it maintains a separate section. It is the proprietor of an important granary warehouse, and a substantial proportion of its credit to farmers is extended on the basis of grain stored there. The bank has also established a Savings Bank and Discount Department, which specialises in small, non-commercial accounts; this department is operated as a separate institution, and its balance-sheet is not included in the attached summary table.

In addition to the Banco de la República, there are several private institutions, domestic and foreign, carrying on commercial banking operations in Uruguay. The most important of the foreign banks, and the largest private bank in Uruguay, is the Banco de Londres y América del Sud, which, at the end of 1932, accounted for 25 per cent of the deposits and over 15 per cent of the loans and advances of all the private banks in the country.

The relative importance of the Banco de la República, the ordinary domestic commercial banks and the foreign banks in the Uruguayan banking system may be judged on the basis of the following figures,¹ referring to the end of 1932.

	Pesos (ooo,ooo's).						
	Banco de la República		Ordinary Domestic banks		Foreign banks		Total
	Amount	%	Amount	%	Amount	%	Amount
Number of banks.	1		9		8		18
Capital and reserves.	29.1	48	24.1	41	6.7	11	59.9
Sight deposits	32.2	37	18.1	21	35.8	42	86.1
Time deposits	41.2	48	33.7	39	11.2	13	86.1
Cash	51.3	56	11.2	12	29.9	32	92.4
Loans	148.8	62	62.1	26	27.6	12	238.5

The official figures on which the above table is based are not sufficiently complete to enable

double counting of loans and deposits, as between the Banco de la República and the other

¹ These figures are not identical in all cases with those given in the summary table, as they refer to daily averages for December for all the banks, while, in the latter, end-of-year figures for the Banco de la República have been used.

institutions, to be eliminated. It would appear, however, that such double counting is of relatively minor importance. It will be seen that the Banco de la República accounts for over 60 per cent of the total loans of the Uruguayan banking system. The relatively high cash holdings of this bank are, of course, partly explained by its legal obligation to keep a 40 per cent cash reserve against note issue as well as against deposits. The other banks do not issue notes and are under no legal obligation to hold any specified cash reserve against deposits; the ratio of their cash to all deposits was over 40 per cent in 1932. It will be observed that the foreign banks operate with a smaller proportion of own to outside funds than the other institutions. They are frequently established with only nominal capital funds, and draw on their head offices abroad as required.

In addition to the above, there are a number of other institutions, not included in the summary table, which carry on various types of non-commercial banking operations in Uruguay. Among these may be mentioned two official institutions, the Banco Hipotecario del Uruguay and the Banco de Seguros del Estado, an official insurance company which receives deposits on a limited scale and makes policy loans. There is also a national Postal Savings Bank whose deposits at the end of 1930 amounted to 8 million pesos, and some to privately-owned savings banks whose

deposits and loans amounted to 2.7 and 3.4 million pesos respectively at the end of 1932.

There is no general banking law in Uruguay; but institutions other than the Banco de la República are required under the provisions of the commercial code to submit to the Superintendent of Banks and Companies periodic statements, which are published annually in summary form in Part II of the official *Anuario Estadístico* and currently in the *Boletín del Ministerio de Hacienda*. These statements are, however, ill-adapted to the summary balance-sheet form used throughout this Memorandum, as they show only the major divisions of the banks' accounts — namely, cash, deposits in other banks and loans under assets — and capital and reserve funds and deposits under liabilities, and do not constitute complete balance-sheets. Moreover, the published figures give only averages of daily figures for the months to which they relate; end-of-year figures and complete balance-sheets are not regularly available except for the Banco de la República. The attached summary table is constructed by combining the annual balance-sheet of the latter institution, showing the position as at December 31st each year, with the average December figures for the other institutions. As the particular asset and liability items shown for the latter group do not balance, small differences will be found between total assets and total liabilities in the attached summary table.

Balance-sheet Summary.

I. Cash.

The composition of the amounts given under this heading are shown below:

	Pesos (000,000's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Banco de la República:								
Gold coins.	54.9	54.9	57.4	66.1	65.9	58.5	50.0	46.7
Silver and nickel coins.	3.4	3.5	3.4	3.5	3.5	4.3	4.4	3.7
Total	58.3	58.4	60.8	69.6	69.4	62.8	54.4	50.4
Other banks:								
Gold coins.	0.9	0.9	1.2	1.2	0.4	—	—	—
Notes of Banco de la República	12.7	16.5	12.8	9.9	15.3	20.7	27.6	39.0
Sight deposits with Banco de la República.	—	—	—	—	1.1	1.1	1.4	1.7
Subsidiary issue of Banco de la República and subsidiary coin	0.3	0.4	0.4	0.3	0.3	0.3	0.4	0.3
Total	13.9	17.8	14.4	11.4	17.1	22.1	29.4	41.0
Grand Total	72.2	76.2	75.2	81.0	86.5	84.9	83.8	91.4

The sight deposits of the other banks with the Banco de la República, which acts as a clearing house, are not shown separately in the official

statistics prior to 1929. The subsidiary issue of the Banco de la República consists of notes of denominations less than 10 pesos.

URUGUAY.

COMMERCIAL BANKS

Table 35 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :							
	1925	1926	1927	1928	1929	1930	1931	1932
Number of Banks.	20	20	20	20	20	20	19	18
ASSETS:	Pesos (ooo,ooo's).							
1. Cash.	72.2	76.2	75.2	81.0	86.5	84.9	83.8	91.4
(a) Gold, silver and small coins.	59.2	59.3	62.0	70.8	69.8	62.8	54.4	50.4
(b) Inland notes and balances with Central Bank	13.0	16.9	13.2	10.2	16.7	22.1	29.4	41.0
2. Other Items of a Cash Nature.	5.1	7.6	21.1	17.6	9.6	8.8	12.9	15.1
3. Bills discounted and bought.	0.4	2.3	2.7	2.5	2.3	1.7	0.9	—
(a) Treasury bills.	—	—	—	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—	—	—	—
(c) Commercial bills, Foreign.	—	—	—	—	—	—	—	—
4. Investments and Securities.	1.7	1.6	1.5	1.5	1.8	9.4	8.2	7.0
(a) Government	0.4	0.4	0.4	0.4	0.7	—	—	—
(b) Other	1.3	1.2	1.1	1.1	1.1	—	—	—
5. Participations.	—	—	—	—	—	—	—	—
6. Due from Banks (Correspondents).	—	—	—	—	—	—	—	—
(a) At home.	—	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—	—
7. Loans and Advances.	145.7	160.9	164.0	173.6	192.0	206.3	194.0	197.0
(a) On current account	—	—	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—	—	—	—
9. Premises, etc.	—	—	—	—	—	—	—	—
10. Sundry Assets.	—	—	—	—	—	—	—	—
11. Total Assets	225.1	248.6	264.5	276.2	292.2	311.0	299.8	311.5
LIABILITIES.								
12. Capital paid up	45.0	45.4	47.1	48.9	49.0	49.4	50.2	49.7
13. Reserve Funds	6.5	7.5	7.9	7.7	8.2	9.2	10.2	10.3
14. Profit-and-Loss Accounts, Undivided Profits, etc.	—	—	—	—	—	—	—	—
15. Notes in Circulation	63.5	67.6	72.3	73.5	72.3	74.1	81.0	84.6
16. Cheques and drafts in Circulation	0.4	0.4	0.5	0.5	0.5	0.4	0.4	0.4
17. Due to Banks (Correspondents)	—	—	—	—	—	2.2	0.1	—
(a) At home	—	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	2.2	0.1	—
18. Deposits	107.0	120.1	142.0	150.9	170.6	180.4	164.0	161.7
(a) Current account and sight deposits.	52.1	64.8	70.2	70.5	80.9	83.1	75.4	76.2
(b) Savings accounts	52.0	61.0	68.8	77.1	86.1	93.8	85.5	82.6
(c) Time or fixed deposits	2.9	3.3	3.0	3.3	3.6	3.5	3.1	2.9
(d) Other deposits	—	—	—	—	—	—	—	—
19. Rediscounts and Other Borrowings	0.5	0.7	—	—	—	—	—	—
20. Acceptances and endorsements	—	—	—	—	—	—	—	—
21. Sundry Liabilities.	—	—	—	—	—	—	—	—
22. Total Liabilities.	222.9	250.7	269.8	281.5	300.6	315.7	306.0	306.7
23. Value of currency in cents of a U.S. dollar at end of each year.	101.8	102.4	101.0	102.6	94.8	75.0	44.6	47.3

2. *Other Items of a Cash Nature.*

The amounts shown in the summary table,

which refer exclusively to the Banco de la República, consist of foreign exchange holdings and credits in course of collection, as follows :

	Pesos (000,000's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Foreign exchange holdings. . .	1.1	2.5	15.9	9.8	1.6	1.1	0.9	0.9
Credits in course of collection	4.0	5.1	5.2	7.8	8.0	8.7	12.0	14.2
Total	5.1	7.6	21.1	17.6	9.6	9.8	12.9	15.1

It will be observed that the foreign exchange holdings of the Banco de la República have been greatly reduced since 1927.

3. *Bills discounted and bought.*

Amounts shown under this heading refer exclusively to the Banco de la República, and consist of trade acceptances and other paper bearing two or more signatures.

Treasury bills discounted are not shown separately, but the total amount of credit granted by the Banco de la República to the Government will be found in the note to group 7 below. The rediscounts effected by the Banco de la República for the other banks have been excluded from the summary table ; amounts will be found in the note to group 19 below. The discounts of the Banco de la República in 1932 and of the other banks in all years are not shown separately from loans in the basic statement and are therefore included under 7 in the summary table.

4. *Investments and Securities.*

These amounts refer exclusively to the Banco de la República ; investments of the other banks are not shown separately from loans and advances. The sums shown under (b) in the summary table include 1 million pesos representing the capital stock of the National Savings Bank and Discount Department, a subsidiary of the Banco de la República. Government stock is not shown separately from other securities since 1930.

6. *Due from Banks.*

Balances arising in the course of inter-bank transactions are not shown separately in the official statistics.

7. *Loans and Advances.*

The amounts shown in the summary table are divided between the Banco de la República and the ordinary banks as follows :

	Pesos (000,000's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Banco de la República :								
Ordinary current accounts.	19.7	20.7	21.8	25.2	28.6	20.2	17.4	.
Official current accounts. . .	6.4	10.9	4.5	3.1	8.2	9.5	12.1	.
Loan on current account to French Government. . .	8.9	6.0	3.0	—	—	—	—	.
National Savings Bank and Discount Department. . .	—	—	—	—	—	9.6	10.1	.
Total loans on current account	35.0	37.6	29.3	28.3	36.8	39.3	39.6	46.8
Loans on promissory notes	33.6	41.6	47.9	48.7	51.7	52.5	44.8	.
Rural credit	0.8	4.0	4.6	4.9	6.2	8.1	9.8	.
Mortgage loans.	2.1	0.2	0.3	0.3	0.2	—	—	.
Guaranteed short-date loans	6.4	6.9	6.6	7.4	8.4	6.9	4.3	.
Total other loans	42.9	52.7	59.4	61.3	66.5	67.5	58.9	60.5
Total, Banco de la República	77.9	90.3	88.7	89.6	103.3	106.8	98.5	107.3
Other banks	67.8	70.6	75.3	84.0	88.7	99.5	95.5	89.7
Grand Total	145.7	160.9	164.0	173.6	192.0	206.3	194.0	197.0

No detail is available regarding the credit extended by banks other than the Banco de la República and it would appear that the figures shown above include discounts and investments as well as advances. The aggregate figure shown for "other loans" of the Banco de la República in 1932 include discounts. Ordinary current accounts consist of credit granted for commercial purposes; most of this credit is extended to farmers and merchants and is guaranteed only by their promissory note; in some cases, however, it is guaranteed by mortgages and other paper.

In 1918, the Bank opened a current account credit for the French Government to the extent of 15 millions pesos, against which the bank was authorised to issue notes. In 1923, it was arranged that the credit should be repaid in ten half-yearly instalments and the loan was, accordingly, extinguished in 1928.

It will be observed that, in the case of time loans as in that of overdrafts, the great part of the credit extended by the Banco de la República takes the form of discount of promissory notes. The Bank extends rural credit in the form of mortgage loans, etc., and a special section is devoted to this purpose. In 1930, an industrial credit section was

established to provide long-term loans to new industries and assist in the amalgamation of existing enterprises. The amount of such industrial loans outstanding at the end of 1931 was 2.2 million pesos, which is included in the figure shown above for rural credit in that year.

Short-term loans are generally extended on the security of public debt, though mortgage bonds and bank and company shares are also accepted as security.

11 and 22. Total Assets and Liabilities.

Excluding premises, unpaid capital, *comptes d'ordre* and sundry accounts. As stated in the introductory note, these accounts do not balance, as incomplete statements covering only the most important items in the balance-sheets of the ordinary banks are published in the official statistics on which the attached summary table is based.

12 and 13. Capital and Reserve Funds.

The division of capital and reserves among the various groups of banks is shown below:

	Pesos (000,000's).							
	1925	1926	1927	1928	1929	1930	1931	1932
	Capital paid-up:							
Banco de la República. . .	24.6	25.3	26.1	26.8	26.8	27.1	27.7	27.7
Ordinary domestic banks . .	14.7	14.4	15.3	15.8	15.9	16.0	16.2	16.2
Foreign banks	5.7	5.7	5.7	6.3	6.3	6.3	6.3	5.8
Total	45.0	45.4	47.1	48.9	49.0	49.4	50.2	49.7
	Reserve Funds:							
Banco de la República. . .	0.9	0.7	0.8	1.0	1.1	1.2	1.4	1.4
Ordinary domestic banks . .	4.8	6.1	6.5	6.1	6.4	7.2	7.8	7.9
Foreign banks	0.8	0.7	0.6	0.6	0.7	0.8	1.0	1.0
Total	6.5	7.5	7.9	7.7	8.2	9.2	10.2	10.3

The small size of the reserve funds of the Banco de la República is accounted for by the fact that before 1924 it was not required in all circumstances to set aside 10 per cent of net profits to a reserve fund each year.

15. Notes in Circulation.

In addition to notes which are issued under the conditions set forth in the introductory note, the Banco de la República also issues silver coin

certificates against silver coin to equal value deposited with it. The amounts shown in the summary table for 1927, 1928 and 1929 include 0.5, 1 and 1 million pesos respectively of silver coin certificates outstanding. See also note to group 1 above.

The sums indicated in the summary table include the other banks' holdings of its notes, though they do not include its holdings of its own notes. The net circulation — *i.e.*, the circulation in the hands of the public — may be calculated by deducting the other banks' note holdings as follows:

	Pesos (000,000's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Gross note-circulation of Banco de la República. . .	63.5	67.6	72.3	73.5	72.3	74.1	81.0	84.6
Less:								
Other bank holdings of notes of Banco de la República.	13.0	16.9	13.2	10.2	15.6	21.0	28.0	39.3
Total	50.5	50.7	59.1	63.3	56.7	53.1	53.0	45.3

16. Cheques and Drafts in Circulation.

These amounts consist of domestic drafts outstanding on account of the Banco de la República.

17. Due to Banks (Correspondents).

This account, which relates exclusively to the Banco de la República, is shown separately only in 1930 and 1931.

18. Deposits.

None of the banks show time deposits separately from savings accounts. The amounts shown in the summary table for (a) and (c) were divided as follows between the Banco de la República and other institutions in the years under review.

	Pesos (000,000's).			
	Current Accounts		Time and savings accounts	
	Banco de la República	Other banks	Banco de la República	Other banks
1925	26.8	25.3	27.7	24.3
1926	34.7	30.1	31.5	29.5
1927	39.4	30.8	36.7	32.1
1928	40.6	29.9	41.2	35.9
1929	42.4	38.5	41.9	41.2
1930	41.9	41.2	45.5	48.3
1931	32.1	43.3	38.9	46.6
1932	32.2	44.0	37.7	44.9

A more detailed classification of the deposits of the Banco de la República is available. The composition of the amounts shown above for current accounts was as follows in the years under review (details for 1932 are not available) :

	Pesos (000,000's).						
	1925	1926	1927	1928	1929	1930	1931
Ordinary current accounts	9.3	11.4	15.1	15.4	13.0	13.6	14.7
Sight deposits	1.4	1.3	1.5	1.6	1.3	1.4	1.4
Official current accounts	10.4	13.7	15.6	18.2	19.2	17.0	6.1
Special Government deposit	0.1	1.3	0.9	0.8	1.5	—	—
Clearing House in custody	5.6	7.0	6.3	4.6	7.4	9.9	9.9
Total	26.8	34.7	39.4	40.6	42.4	41.9	32.1

Current accounts consist of unutilised credits extended by the bank, while sight deposits represent funds lodged with it. The special Government deposit arises from a law of 1924 requiring the bank to place 50 per cent of its net profits each year to the credit of the Government.

The bank acts as clearing house for the other banks and the deposits maintained with it to effect settlements are shown in the last line above.

Time and savings deposits of the Banco de la República, as shown above, were composed as follows in the years under review :

	Pesos (000,000's).						
	1925	1926	1927	1928	1929	1930	1931
Savings accounts	5.0	5.5	6.6	7.4	37.0	37.8	35.5
Savings boxes	18.0	20.2	23.3	26.5			
Fixed-date savings accounts	2.6	3.3	4.3	4.6	4.7	4.8	3.4
Time deposits	2.1	2.5	2.5	2.8	3.2	2.9	
Total	27.7	31.5	36.7	41.3	44.9	45.5	38.9

The difference between the various types of savings accounts is not clear, but it would appear that the first two accounts shown above may, in practice, be drawn on at sight, while the fixed-date savings accounts and time deposits require notice of withdrawal and bear interest at a somewhat higher rate.

19. *Rediscounts and Other Borrowings.*

The Banco de la República rediscounts paper for the ordinary banks, but, in order to avoid double counting, these amounts have been excluded from

the summary table. The amounts so excluded are as follows :

Pesos (000,000's).	
1925	2.6
1926	2.4
1927	3.1
1928	4.6
1929	2.3
1930	2.4
1931	3.5

The amounts shown in the summary table for 1925 and 1926 represent rediscounts which the Banco de la República effected with other, presumably foreign, credit institutions.

VENEZUELA.

Introductory Note.

The first banks in Venezuela were organised in the latter part of the nineteenth century. Before that time, however, the large commercial houses transacted a considerable amount of banking business, and they are still important factors in collecting savings and business deposits in the country. The banking institutions proper may be divided into three groups: the ordinary domestic banks, the note-issuing banks and the foreign banks. With the exception of the Banco Agrícola y Pecuario and the Banco Obrero,¹ all the national banks have been granted the privilege of note-issue. In order to obtain this privilege, it is necessary to secure the permission of the competent Minister of State, and to comply with certain regulations laid down in the General Banking Law of 1926. Thus, a note-issuing bank must have its head office in Venezuela, and its initial share capital must have been paid up in gold coin of legal currency. It may normally issue notes up to twice the amount of its paid-up capital, against a minimum gold reserve of 33 $\frac{1}{3}$ per cent, and full supplementary cover consisting of legal tender coins and assets payable at sight or within thirty days. The Federal Executive may raise the gold reserve ratio, and may also authorise the banks to issue notes up to three times their paid-up capital, the excess issue to be covered 100 per cent by gold. Banknotes are not legal tender; but the banks are obliged to convert into coinage of legal currency the notes presented to them for exchange at their principal offices. In the case of liquidation, a bank's note-issues rank after mortgage debts and national treasury claims as a charge on its assets. The law provides that a bank of issue shall go into liquidation if it loses one-half of its capital, unless the partners or shareholders reconstitute the original capital. The most important banks of issue are the Banco de Venezuela, originally established in 1870, which operates largely as financial agent of the Government,² and the Banco de Caracas, established in 1890. Unlike most other Venezuelan banks, the latter has no branches or agencies, while the former has branches in all important towns and agencies in several smaller

centres. These agencies do not, however, accept deposits except for the account of the Government; their principal function is to make collections and sell drafts.

The banks are required to keep a gold reserve of 10 per cent against deposit liabilities; of the remaining cover, two-thirds may be public debt, shares and bonds of Venezuelan companies, and real estate situated in Venezuela, and one-third sight deposits in banks abroad. The extension of personal credit to officials and employees of the banks is forbidden. The security accepted for loans must exceed the value of the credit extended by at least one-third.

The foreign banks operating in Venezuela are not allowed the privilege of note issue. They have made a greater effort to attract deposits than the national banks, however, and the proportion of their deposits to credit extended appears to be considerably higher. On June 30th, 1929, deposits in the foreign banks amounted to 100 million bolivars, as compared with 130 million in the four note-issuing banks included in the summary table. The most-important foreign banks operating in Venezuela are the Royal Bank of Canada, which has established several branches throughout the republic, and the National City Bank of New York. In addition, the Hollandsch Bank voor West Indien and the Anglo-South American Bank carry on business in the country.

As mentioned above, commercial firms in Venezuela continue to accept deposits; interest is paid on these deposits at a somewhat higher rate than is allowed by the banks. Six months' notice of withdrawal of funds may be required of depositors. To carry on this type of business, the permission of the Minister of Commerce is required; it is usually granted in cases where the applying firm presents a favourable balance-sheet. Deposits accepted by commercial firms or individuals constitute a first lien on assets in case of failure and take priority over all ordinary commercial accounts. According to estimates made in 1929, at least 100 million bolivars was held on deposit with commercial firms in that year.

¹ Both these banks, which are prohibited by their charter from issuing notes, are Government-owned institutions established in 1928, the former to make first mortgage loans on agricultural lands to persons engaged in agriculture and the cattle-raising industry, and the latter to make loans to labourers for the purpose of enabling them to acquire homes.

² While formerly liberal use was made of a provision in the charter of the Banco de Venezuela entitling the Government to considerable credits, since the War the State's deposits with the bank have greatly exceeded its borrowings from that institution.

The use of cheques is little developed outside of the large towns, and no clearing house has as yet been established ; each bank clears its cheques directly with other banks.

The Venezuelan banks are required to submit to the Ministries of Finance and of Commerce, and to publish each month, a detailed balance-sheet on a form specified in the law of 1926. These returns do not, however, appear to be published in any official publication. The attached summary table, which refers to the four note-issuing banks, is based upon the annual reports of these institutions. (As the 1932 balance-sheet of the Banco de Cara-

cas has not been available, the 1931 figures for that institution are repeated in arriving at the totals for 1932. At the end of 1931, the Banco de Caracas accounted for about one-fifth of the total resources of the banks here considered.) The summary table is incomplete, excluding as it does the two non-note-issuing domestic banks and the foreign banks. On the basis of the indications available with regard to the two latter groups of institutions, the table would appear to cover about 90 per cent of the business of the domestic banks and 50 to 60 per cent of the business of all (including the foreign) banks operating in Venezuela.

Balance-sheet Summary.

1. Cash.

This item is composed exclusively of gold and silver as follows :

	Bolivars (000,000's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Gold	83.3	79.9	82.9	91.7	94.4	78.0	77.7	77.6
Silver	6.1	10.4	16.0	7.2	19.5	8.9	13.9	22.7
Total	89.4	90.3	98.9	98.9	113.9	86.9	91.6	100.3

The banks also hold small quantities of nickel money. The greater part of the gold reserves are concentrated in the hands of the Banco de Venezuela. The gold holdings of this institution amounted to 74 million bolivars in 1925 and 66

million bolivars in 1932. The banks' holdings of each other's notes are included in group 2 below.

2. Other Items of a Cash Nature.

The composition of this account is shown below :

	Bolivars (000,000's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Bills receivable	0.3	0.2	0.2	0.2	0.2	0.4	0.4	0.4
Notes of other banks	0.6	0.4	1.2	1.3	2.8	2.5	5.3	3.8
Cheques on other banks	1.2	0.5	0.2	0.8	0.7	1.1	2.1	0.3
Total	2.1	1.1	1.6	2.3	3.7	4.0	7.8	4.5

3. Bills discounted and bought.

The following is the detail with regard to the composition of this account :

	Bolivars (000,000's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Sight bills drawn on the capital	0.7	0.1	0.6	0.5	1.3	1.9	2.9	2.7
Thirty-day bills drawn on the capital	1.5	3.1	2.2	4.2	5.2	5.2	4.5	4.6
Bills overdue	1.5	0.8	0.4	0.5	0.5	0.4	0.6	0.6
Bills drawn on the interior	—	2.2	4.3	2.2	2.6	3.0	4.1	2.6
Total	3.7	6.2	7.5	7.4	9.6	11.4	12.1	10.5

VENEZUELA.

COMMERCIAL BANKS

Table 36 (a)

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :							
	1925	1926	1927	1928	1929	1930	1931	1932
Number of Banks.	4	4	4	4	4	4	4	4
ASSETS.		Bolivars (ooo,ooo's omitted)						
1. Cash.	89.4	90.3	98.9	98.9	113.9	86.9	91.6	100.3
(a) Gold, silver and small coins.	—	—	—	—	—	—	—	—
(b) Inland notes and balances with Central Banks	—	—	—	—	—	—	—	—
2. Other Items of a Cash Nature.	2.1	1.1	1.6	2.3	3.7	4.0	7.8	4.5
3. Bills discounted and bought.	3.7	6.2	7.5	7.4	9.6	11.4	12.1	10.5
(a) Treasury bills.	—	—	—	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—	—	—	—
(c) Commercial bills, Foreign.	—	—	—	—	—	—	—	—
4. Investments and Securities.	6.5	6.7	6.8	6.7	6.7	6.9	6.2	8.6
(a) Government	—	—	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—	—	—
5. Participations.	—	—	—	—	—	—	—	—
6. Due from Banks (Correspondents).	29.6	9.8	20.6	16.6	29.3	6.6	7.8	1.8
(a) At home.	16.0	1.8	1.7	0.2	0.6	1.8	4.5	0.7
(b) Abroad.	13.6	8.0	18.9	16.4	28.7	4.8	3.3	1.1
7. Loans and Advances.	43.1	64.4	69.2	64.2	70.7	65.3	71.7	73.5
(a) On current account	34.9	53.5	58.5	53.6	59.4	56.9	61.1	65.8
(b) Other	8.2	10.9	10.7	10.6	11.3	8.4	10.6	7.7
8. Cover for Acceptances	—	—	—	—	—	—	—	—
9. Premises, etc.	2.0	2.5	2.6	2.7	3.5	3.9	4.0	5.5
10. Sundry Assets.	0.3	0.1	0.4	0.2	1.0	1.5	0.6	1.0
11. Total Assets	176.7	181.1	207.6	199.0	238.4	186.5	201.8	205.7
LIABILITIES.								
12. Capital paid up	23.8	25.4	25.4	25.4	27.0	27.0	27.0	27.2
13. Reserve Funds	10.2	11.3	13.0	14.5	16.0	18.0	19.5	20.6
14. Profit-and-Loss Account, Undivided Profits, etc.	1.8	2.2	2.3	2.0	2.5	2.5	2.1	2.0
15. Notes in Circulation	45.2	57.0	51.8	57.7	57.5	67.9	61.6	60.6
16. Cheques and drafts, etc., in Circulation.	0.2	0.4	0.2	0.2	0.2	0.4	1.2	0.9
17. Due to Banks (Correspondents)	—	3.1	0.1	5.4	0.8	3.3	0.7	1.0
(a) At home	—	3.1	0.1	5.4	0.8	3.3	0.7	1.0
(b) Abroad.	—	—	—	—	—	—	—	—
18. Deposits	94.7	79.9	112.6	90.5	132.4	63.5	88.6	92.4
(a) Current accounts and sight deposits	—	—	—	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—	—	—	—
(d) Other deposits	—	—	—	—	—	—	—	—
19. Rediscounts and Other Borrowings.	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
20. Acceptances and endorsements	—	—	—	—	—	—	—	—
21. Sundry Liabilities.	0.7	1.7	2.1	3.2	1.9	3.8	1.0	0.9
22. Total Liabilities.	176.7	181.1	207.6	199.0	238.4	186.5	201.8	205.7
23. Value of currency in cents of a U.S. dollar	19.2	19.1	19.2	19.4	19.3	18.5	15.5	16.0

4. *Investments.*

The amounts shown in the summary table refer exclusively to the Banco de Caracas except in 1932, when 2.4 million bolivars of mortgage bonds

held by the Banco de Venezuela are shown separately in its balance-sheet; in other cases, investments are not shown separately.

Banco de Caracas :	Bolivars (ooo,ooo's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Mortgage bonds	5.7	5.9	6.4	6.3	6.3	6.8	6.1	8.5
Other domestic securities	0.8	0.8	0.4	0.4	0.4	0.1	0.1	0.1
Total	6.5	6.7	6.8	6.7	6.7	6.9	6.2	8.6

6. *Due from Banks (Correspondents).*

This account refers almost exclusively to the Banco de Venezuela.

7. *Loans and Advances.*

The composition of this account was as follows in the years under review :

	Bolivars (ooo,ooo's).							
	1925	1926	1927	1928	1929	1930	1931	1932
<i>Current account advances :</i>								
On real and personal security	23.6	35.6	36.8	37.5	40.5	43.2	45.1	52.0
On exclusively personal security	11.3	17.9	21.7	16.1	18.9	13.7	16.0	13.8
Total, current account loans	34.9	53.5	58.5	53.6	59.4	56.9	61.1	65.8
<i>Other loans :</i>								
Loans up to 180 days	8.1	10.6	10.6	10.6	11.3	8.4	10.5	7.6
Loans more than six months	0.1	0.3	0.1	—	—	—	0.1	0.1
Total, other loans	8.2	10.9	10.7	10.6	11.3	8.4	10.6	7.7
Grand total	49.1	64.4	69.2	64.2	70.7	65.3	71.7	73.5

The share of the Banco de Venezuela in total loans and advances was 66 per cent in 1925 and almost 75 per cent in 1931.

9. *Premises, etc.*

	Bolivars (ooo,ooo's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Buildings	1.2	1.5	1.4	1.5	1.7	1.6	1.6	1.7
Real estate	0.6	0.7	0.9	0.9	1.5	2.0	2.1	3.5
Furniture	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total	2.0	2.5	2.6	2.7	3.5	3.9	4.0	5.5

10. *Sundry Assets.*

This item consists of provisional, inter-branch and miscellaneous accounts.

11 and 22. *Total Assets and Liabilities.*

Excluding unpaid capital (see note to following group) and various nominal accounts.

12. *Capital paid up.*

In 1931, the paid-up capital of the Banco de Venezuela was 18 million bolivars, that of the Banco de Caracas 4.5 million and that of the other two banks combined 4.5 million bolivars. The unpaid capital of the Banco de Venezuela was 6 million and that of the Banco de Caracas 1.5 million in

each of the years under review; the subscribed capital of the smaller institutions was fully paid up.

and insurance funds in addition to the ordinary reserve funds.

13. Reserve Funds.

The amounts shown consist of various guarantee

14. Profit and Loss Accounts.

The composition of this account is shown below:

	Bolivars (ooo,ooo's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Profit and loss	0.7	0.8	0.9	0.8	1.0	1.2	1.1	1.0
Unpaid dividends	1.1	1.4	1.4	1.2	1.5	1.3	1.0	0.1
Total	1.8	2.2	2.3	2.0	2.5	2.5	2.1	2.0

15. Notes in Circulation.

The amounts shown in the summary table do not include the banks' holdings of their own notes, but

do include the banks' holdings of one another's notes (shown separately in the note to group 2 above). Net circulation in hands of the public was as follows in each of the years under review:

	Bolivars (ooo,ooo's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Gross circulation	47.5	59.4	58.0	59.5	62.7	71.0	73.6	73.5
Less own notes held by banks.	2.3	2.4	6.1	1.8	5.2	3.1	12.0	12.0
Net circulation	45.2	57.0	51.9	57.7	57.5	67.9	61.6	60.6
Less notes of other banks held by banks	0.6	0.4	1.2	1.3	2.8	2.5	5.3	3.8
Net circulation in hands of public	44.6	56.6	50.7	56.4	54.7	65.4	56.3	56.8

16. Cheques and Drafts in Circulation.

Amounts shown under this heading consist of cheques and drafts issued but not yet presented for payment.

Venezuela. Amounts due to foreign banks are not shown separately.

17. Due to Banks (Correspondents).

This account refers exclusively to the Banco de

18. Deposits.

The composition of deposits is shown below:

	Bolivars (ooo,ooo's).							
	1925	1926	1927	1928	1929	1930	1931	1932
Sight and less than 30 days	17.0	23.8	21.0	21.0	20.5	29.3	35.8	34.1
With notice of 30-100 days	—	—	0.2	0.2	0.2	0.2	0.2	0.2
National Government deposits	77.7	56.1	91.4	69.3	111.7	34.0	52.6	58.1
Total	94.7	79.9	112.6	90.5	132.4	63.5	88.6	92.4

The Banco de Venezuela holds almost the whole of the National Government deposits. Its share of the total private deposits is, as a rule, somewhat smaller than that of the Banco de Caracas. As mentioned in the introductory note, the banks are required to maintain a metallic cash reserve of 10 per cent against their deposit liabilities.

19. Rediscounts and other Borrowings.

These amounts refer entirely to the Banco de Caracas. No indication is given as to where these rediscounts are effected.

20. Sundry Liabilities.

The sums shown consist of provisional and miscellaneous accounts.

UNION OF SOUTH AFRICA.

Introductory Note.

The structure of the South African credit system was described in some detail in the first edition of this *Memorandum*, where an account was also given of its early history and development up to 1929. The most important banking developments since that year occurred in connection with the British abandonment of the gold standard in September 1931, and the South African abandonment in December 1932.

From September 1929 to September 1931, the loans and advances of the "trading" banks within the Union fell by slightly more than £5 million, or about 10 per cent. During the same period, their deposits increased somewhat, a reflection of stagnant trade and the accumulation of idle balances. When the United Kingdom abandoned the gold standard, there was a considerable export of capital from South Africa; an exchange pool was formed between the Standard Bank, Barclays (D.C.O.) and the Treasury (which was later replaced by the Reserve Bank). The *Finance Emergency Regulations Bill* of November 1931 authorised the Government to suspend the gold standard at will; empowered the Reserve Bank to purchase the whole product of the gold mines and to lower its gold reserve ratio without penalty; and required the commercial banks to furnish the Department of Finance with certain particulars regarding their exchange position. As a result chiefly of a severe reduction in imports, the favourable balance of trade was greatly increased and the exchange position eased. On the other hand, the contraction in credit was accentuated; between September 1931 and September 1932,

advances and discounts within the Union dropped by £7.7 million, or 17 per cent. Deposits fell very sharply (by £10 million) in the last months of 1931. Towards the end of December 1932, there was a fresh flight from the currency, which took the form both of purchases of sterling and hoarding of gold. On December 28th, 1932, the gold standard was suspended and the South African pound pegged to sterling.

In the course of 1933, there was a considerable return flow of capital to South Africa, and a further increase in the value of exports. These factors are reflected in a rise in deposits with the commercial banks from £54 million at the end of 1932 to £75 million at the end of July 1933. The banks' cash holdings at the Reserve Bank rose from £4 million to £27 million in the same period; on the other hand, their advances and discounts fell from £38.6 million to £33.6 million.

In the last issue of this *Memorandum*, reference was made to the agricultural loan companies set up under the authority of the *Agricultural Credit Act* of 1926 for the purpose of providing short-term credit facilities to the agricultural community. These loan companies were abolished with the adoption of the *Financial Adjustment Act* of 1931, which provided, *inter alia*, that their assets and liabilities should be taken over by the Land and Agricultural Bank.

The following table, given in continuation of that published in the last edition, compares the deposits (within the Union) of commercial banks with those of savings banks, etc.

End of	Deposits, £(000,000's).						
	Commercial banks (1)	Savings banks ¹		Total (2+3) (4)	People's banks (5)	Building societies ¹ (6)	Grand total (1+4+5+6) (7)
		Post office (2)	Private (3)				
1925	60.1	6.2	1.4	67.7	0.1	3.8	71.6
1926	58.9	6.3	1.6	66.8	0.1	4.7	71.6
1927	59.4	6.4	1.8	67.6	0.1	5.8	73.5
1928	62.3	6.6	2.0	70.9	0.2	7.1	78.2
1929	60.6	6.7	2.2	69.5	0.2	7.7	77.4
1930	63.5	6.7	2.4	72.6	0.3	9.5	82.4
1931	56.6	6.7	.	.	0.3	.	.
1932	54.4	6.8	.	.	0.3	.	.

¹ March 31st of the following year.

It will be observed that the deposits in savings banks were better maintained than those in commercial banks in the course of the depression. During the first seven months of 1933 (in which, as mentioned above, deposits in commercial banks rose to £75 million), deposits in post-office savings banks rose to £8.4 million.

The attached summary table, based on official

statistics, gives double columns for 1929 and 1932. The columns marked A in these years, and the single columns in other years, show the complete assets and liabilities, within and outside the Union, of all banks operating in South Africa; the columns marked B include only the accounts of offices situated within the Union.

Balance-sheet Summary.

1. *Cash.*

The sums shown under (a) represent coin, gold certificates and bullion in hand and in transit.

The amounts shown under (b) are composed of Reserve Bank notes, balances with the Reserve Bank and notes of other banks outside the Union, as follows :

	Notes of Reserve Bank	Balance with Reserve Bank	Notes of other banks outside the Union	Total
	£ (000,000's)			
1925.	2.2	5.6	1.0	8.8
1929.	2.4	4.9	1.3	8.6
1930.	1.9	5.0	1.0	7.9
1931.	1.6	4.3	0.8	6.7
1932.	1.7	3.9	0.7	6.3

2. *Other Items of a Cash Nature.*

This item consists of money at call.

3. *Bills discounted and bought.*

The official statistics do not distinguish between Treasury and commercial bills discounted, nor between domestic and foreign bills. The following statement shows the amount of paper under discount in the Union and abroad at the end of each of the years under review :

	In the Union	Elsewhere	Total
	£ (000,000's)		
1925.	11.2	10.9	22.1
1929.	13.1	8.4	21.5
1930.	8.9	8.7	17.6
1931.	7.6	4.2	11.8
1932.	7.5	5.8	13.3

10. *Sundry Assets.*

The composition of the sundry assets group in the years under review is shown below :

	Due by head offices and branches	Due to head offices and branches	(1) Balance due by head offices and branches	(2) Landed property other than bank premises	(3) Other assets	Total (1+2+3)
	£ (000,000's)					
1925	12.4	5.7	6.7	0.5	2.6	9.8
1929	9.6	3.9	5.7	0.3	3.4	9.4
1930	11.1	7.3	3.8	0.3	2.0	6.1
1931	3.4	2.7	0.7	0.4	1.5	2.6
1932	3.5	2.2	1.3	0.6	2.2	4.1

15. *Notes in Circulation.*

Notes in circulation represent issues made outside the Union by the branches of commercial banks. It will be recalled that the Reserve Bank has the exclusive right of note issue within the Union.

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

The division of Government securities is shown below :

	Union Government	British and Colonial Governments	Total
	£ (000,000's)		
1925.	3.6	5.9	9.5
1929.	4.1	12.1	16.2
1930.	6.1	23.4	29.5
1931.	6.0	14.9	20.9
1932.	8.1	28.0	36.1

6. *Due from Banks (Correspondents).*

Correspondents' accounts do not include inter-branch accounts or balances due from head offices abroad ; the balance of these accounts is included in sundry assets (group 10) and shown separately in the note to that group.

7. *Loans and Advances.*

The division of loans into "secured" and "unsecured" in the years under review is shown below :

	Secured	Unsecured	Total
	£ (000,000's)		
1925.	27.8	4.9	32.7
1929.	46.2	9.7	55.9
1930.	41.5	8.5	50.0
1931.	39.9	7.8	47.7
1932.	38.4	5.4	43.8

The amounts shown in the summary table under (b) consist of loans to the Government and to other public bodies.

16. *Cheques and Drafts in Circulation.*

This item represents cheques and drafts which the banks issue in connection with the external trade of the Union.

INDIA.

Introductory Note.

The commercial banking system of India is composed of three main elements : the Imperial Bank of India (formerly the Presidency Banks), the Exchange Banks and the Indian Joint-Stock Banks. In addition, the indigenous bankers are of considerable importance in the financing of industry and trade. Among the classes of institution chiefly concerned with non-commercial banking may be mentioned savings banks, the postal savings system, agricultural banks and co-operative banks.

The first joint-stock banking institutions in India were established in the latter half of the eighteenth century. Until the first quarter of last century, however, the banking firms, many of which were established by the Calcutta agency houses, generally undertook trading activities as well. One of the most important of the early banks was the Bank of Calcutta, which was established in 1806 and received its charter of incorporation from the East India Company in 1809 ; subsequently, this bank was re-organised as the Bank of Bengal and became one of the Presidency Banks. The Bank of Bombay, second of the Presidency Banks, was founded in 1840,¹ and the third, the Bank of Madras, in 1843.

During this period, only the three *Presidency Banks* were subject to Government control. The ordinary joint-stock banks did not always follow prudent banking practices and frequently advanced very large amounts to single firms, which became immobilised in time of economic difficulties. Certain institutions were, of course, more prudently managed, but of the joint-stock banks organised during the last century only one (the Chartered Bank of India, Australia and China) survived the crisis of 1913-1917.

In 1876, a new Presidency Banks Act² was passed, which remained in force until 1920, when the inconvenience of having three dominant

banking institutions whose bank rates sometimes showed wide divergences was recognised, and the three Presidency Banks were amalgamated into one institution — the Imperial Bank of India. Under the terms of the amalgamation agreements, the three institutions were taken over as going concerns by the Imperial Bank of India and operated to some extent as independent units. The shareholders in the Presidency Banks automatically became shareholders in the Imperial Bank, and additional capital was raised by public issue, bringing the total up to Rs.112.5 million.

In general, the *Imperial Bank* carries on business of the same type as did the old Presidency Banks — that is, it transacts ordinary commercial banking business under certain defined restrictions and acts as Government banker. As Government banker, the Imperial Bank remits funds on behalf of and makes advances to the Government ; it manages the public debt and holds the greater part of the public deposits. Its "public" or Government deposits amounted to about 10 per cent of its gross deposit liabilities at the end of 1929. It exercises also certain central banking functions. Thus, it holds deposits for other banks, which regard them as part of their cash balances, and makes advances to other banks under certain conditions. The bulk of its business is, however, transacted with private customers. The bank may not, as a rule, make loans for a period exceeding six months ; and it is also debarred from making advances on the security of immovable property. Mortgages on houses and lands may, however, be accepted as additional collateral when the original security is either a gilt-edged bond or goods pledged to the bank. Bills bought or discounted must bear the names of two persons or firms not in partnership ; temporary overdrafts to regular customers are permitted. The bank has an

¹ This bank went into liquidation in 1868, but a new Bank of Bombay was formed in the same year.

² Under this Act, the Government ceased to be a shareholder in the banks and gave up the right of appointing directors ; detailed regulations governed the business of the Presidency Banks and their relationship to the Government. The banks were allowed to hold a portion of the Government balances without payment of interest, but their business was restricted in certain ways. The Government asserted its right to make periodic inspections of the banks, which also undertook to publish balance-sheets at regular intervals. Branches might be opened by each bank within its Presidency area without special authorisation on the part of the Government. The banks were prohibited from contracting loans for a longer period than six months, from discounting one-name paper and from granting advances to a single firm or person in excess of Rs.600,000. The banks might not borrow or receive deposits outside India, nor were they allowed to discount, buy or sell bills of exchange or other negotiable securities unless they were payable in India.

office in London ; but it may undertake dealings in foreign exchange only on behalf of the Government. Accordingly, it is not authorised to rediscount bills of exchange for the exchange banks (see below), except when these are payable in India. Further, the bank is not authorised to borrow or receive deposits payable outside India or to maintain a foreign branch for these purposes. In 1930, its branches in India and Ceylon numbered 164.

The second important group of banking institutions in India is the *Exchange Banks*. All these banks have their head offices outside India, and their chief business consists in effecting transfers of funds to and from India. Certain of these banks — such as the Chartered Bank of India, Australia and China, the National Bank of India, the Mercantile Bank of India, the Eastern Bank, the Imperial Bank of Persia and the P. and O. Banking Corporation — do a considerable proportion (25 per cent or more) of their banking business in India, while the share of their business transacted in that country by others, such as the Comptoir National d'Escompte de Paris, the Yokohama Specie Bank, the National City Bank of New York, the Nederlandsche Handel-Maatschappij and the American Express Co., is slight.

The exchange banks finance the foreign trade of India, not only with their own capital, but also with funds received on deposit in India and elsewhere. These funds are attracted by means of interest rates somewhat higher than those offered by the Imperial Bank of India or the English joint-stock banks, though they generally stand lower than the rates of the Indian joint-stock banks. A certain proportion of these funds is employed in making loans and advances in India and elsewhere ; the exchange banks therefore compete to some extent with the less specialised Indian banking institutions. The bulk of their funds, however, is used for the discounting of bills arising out of foreign trade transactions.

As India's exports normally exceed her imports, the volume of bills drawn in India on London and other foreign centres generally substantially exceeds the amount drawn on India through the London offices of the Exchange Banks. Accordingly, the banks often find themselves in the position of having large balances in London ; investment is found for these funds through the purchase of " Council bills " issued by the Government of India, which is in constant need of funds to pay for goods and services in London. The exchange banks take up these " Council bills ", which are payable in India, and place an equivalent amount to the credit of the Government of India at the Bank of England. By means of telegraphic transfers, the banks are thus able to put an amount equal to the value of the Council bills taken up at the disposal of their Indian branches for the purchase of further bills. Accordingly, they save

the delay and expense of shipping sovereigns or (silver) bullion from London to India.

Since 1923, the official banking statistics of India have distinguished between exchange banks (A) doing a considerable portion of their business in India — *i.e.*, having 25 per cent or more of their deposits in India — and exchange banks (B) which are merely agencies of large banking corporations doing a major portion of their business abroad — *i.e.*, having less than 25 per cent of their deposits in India. In the statement given on the following page, the capital and reserves and the deposits and cash balances (in India and elsewhere) of the exchange banks are shown for 1910 and selected post-war years.

It will be noted from this statement that the Indian business of the exchange banks as a whole constitutes an insignificant proportion of their total business. In recent years, the twelve banks shown under (B) have, indeed, held only a little more than 1 per cent of their total deposits and less than 1 per cent of their total cash reserves in India. In the case of the six banks shown under (A), the corresponding proportions were about one-third and one-fourth respectively ; thus, even the latter are essentially non-Indian banking institutions.

Most of the *Indian Joint-Stock Banks* are of comparatively recent origin — the oldest are the *Allahabad Bank*, the *Alliance Bank of Simla* and the *Oudh Commercial Bank*, founded in 1865, 1874 and 1881 respectively. Before the establishment of these institutions, the joint-stock banks were all under European control. These early banks had the right of note issue. After 1904, there was an outburst of banking activity and many joint-stock banks were established under Indian control. Many, however, attracted deposits by offering excessive rates of interest and made loans of a speculative character, frequently to enterprises owned or controlled by the directors. The majority of the Indian joint-stock banks kept a lower cash reserve against deposit liabilities than the Presidency Banks, and in certain cases dividends were paid out of capital when the banks were operating at a loss. During the banking crisis of 1913-1917, about one-third of the paid-up capital of these institutions was lost, the total number of failures amounting to eighty-seven. After this crisis, Government control of banking was extended, and each bank was required to submit a return showing the amount of debts due to the bank for which it was fully secured, those considered good but backed only by the debtor's personal security, and those considered bad or doubtful.

The most important of the eighty or more Indian joint-stock banks are the *Central Bank of India* and the *Bank of India*, both of Bombay. The paid-up capital and reserve funds of the former institution exceed Rs.25 million and those of the latter Rs.10 million. The *Central*

EXCHANGE BANKS (at the end of years indicated).

		1910	1920	1922	1923	1929	1931
Number of banks	A	—	—	—	5	6	6
	B	—	—	—	13	12	12
	Total	11	15	13	18	18	18
		£ (000's)					
1. Paid-up capital and reserves	A	—	—	—	18.5	20.7	18.3
	B	—	—	—	121.6	206.9	168.7
	Total	34.3	90.2	112.2	140.1	227.6	187.0
2. Deposits ¹ :							
	(a) In India [*]						
	A	—	—	—	38.5	34.6	33.3
B	—	—	—	12.8	15.4	17.3 ²	
Total	16.5	56.1	55.0	51.3	50.0	50.6	
(b) Elsewhere							
A	—	—	—	62.4	69.9	56.5	
B	—	—	—	832.5	1,444.2	1,074.4 ²	
Total	134.2	513.7	527.3	894.9	1,514.1	1,130.9	
3. Cash balances ¹ :							
	(a) In India ^{**}						
	A	—	—	—	7.2	5.2	5.0
B	—	—	—	3.7	1.6	1.6 ²	
Total	2.9	18.9	12.1	10.9	6.8	6.6	
(b) Elsewhere							
A	—	—	—	9.4	4.9	10.6	
B	—	—	—	108.5	207.4	226.1 ²	
Total	17.8	84.2	81.7	117.9	212.3	236.7	
		Rupees (000,000's)					
* 2 (a) Deposits in India	A	—	—	—	513	461	444
	B	—	—	—	171	205	231 ²
	Total	248	748	734	684	666	675
** 3 (a) Cash balances in India	A	—	—	—	98	70	66
	B	—	—	—	47	21	22 ²
	Total	44	252	162	145	91	88

¹ Deposits and cash balances in India are converted into sterling at the rate of Re.1 = 1s. 4d. in 1910 and at the rate of Re.1 = 1s. 6d. throughout the post-war period, in accordance with the practice adopted in the retrospective tables of the official Indian banking statistics.

² Excluding the *Banco Nacional Ultramarino*, which has not published its report for 1931. In 1930, its total deposits amounted to less than £7 million and its cash to less than £6 million; only an insignificant proportion of these sums was held in India.

Bank of India was founded in 1911, under native management, to provide modern banking facilities for native business concerns. The Bank of India was founded in 1906 "under important Parsee auspices"; it has three local branches.

The official banking statistics subdivide the Indian joint-stock banks into two classes—namely, (A) those with paid-up capital and reserves of Rs.500,000 or over, and (B) smaller banks with capital and reserves of between Rs.100,000 and

Rs.500,000. As will be seen from the following statement, the latter have increased more rapidly in number during the last decade; but their relative importance still remains slight. Even the former are, on an average, small credit institutions in comparison with medium-sized banks in most Western countries. Thus, domestic commercial banking is as yet but little developed in India.

INDIAN JOINT-STOCK BANKS.

YEAR	NUMBER OF BANKS			CAPITAL AND RESERVES			DEPOSITS			AVERAGE DEPOSITS		
	Class A	Class B	Total	Class A	Class B	Total	Class A	Class B	Total	Class A	Class B	Total
Rupees (000,000's)												
1920	25	33	58	109	8	117	712	23	735	28	0.7	14
1930	30	54	84	119	14	133	632	43	675	21	0.8	8

There are no legal minimum capital requirements for joint-stock banks, and some institutions have been established with paid-up capital and reserves of less than Rs.100,000 (£7,500 at par); but these are not recorded in the statistics.

In the census of India for 1921, the number of bankers in India (including bank managers, money-lenders, exchange and insurance agents and money-changers) was estimated at slightly less than 1,500,000. The *indigenous bankers* often engage in trade as well as in banking. They operate chiefly with their own means and in most cases do not encourage deposits. They play an important part in financing the moving and storing of crops by means of advances to agriculturists against *hundis* or drafts drawn by the latter. These *hundis* are sometimes rediscounted with the Imperial Bank or with the Indian joint-stock banks, and the rate is partly governed by the bank rate. For the most part, however, except when bank rates are exceptionally low, any rediscounting of *hundis* which takes place is done with other indigenous bankers. In times of financial stringency, the rate of interest charged may rise considerably higher than the bank rate. The indigenous bankers, or *schroffs* as they are called in the Presidency towns, seldom discount European paper and do not purchase foreign or sterling bills, nor do they under ordinary circumstances make loans on the security of Government or similar paper. In slack seasons, however, they may make short-period investments in Government paper. In addition to making loans through the discount of *hundis*, the *schroffs* also make advances against gold and silver bullion and on the general security of the borrower, with whom their personal relationship is always very close. In many cases, these loans are for consumption purposes, and the rate of interest charged on such advances is generally much higher than the commercial rate.

Government savings banks were originally established in the Presidency towns between 1833 and 1835, after the banking failures of 1832. In

1870, district savings banks were established, and in 1882 and 1883 *post office savings banks* were set up. In 1896, the post office savings banks took over the district banks and the savings bank business of the Presidency Banks. The Government does not hold any specific reserve against deposits in the postal savings system; these deposits are regarded as unfunded debt and may be used for capital expenditure. Interest is allowed on both call and time deposits. Deposits may not exceed 750 rupees per individual per year, and the balance on deposit may not exceed 5,000 rupees. At the end of 1929, depositors in the 12,684 post office savings banks numbered over 2 million persons and total deposits exceeded 340 million rupees, including accumulated interest of 10 millions. The system undertakes to transfer small sums from place to place by money order.

Co-operative credit societies have existed in India since 1904, and their scope and importance were extended by the Co-operative Societies Act of 1912, which provided for the formation of Central Co-operative Banks — i.e., banks created by a union of primary societies and/or primary societies and individuals. Their purpose was to attract deposits from non-agriculturists to supplement the funds raised from this class by the primary societies, to distribute funds as required among the various primary societies, and to exercise a supervision over them. The co-operative banks do not discount their agricultural paper with the Imperial or joint-stock banks, but these institutions grant them advances against their own notes or on the security of prominent men connected with the co-operative banks. The following statement shows the progress of co-operative banking in India during the past decade. As in the case of the Indian joint-stock banks, the official statistics divide the co-operative banks into two classes: (A) those having capital and reserves exceeding Rs.500,000, and (B) those having capital and reserves between Rs.100,000 and Rs.500,000.

CO-OPERATIVE BANKS.

YEAR	NUMBER OF BANKS			CAPITAL AND RESERVES			DEPOSITS AND BORROWING			LOANS OUTSTANDING			CASH BALANCE		
	Class A	Class B	Total	Class A	Class B	Total	Class A	Class B	Total	Class A	Class B	Total	Class A	Class B	Total
	Rupees (000,000's)														
1920-21 . . .	5	36	41	4	7	11	23	25	48	23	28	51	0.4	1.3	1.7
1925-26 . . .	10	104	114	9	20	29	54	93	147	45	88	133	2.7	6.2	8.9
1930-31 . . .	26	170	196	24	34	58	124	177	301	103	140	243	8.5	6.7	15.2

It will be observed that, whereas the figures for Indian joint-stock banks point to a relative stagnation in the development of domestic commercial banking, striking progress of co-operative banking has taken place during the last

decade. India is chiefly an agricultural country; the co-operative banking system, which is almost exclusively directed towards providing agricultural credits and which is as yet in the first stages of development, is therefore likely long to remain

the most progressive branch of domestic banking. The smaller institutions have increased, both in number and relative importance, more rapidly than the larger ones. As the smaller co-operative banks frequently place part of their funds with the larger banks, a certain amount of double counting is involved in the figures above; but it is believed that this roughly compensates for the omission from the statistics of institutions with capital and reserves of less than Rs.100,000. As a rule, even the larger co-operative banks do not compete with

the institutions carrying on commercial banking proper.

The relative importance of the various classes of institution in the Indian banking system will be seen from the following statement, which shows the volume of deposits in the different groups mentioned. In addition to postal savings accounts, figures are also given for five-year cash certificates outstanding, as these, to a considerable extent, take the place of savings deposits in other countries.

Year	COMMERCIAL BANKS				SAVINGS BANKS, ETC.				Grand total (d) + (h)
	Imperial Bank (excluding "Public deposits")	Exchange banks (deposits in India)	Indian joint- stock banks	Total (a) - (c)	Co- operative banks (deposits and bor- rowings)	Postal savings banks	Postal five-year cash cer- tificates	Total (e)-(g)	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)		(i)
	Rupees (000,000's)								
1920	780	748	735	2,263	48	229	48	325	2,588
1921	658	752	802	2,212	65	223	43	331	2,543
1922	570	734	650	1,934	84	232	31	347	2,301
1923	742	684	562	1,988	100	248	84	432	2,420
1924	767	706	552	2,025	125	256	131	512	2,537
1925	778	705	579	2,062	147	272	210	629	2,691
1926	739	715	632	2,085	190	295	267	732	2,837
1927	721	688	643	2,052	220	327	307	854	2,906
1928	713	711	664	2,088	239	345	323	907	2,995
1929	716	666	663	2,045	270	371	350	991	3,036
1930	766	681	675	2,122	301	370	384	1,055	3,177
1931	638	675	661	1,974	318	381	446	1,145	3,119

Whereas total commercial bank deposits shown in column (d) were somewhat reduced in the years of the early post-war crisis and have since remained roughly stationary, savings deposits and similar accounts included in column (h) have increased without interruption since 1920. The share of the savings institutions in the general total given in column (i) rose from about 12 per cent in that year to 37 per cent in 1931. As a rule, the exchange banks and the larger Indian joint-stock banks hold some proportion of their cash balances on deposit with the Imperial Bank. These inter-bank deposits, which are not shown separately in the balance-sheets of that bank, are included in column (a) above. A certain though not substantial double accounting is involved in column (d) and also in column (i), partly on this account and partly owing to a similar practice being applied by some of the larger co-operative banks in regard to the commercial banks. Of total net deposits in 1930, which are thus slightly lower than the figure shown in column (i), co-operative and savings bank deposits, including Postal Cash (Savings) Certificates, constituted somewhat more than one-third, the remainder being fairly equally distributed among the Imperial Bank, the exchange banks and the Indian joint-stock banks. The figures for 1931 and such provisional figures as are

available for 1932 point to an accelerated decline in the relative importance of commercial bank deposits in the course of the present economic depression.

The available information on the number of bank offices, including agencies, of the several categories of commercial banks since 1926 has been summarised in the official statistics as follows :

NUMBER OF HEAD OFFICES, BRANCHES AND AGENCIES.

Year	Imperial Bank	Exchange banks	Indian joint-stock banks	Total
1926	169	77	484	730
1927	168	88	528	784
1928	170	86	554	810
1929	170	86	637	893
1930	167	88	683	938

The series shown for the Imperial Bank includes the three local head offices at Calcutta, Bombay and Madras. None of the exchange banks has its head office in India. The rapid increase in the number of bank offices and agencies of the Indian

joint-stock banks is more apparent than real, and would appear to be due mainly to the fact that the information available on this subject is gradually becoming more complete. This series includes a large proportion of head offices, the number of which rose from 119 in 1926 to 171 in 1930, while the number of reporting joint-stock banks whose deposits are shown in column (c) of the deposit statement above was 75 and 84 respectively in the two years. Thus, the known number of non-reporting Indian joint-stock banks is very considerable. These banks are, however, practically all very small and thus, even collectively, of slight importance. Their exclusion from the statistics does not therefore invalidate to any appreciable extent the deposit figures shown above.

The accounts of the indigenous "bankers" are entirely ignored in the banking statistics. Although the greater part of these so-called bankers are small-scale moneylenders ("merchant bankers") who do not receive deposits, those who do are still very numerous, and the aggregate amount of the funds entrusted to them is believed to exceed by far the amount of ordinary bank deposits. Most of these funds, however, which largely belong to religious institutions or represent family fortunes that have accumulated for a very long time, are administered like trustee deposits, and yield a very low rate of interest. Thus, they are rather of the nature of permanent investments and have very little in common with such bank deposits as serve as a basis for commercial credits.

Apart from the *Imperial Bank Act* and the *Co-operative Societies Act* referred to above, no special

banking legislation exists in India. The banks are registered under the general commercial law (*Indian Companies Act*), which does not contain any specific provisions relating to banking.¹ Thus, the banks are under no legal obligation to submit complete balance-sheets or reports on their operations to any central authority. Voluntary returns covering certain principal accounts are, however, submitted by a large number of banks, including all the more important ones, to the Department of Commercial Intelligence and Statistics, which summarises these accounts in an annual publication: *Statistical Tables relating to Banks in India* (published eighteen months to two years after the date to which they relate). Separate summaries are given for each category of banks. As these summaries do not permit of adaptation to the standard forms applied throughout the present publication, they are reproduced approximately in their original form in Table 38 (a) below. In the case of the Exchange Banks, only the accounts relating to operations in India are included and no distinction is made between Class A and Class B banks (see statement on page 320 above). Similarly, no distinction is made between larger and smaller Indian joint-stock banks. For reasons already indicated, the aggregates shown at the bottom of the table involve some double counting, which it is not possible to eliminate on account of insufficient specification of the basic data. Demand and time deposits are not shown separately.

The official statistics do not contain any profit and loss summaries.

¹ In 1929, an Indian Central Banking Enquiry Committee was set up which issued a report in 1931. The terms of reference of this Committee and the main proposals contained in its report, which have not as yet been carried into effect pending a final solution of the Central Reserve Bank question, are summarised at the end of this chapter.

INDIA.

ALL COMMERCIAL BANKS.

Table 38 (a).

SUMMARY OF CERTAIN ACCOUNTS.

	Rupees (000,000's)						
	1925	1926	1927	1928	1929	1930	1931
<i>Imperial Bank of India :</i>							
Capital paid up	56	56	56	56	56	56	56
Reserve and rest	49	51	52	54	55	55	51
Deposits	833	804	793	793	792	840	722
Thereof { Public	55	65	72	80	76	74	83
{ Private	778	739	721	713	716	766	639
Cash balances	175	209	109	106	140	130	110
<i>Exchange Banks :</i>							
Number of banks	18	18	18	18	18	18	17 ¹
Deposits ^a	705	715	688	711	667	681	675
Cash balances ^a	94	107	81	81	91	77	88
<i>Indian joint-stock banks :</i>							
Number of banks	74	75	77	74	78	84	84
Capital paid up	75	76	77	76	86	83	86
Reserve and rest	43	45	46	47	41	49	47
Deposits ^a	579	631	643	663	663	675	661
Cash balances ^a	108	99	82	87	95	82	82
<i>All reporting banks :</i>							
Number of banks	93	94	96	93	97	103	102
Deposits	2,117	2,150	2,124	2,167	2,122	2,196	2,058
Cash balances	377	415	272	274	326	289	280
Value of currency in cents of a U.S. dollar	36.9	36.2	36.7	36.5	36.4	35.9	25.4

¹ Excluding the *Banco Nacional Ultramarino*, which has not published its report for 1931; see footnote 2 on page 320.

^a Accounts in India only.

THE INDIAN CENTRAL BANKING ENQUIRY COMMITTEE.

In 1929, the Government of India set up a Banking Enquiry Committee with the following terms of reference :

" To investigate past records and existing conditions of banking in India, including the organisation of the Money Market, and to consider the steps, if any, that are feasible and desirable under the following main headings :

" (a) The development of banking with a view to the expansion of indigenous, co-operative and joint-stock banking, with special reference to the needs of agriculture, commerce and industry ;

" (b) The regulation of banking with a view to protecting the interests of the public ; and

" (c) Banking education with a view to the provision of Indian personnel in adequate numbers and with the necessary qualifications to meet the increasing needs of the country for a sound and well-managed national system of banking."

The principal recommendations of this Committee may be briefly summarised as follows :

(a) The establishment of a Central or Reserve Bank for the mobilisation of the banking and currency

reserves of India and for increasing the volume of credit available for trade, industry and agriculture.

The removal of the restrictions on the foreign exchange business of the Imperial Bank of India, as being in the interest of development of India's foreign trade. The creation of a new exchange bank, in the event of no satisfactory arrangement being made between the proposed Reserve Bank and the Imperial Bank of India regarding the conduct of exchange business, or if the latter should find itself unable to fulfil its obligations regarding foreign trade within a stipulated period. For the development of the Indian bill market, the Reserve Bank to be permitted to purchase, sell and rediscount rupee import bills. The formation of an all-India Bankers' Association, including as members, not only the three classes of banks, but indigenous bankers as well.

(b) For the regulation of banking, two principal recommendations are made : (1) the promulgation of a special Bank Act comprising provisions governing all banking institutions, and (2) the amendment and amplification of the Indian Companies Act so as to provide for additional matters which require to be dealt with by legislation.

(c) For the development of banking education, the Universities are urged to give greater facilities for the study of banking.

AUSTRALIA AND NEW ZEALAND.

General Introduction.

The connection between the commercial banking systems of Australia and New Zealand is very close ; of the six banks operating in New Zealand, four are primarily Australian institutions, and one of the two New Zealand establishments also carries on operations in Australia. All the important banks operating in both countries have either their head offices or important branches in London, where large balances accrue and are drawn upon in financing the external trade of the two Dominions ; in the annual reports of these banks, however, no distinction is made between assets held in or liabilities due by the Australian and New Zealand offices, on the one hand, and the accounts relating to the offices situated outside each Dominion, on the other ; nor are inter-branch balances due from non-Dominion to Dominion offices or those due by Dominion to non-Dominion offices shown separately. The official banking statistics published in Australia and in New Zealand include only the accounts of the offices situated within each Dominion and are, therefore, not sufficiently complete to give an idea of the true position of the banks as a whole, more especially as the greater part of the aggregate capital and reserves is shown in the accounts of London head offices which are excluded from the

Dominion statistics. The banks having their head offices outside either Dominion, and thus, from the point of view of accountancy, holding their capital and reserves abroad, are not required specially to earmark any part of these funds for the account of the branches in the Dominions where in fact the bulk of their operations are carried on.

For these reasons the plan is followed, in the present chapter, of first treating the Australian and New Zealand banking systems individually and then showing the movement in banking in the two Dominions as a whole. Separate summary tables are given for each country, with detailed notes to each table ; in each case these tables show only the assets and liabilities of the banking offices within the Dominion and exclude completely capital and reserve accounts. A separate summary table for Australia and New Zealand combined is then presented ; this table, which is based on the complete annual balance-sheets of all important banks, covers all business in Australia, New Zealand, London and elsewhere and also includes capital and reserve accounts. A summary table of the profit and loss accounts of these banks, based on statistics published in the *Economist*, is also shown.

AUSTRALIA.

Introductory Note.

Banking in Australia during the course of the economic depression displays several features of particular interest. Perhaps the most important of these is the development of the central banking functions of the Commonwealth Bank. As pointed out in the last edition of this *Memorandum*, the Commonwealth Bank is an institution of mixed character ; it acts as Government banker, controls the note issue, is authorised to rediscount bills for the "trading" banks and, in addition, accepts deposits from, and makes direct advances to, the business community. Its accounts are not included in the summary table presented in this chapter, nor in that on Australia and New Zealand combined.

The Australian balance of payments, like that of other producers of raw materials, was very adversely affected by the fall in prices in recent years. Heavy exports of gold took place in October 1929, and in the following month the Commonwealth Bank was authorised to acquire all

of Australia's gold supplies. The exchange fell below gold export point early in 1930. In the year ending June 30th, 1930, the Commonwealth Bank shipped abroad gold to the value of £26.5 million, of which the greater part was acquired from the trading banks under the legislation mentioned. Even these shipments were not sufficient to satisfy the demand for foreign currencies ; it was necessary to ration the foreign exchange available, and an arrangement was reached between the Commonwealth Bank and the trading banks to pool their sterling resources in order to ensure that priority would be given to Government requirements for interest on sterling debt, etc.

These difficulties continued into 1931. Early in that year, one of the trading banks broke away from the exchange pool, and the Australian pound, which had hitherto been maintained at a fictitious parity through rationing, was allowed to depreciate.

In the year ending June 30th, 1931, the gold reserves of the Commonwealth Bank fell by £4.7 million and those of the trading banks from £4.6 million to £2 million. The position of the public finances became particularly strained during this period and deficits were financed by the issue of Treasury bills to the Commonwealth Bank. In April 1931, the Commonwealth Bank intimated to the Loan Council that it could not continue to provide credits beyond a stated limit to the National and the State Governments. The Loan Council appointed a committee of experts, who drew up a scheme of retrenchment which was subsequently adopted at a conference of State and Federal Ministers, and came to be known as the Premiers' Plan. One of the features of this plan was the flotation of an Internal Conversion Loan of £556 million, by means of which the average nominal rate of interest on long-term Government debt was reduced from 5½ to 4 per cent. The actual yield on long-term Government securities maturing within fifteen years fell from 9 per cent prior to the conversion to 5 per cent six months later.

When Great Britain abandoned the gold standard in September 1931, there was a considerable return flow of capital to Australia. The Australian pound was maintained at a discount of 30 per cent below sterling, and the trading banks were offered a great deal more sterling than they could sell. At the beginning of December 1931, the Commonwealth Bank announced that it would buy sterling from the public without restriction at rates to be fixed by it, and that it would also buy from the banks any surplus accumulated by them. The rate was fixed at £125 Australian to £100 sterling. Until 1931, the Commonwealth Bank had been obliged to keep a gold reserve of 25 per cent against notes; in 1931 this was lowered to 15 per cent, and in June 1932 the Act was again amended to allow the bank to hold its reserve in either gold or sterling.

Attention may now be directed to the development of commercial bank accounts in Australia during the past few years. The following table summarises the principal assets and liabilities, within Australia, of the principal trading banks; the accounts of the Commonwealth Bank are not included.

Accounts	£ (000,000's)				
	June 1929	June 1930	June 1931	June 1932	June 1933
1. Cash :					
(a) Coin and bullion	25.2	4.6	2.0	2.0	1.9
(b) Australian notes	12.8	16.1	19.0	18.7	15.8
(c) Balances with Commonwealth Bank	9.2	16.9	32.2	29.1	23.6
2. Government and municipal securities	22.9	19.3	21.5	43.7	52.8
3. Discounts, advances, etc.	223.1	262.8	241.3	229.3	234.1
4. Deposits :					
(a) Interest-bearing	178.9	178.8	180.4	189.9	185.7
(b) Non-interest-bearing	107.8	89.8	81.1	87.1	80.0

A striking feature of the above table is the change in the composition of the banks' cash holdings. In recent years, practically all of their cash reserves have taken the form of Australian notes and balances at the Commonwealth Bank, while in 1929 more than half took the form of coin and bullion. Holdings of notes have not shown great variation in recent years, but balances with the Commonwealth Bank have increased considerably. This illustrates the growing importance of the central banking functions of this institution, to which reference has already been made. The increase in total cash holdings between June 1930 and June 1931 is to be considered in conjunction with the Commonwealth Bank's financing of budgetary deficits through the purchase of Treasury bills — a form of central bank credit expansion. Discounts, advances, etc., rose by £40 million between 1929 and 1930, chiefly due to assistance given by the trading banks to the States and municipalities; they fell by about the same amount in the next two years. Interest-bearing deposits

moved but little from 1929 to 1931 and current accounts (4b) contracted quite sharply. This contraction came to an end late in 1931, which would appear to be the result of the participation of the Commonwealth Bank in the programme of credit expansion agreed to in the Premiers' Plan. The Commonwealth Bank has complete discretion with regard to the amount of Treasury bills it will take up. In February 1933, an agreement was reached between the bank and the Loan Council whereby necessary budgetary deficits should be financed through the issue of Treasury bills, while public works should be financed through loan issues.

The increase in the trading banks' holdings of Government securities after 1931 is due to their purchases of Treasury bills, which are classified under the former heading in the official statistics; they account for over £27 million of the total shown for item 2 in both 1932 and 1933. These bills are discountable at the Commonwealth Bank; consequently the trading banks have been able to

let their cash reserves run down. In the year ending June 1933, the banks increased their discounts and advances slightly; sight deposits also went up, while fixed deposits declined, indicating a more active use of deposit accounts.

During the past two years, interest rates in Australia have been considerably reduced. The rate of Treasury bills, which stood at 6 per cent at the beginning of 1931, was reduced by successive stages to 3¼ per cent at the beginning of 1933 and

2½ per cent at the middle of that year. The rate on time deposits was brought down to 2 per cent on three-month deposits and 3 per cent on two-year deposits. Overdraft rates were also reduced, the maximum for loans to primary producers being 5½ per cent at the middle of 1933.

The following table enables a comparison to be made between the movement of deposits in savings banks, commercial banks and the Commonwealth Bank of Australia:

End of June	£ (000,000's)						
	Commonwealth Savings Bank	Other savings banks	Total savings banks (a+b)	Commercial banks	Total (c+d)	Commonwealth Bank	Grand total (e+f)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1928.	41.8	141.3	183.1	250.6	433.7	35.2	468.9
1929.	50.1	175.4	225.5	302.3	527.8	43.9	571.7
1930.	49.6	167.9	217.5	285.2	502.7	42.8	545.5
1931.	49.5	143.9	193.4	278.5	471.9	57.7	529.6
1932.	115.9	82.1	198.0	284.1	482.1	63.6	545.7

The sudden rise in 1932 in the deposits of the Commonwealth Savings Bank, which was operated as a department of the Commonwealth Bank until 1928, is to be accounted for by its absorption of the Government Savings Banks of New South Wales and Western Australia, which became involved in difficulties and were forced to suspend payments late in 1931. Between the middle of 1929 and the middle of 1932, deposits in all savings banks (column c) fell by £28 million, or 12 per cent, considerably more than deposits in commercial banks, which declined by £18 million, or 6 per cent. The rise in deposits in the Commonwealth Bank is largely to be attributed to the commercial banks' sales of gold to that institution and their increased tendency to keep their cash reserves in the form of deposits with it.

The figures shown in the summary table for Australia differ slightly from those published in the last edition; they cover only the principal trading banks, which account, however, for over 95 per cent of the total banking business of Australia (excluding the Commonwealth Bank). They are based on official statistics, as reproduced in the *Australasian Insurance and Banking Record*. The figures relate only to assets and liabilities within Australia. Most of the banks carry on business elsewhere as well. The proportion of capital resources devoted to the Australian business is not shown. For these reasons, total assets and liabilities, as given in the summary table, do not balance.

Balance-sheet Summary.

I. Cash.

The amounts shown in the summary table under (a) consist of (1) coined gold and silver and other metals and (2) gold and silver in bullion or bars to the following amounts:

June quarter	£ (000,000's)		
	Coin	Bullion	Total
1925.	22.5	4.5	27.0
1929.	25.1	0.4	25.5
1930.	4.5	0.1	4.6
1931.	1.8	0.2	2.0
1932.	1.7	0.3	2.0
1933.	1.6	0.3	1.9

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

June quarter	£ (000,000's)
1925.	3.9
1929.	9.2
1930.	16.9
1931.	32.2
1932.	29.1
1933.	23.6

Small balances due to savings banks may also be included in the above figures.

AUSTRALIA.

COMMERCIAL BANKS

Table 39 (a) I.

ACCOUNTS	SUMMARY OF POSITION : AVERAGES FOR QUARTER ENDING JUNE 30TH :					
	1925	1929	1930	1931	1932	1933
Number of Banks	14	11	11	11	10	10
ASSETS.						
	£A. (000,000's omitted)					
1. Cash	50.1	47.2	37.6	53.2	49.8	41.3
(a) Gold, silver and small coins	27.0	25.2	4.6	2.0	2.0	1.9
(b) Inland notes and balances with Central Bank	23.1	22.0	33.0	51.2	47.8	39.4
2. Other Items of a Cash Nature	2.1	2.1	1.9	1.3	1.3	1.4
3. Bills discounted and bought	—	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—
4. Investments and Securities	12.9	23.3	19.3	21.5	43.7	52.8
(a) Government	—	—	—	—	—	—
(b) Others	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents)	3.5	3.4	4.1	2.9	3.8	3.7
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
7. Loans and Advances	195.3	248.2	262.8	241.3	229.3	234.1
(a) On current account	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—	—
9. Premises, etc.	6.2	7.1	7.6	8.0	8.0	8.0
10. Sundry Assets	—	—	—	—	—	—
11. Total Assets	270.1	331.3	333.3	328.2	335.9	341.3
LIABILITIES.						
12. Capital paid up	—	—	—	—	—	—
13. Reserve Funds	—	—	—	—	—	—
14. Profit-and-Loss Accounts, Undivided Profits, etc.	—	—	—	—	—	—
15. Notes in Circulation	0.2	0.2	0.2	0.2	0.2	0.2
16. Cheques and Drafts in Circulation	2.6	3.7	2.8	2.3	2.1	2.1
17. Due to Banks (Correspondents)	3.2	2.4	2.7	1.5	1.3	1.2
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
18. Deposits	248.5	296.2	270.0	262.8	280.0	277.6
(a) Current accounts and sight deposits	108.4	107.8	89.8	81.1	87.1	89.0
(b) Savings accounts	—	—	—	—	—	—
(c) Time or fixed deposits	140.1	180.4	180.2	181.7	192.9	188.6
(d) Other deposits	—	—	—	—	—	—
19. Rediscounts and Other Borrowings	—	—	—	—	—	—
20. Acceptances and Endorsements	—	—	—	—	—	—
21. Sundry Liabilities	—	—	—	—	—	—
22. Total Liabilities	254.5	294.5	275.7	266.8	293.6	281.1
23. Value of currency in cents of a U.S. dollar at the end of June of each year	486.64	481.30	457.14	373.38	287.33	339.42

2. *Other Items of a Cash Nature.*

This item consists of the banks' holdings of cheques and drafts on other banks.

3. *Bills discounted and bought.*

The bill portfolio is not shown separately in the official statistics, but is included under loans and advances (see note to group 7 below).

4. *Investments and Securities.*

The amounts shown in the summary table include the banks' holdings of Treasury bills, shown separately only by certain banks in 1932 and 1933 ; for those banks they amounted to £27.4 million in both years.

7. *Loans and Advances.*

This item includes discounts, advances, overdrafts and all other assets not otherwise enumerated held by the banks in Australia.

9. *Premises.*

This item includes unknown amounts of landed property which the banks have acquired through the foreclosure of mortgages, in addition to that used in its own service.

11. *Total Assets.*

These refer only to business transacted by the Australian offices of the banks. The official statistics exclude cover for acceptances, letters of credit and all transitory as well as certain internal bank accounts which may be included in the complete balance-sheets published by the banks. All these items are accordingly excluded from the totals shown in the summary table.

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

A special statement is periodically published showing the capital, reserves, etc., of the banks operating in Australia as at June 30th of each year. No division is required or made, however, between the capital and reserves relating to the banks' Australian business (*i.e.*, that covered by the official quarterly banking statistics) and the capital and reserves relating to the business transacted by the banks' head offices in London or their branches in New Zealand and elsewhere. Figures for capital and reserves are therefore not given in the quarterly

returns nor in the attached summary table based on them.

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

End of June	£ (000,000's)	
	Capital	Reserves and undivided profits
1929.	44.6	35.0
1930.	44.6	36.2
1931.	44.9	36.8
1932.	44.0	35.4
1933.	44.0	35.4

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

15. *Notes in Circulation.*

The trading banks lost the right of note-issue in 1910. Practically the whole of the amounts shown for the years under review represent notes which have been lost, etc., and never presented for redemption.

16. *Cheques and Drafts in Circulation.*

The sums shown under this heading consist of cheques and drafts issued by the banks in connection with both external and inter-State trade.

18. *Deposits.*

In the official statistics, sight and time deposits are distinguished as " non-interest-bearing " and " interest-bearing " deposits respectively. The amounts shown in the summary table as time deposits include small amounts of perpetual deposit stock issued by certain banks. The figures shown do not include deposits made in branches of the Australian banks in London and elsewhere abroad.

22. *Total Liabilities.*

For the reasons indicated above, total liabilities do not correspond with total assets (see notes to groups 11 and 12, etc.).

NEW ZEALAND.

Introductory Note.

The salient features of the development of banking in New Zealand since the publication of the last issue of this *Memorandum* are (1) the adverse balance of payments until the latter part of 1932 which is clearly reflected in the banks' accounts; (2) the substantial decline in the effective use of bank credit; (3) the increased assistance given by the banks to the Government; and (4) the recent legislation establishing a Reserve Bank.

In common with other exporters of raw materials, New Zealand has suffered very seriously from the price decline of recent years. Export values were greatly diminished and large fixed payments had to be made in London for the service and redemption of debt. The New Zealand exchange fell below the gold export point early in 1930: by September 1931, sterling was quoted at a premium of 10 per cent, and, when the United Kingdom abandoned the gold standard, this rate was maintained. In December 1931, a compulsory exchange pool was formed. Exports were allowed only under licence and the exporters were required to remit all proceeds to New Zealand through one of the six trading banks. The purpose of this pool was to ensure that sufficient sterling resources would be forthcoming to enable the Government to meet its external debt requirements; the Government was to have the first claim on the exchange resources accumulated by the banks. These restrictions were abandoned in the latter part of 1932, but the exchange rate remained unchanged until early in 1933, when, as part of a general economic programme (which included the issue of a large conversion loan and further reductions of wages and salaries, and which was comparable in magnitude and scope with the Premiers' Plan in Australia), it was raised to the rate of £125 New Zealand = £100 sterling.

The New Zealand banking statistics give a fairly clear indication of movements in the country's balance of external payments. All the banks operate abroad — in Australia and/or London — but the official statistics show only assets and liabilities *within* New Zealand. Practically all of New Zealand's external transactions are financed through the banks, and, when the balance of these transactions is favourable, this is reflected in the banking statistics in increased liabilities in New

Zealand, resulting chiefly from increased deposits. Conversely, a relative increase in assets within New Zealand must be balanced by a relative reduction in assets held abroad. The following statement shows the movement of the banks' total assets and liabilities in New Zealand during the past few years:

June quarter	£ (000,000's)			
	Total assets in New Zealand	Total liabilities in New Zealand	Excess of assets (+) or liabilities (—) in New Zealand	Change in column (3)
	(1)	(2)	(3)	(4)
1929	63.4	67.5	+4.3	.
1930	69.9	66.2	—3.7	—8.0
1931	68.9	62.6	—6.3	—2.6
1932	69.4	61.5	—7.9	—1.6
1933	70.0	65.7	—4.3	+3.6

↑ liabilities
↓ assets

Column 4, which shows the year-to-year changes in the difference between assets and liabilities in New Zealand, may be taken as an indication of the *direction* of the movement of the balance of outward (—) or inward (+) payments. It does not accurately reflect the *magnitudes* involved, as specie shipments made by the Government are not included. It will be seen that the balance of New Zealand's payments was very unfavourable in the year ending June 1930, that it continued to be unfavourable — though at a diminishing rate — during the next two years, and that there was a net balance of inward payments into New Zealand in the year ending June 1933. This last movement, which was more marked in the first six months of 1933 than in the previous semester, is due partly to higher domestic currency prices and an increase in the excess of exports, and partly to the repatriation of capital subsequent to the raising of the exchange rate.

The following statement shows the fluctuations in the principal earning assets of the banks and in their deposit liabilities — in all cases, within New Zealand — during recent years:

June quarter	£ (000,000's)					
	Discounts and advances	Government securities	Deposits			Free deposits as percentage of fixed deposits
			Free	Fixed	Total ¹	
(1)	(2)	(3)	(4)	(5)	(6)	
1929.	47.4	5.2	26.8	30.2	57.0	88.7
1930.	54.1	5.6	23.2	30.5	53.7	76.1
1931.	53.4	4.6	18.1	33.1	51.2	54.7
1932.	50.6	9.1	16.8	35.4	52.2	47.5
1933.	46.8	14.4	18.9	30.9	55.8	51.2

¹ Excluding Government deposits.

Discounts and advances rose considerably in 1930, but they have fallen steadily since that year, and in the June quarter of 1933 were again at about the 1929 level. Total deposits (column 5) fell by almost £6 million between 1929 and 1931; in the next two years, they rose by £4.6 million. More significant than the movements of total deposits are the relative movements of free and fixed deposits. Free deposits represent current accounts mainly in active business use, while fixed deposits largely represent funds awaiting investment. The former fell continuously between 1929 and 1932, and were £10 million, or 37 per cent, lower at the middle of the latter year. Fixed deposits, on the other hand, increased by over £5 million during this period. Column 6 shows the consequent fluctuations in the ratio of these two groups; changes in this ratio may be taken as reflecting variations in business confidence and the willingness of investors to assume economic risks. The sharp decline between 1929 and 1932 clearly mirrors the stagnation of trade and industry. A reversal is evident in the year ending June 1933. Fixed deposits continued to increase during this year, but the increase was even more marked in current accounts, with the result that the ratio of free to fixed deposits rose slightly.

The declining activity of bank deposits during the years 1929 to 1932 is also reflected in the figures for bank debits, which represent the total financial transactions effected in the country. The following statement shows the weekly average of bank debits to individual accounts for the first six months of each year since 1929:

	£ (000,000's)
1929.	23.3
1930.	22.1
1931.	16.4
1932.	15.2
1933.	15.9

Between 1929 and 1932, the weekly average of bank debits fell by 35 per cent, or in roughly the same measure as free deposits. Like the ratio of current to time accounts, the total of bank debits shows an upward movement in 1933.

It is of interest to compare the movements of deposits in savings banks with those in commercial banks. The following table shows amounts to the credit of depositors in the Post Office Savings Bank and in private savings banks over the period studied:

End of March	£ (000,000's)		
	Post Office Savings Bank	Private savings banks	Total
1929.	48.6	8.5	57.1
1930.	49.5	9.2	58.7
1931.	47.7	9.7	57.4
1932.	43.3	10.1	53.4
1933.	42.0	10.5	52.5

The Post Office Savings Bank is still the most important collector of savings deposits in New Zealand, but since the end of March 1930 it has suffered withdrawals amounting to £7.5 million, or 15 per cent of its deposits. This is partly explained by the fact that the Post Office Savings Bank lowered the interest rate allowed on deposits in excess of £500. Part of the sums withdrawn appear to have gone to private savings banks, but the bulk — if transferred at all — went to fixed accounts in the commercial banks. Between 1930 and 1933, the latter accounts rose by £6.4 million, as compared with a decline of £6.2 million in total deposits in all savings banks. This movement, which is the opposite of that observed in many countries, reflects the confidence of the public in the commercial banking institutions.

In the years ending June 1932 and 1933, the banks' holdings of Government securities rose very considerably, and they were almost £10 million higher at the middle of 1933 than at the middle of 1931. In the latter year, they constituted over 25 per cent of total deposits, as shown above, compared with less than 10 per cent in 1931. This rise is to be explained in part by the financing of budgetary deficits through bank borrowings, in part by the financing of part of public works and unemployment expenditure in the same way, and

ACCOUNTS	SUMMARY OF POSITION : AVERAGES FOR QUARTER ENDING JUNE 30TH :					
	1925	1929	1930	1931	1932	1933
Number of Banks	6	6	6	6	6	6
ASSETS.						
	£N.Z. (000,000's omitted)					
1. Cash	8.0	7.3	6.9	7.0	6.3	5.2
(a) Gold, silver and small coins	7.7	7.2	6.8	6.9	6.2	5.1
(b) Inland notes and balances with Central Bank	0.3	0.1	0.1	0.1	0.1	0.1
2. Other Items of a Cash Nature	0.7	0.7	0.7	0.5	0.4	0.3
3. Bills discounted and bought	1.5	1.0	1.2	0.9	0.7	0.6
(a) Treasury bills	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—
4. Investments and Securities	6.1	5.9	6.3	5.0	9.5	14.8
(a) Government	4.8	5.2	5.6	4.6	9.1	14.4
(b) Other	1.3	0.7	0.7	0.4	0.4	0.4
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents)	1.0	0.9	0.7	1.7	1.3	1.7
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
7. Loans and Advances	42.4	46.4	52.9	52.5	49.9	46.1
(a) On current account	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—	—
9. Premises, etc.	0.8	1.2	1.2	1.3	1.3	1.3
10. Sundry Assets	—	—	—	—	—	—
11. Total Assets	60.5	63.4	69.9	68.9	69.4	70.0
LIABILITIES.						
12. Capital paid up	—	—	—	—	—	—
13. Reserve Funds	—	—	—	—	—	—
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—	—
15. Notes in Circulation	6.9	6.6	6.4	5.8	6.0	6.3
16. Cheques and Drafts in Circulation	0.3	0.3	0.3	0.2	0.2	0.2
17. Due to Banks (Correspondents)	0.4	0.8	0.7	1.6	1.3	1.7
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
18. Deposits	54.6	59.8	58.8	55.0	54.0	57.5
(a) Current accounts and sight deposits	30.5	26.8	23.2	18.1	16.8	18.9
(b) Savings accounts	—	—	—	—	—	—
(c) Time or fixed deposits	21.0	30.2	30.5	33.1	35.4	36.9
(d) Other deposits	3.1	2.8	5.1	3.8	1.8	1.7
19. Rediscounts and Other Borrowings	—	—	—	—	—	—
20. Acceptances and Endorsements	—	—	—	—	—	—
21. Sundry Liabilities	—	—	—	—	—	—
22. Total Liabilities	62.2	67.5	66.2	62.6	61.5	65.7
23. Value of currency in cents of a U.S. dollar at the end of June of each year.	486.15	483.13	465.05	444.13	328.65	340.25

in part by the large withdrawals of deposits from the Post Office Savings Banks, which the Government met, to some extent, by borrowing from the commercial banks.

In November 1933, a law was passed providing for the establishment of a central bank (Reserve Bank) in New Zealand. The bank is to have an initial paid-up capital of £500,000 offered for public subscription to British subjects ordinarily resident in New Zealand. The State is to provide a reserve fund of £1,000,000 in cash or Government securities. It is also to nominate the first principal officers and Board of Directors; subsequently, the principal officers are to be nominated by the Government on the recommendation of the Board of Directors. The Reserve Bank is to be given the right of note issue. Thus, the outstanding issues of the commercial banks must be redeemed in Reserve Bank notes or subsidiary coin and the commercial banks must transfer to the Reserve Bank, at its nominal value, all gold coin and bullion held by

them for their own account. The Reserve Bank is to maintain in the form of gold or sterling a minimum cash reserve equivalent to 25 per cent of its note circulation and other sight liabilities; it is required to convert its notes presented in sums exceeding £5,000 into sterling on demand. All New Zealand Government accounts are to be kept with the Reserve Bank. The commercial banks are required under the Act to maintain balances with the central institution amounting to 7 per cent of their demand liabilities (excluding banknotes) and 3 per cent of their time liabilities in New Zealand. They will also be required to submit to the Reserve Bank monthly statements of their condition on a standard form laid down in the Act.

As in the case of Australia, total liabilities shown in the summary table are not equal to total assets, because the official statistics show only assets and liabilities within New Zealand and, moreover, omit capital and reserve accounts.

Balance-sheet Summary.

1. *Cash.*

The amounts shown under (a) include a certain amount of bullion and bars in addition to coin.

The small amounts shown under (b) consist of the legal-tender notes of other banks. As the banks may themselves issue notes, they need not maintain any reserve in the form of paper currency of other institutions against deposits; in so far as these are withdrawn in notes, they may be paid out of the unused part of the bank's own authorised note issue. Thus the primary function of cash reserves (which do not include such unused balances of potential note issues) is to serve as cover for the notes in circulation; accordingly, these reserves are held almost exclusively in coin.

2. *Other Items of a Cash Nature.*

This item consists of cheques and drafts on other banks.

3. *Bills discounted and bought.*

Part of discounts may be included under advances in the official returns.

7. *Loans and Advances.*

This item is classified in the official statistics as "debts due to the banks" and includes loans,

advances, overdrafts, etc. It is not known what proportion each of these items is of the total, but the bulk of credit extended would appear to take the form of overdrafts.

11. *Total Assets.*

The sums shown are totals of the accounts given in the summary table; they exclude assets held outside New Zealand.

15. *Notes in Circulation.*

The law governing the issue of notes by the commercial banks in New Zealand was summarised in the last edition of this memorandum.

15. *Cheques and Drafts in Circulation.*

This item represents cheques and drafts of other banks, referred to in the official statistics as "bills of other banks".

18. *Deposits.*

Deposits on current account are distinguished in the official statistics as free deposits, time deposits as fixed. The sums shown under (d) represent Government deposits, of which practically the whole sum is lodged with the Bank of New Zealand.

AUSTRALIA AND NEW ZEALAND. COMMERCIAL BANKS

Table 39 (a) III.

ACCOUNTS	SUMMARY OF POSITION AT JUNE 30TH :					
	1925	1929	1930	1931	1932	1933
Number of Banks	15	12	12	12	12	11
ASSETS.						
£ sterling (000,000's omitted)						
1. Cash	87.2	85.8	74.8	74.8	79.8	74.9
(a) Gold, silver and small coins	—	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—	—
2. Other Items of a Cash Nature	51.3	43.2	33.8	21.7	22.2	22.5
3. Bills discounted and bought	—	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—
4. Investments and Securities	37.0	54.5	40.7	41.1	59.8	72.8
(a) Government	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
7. Loans and Advances	248.2	208.8	322.8	308.1	290.0	287.2
(a) On current account	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
8. Cover for Acceptances	5.7	6.0	5.9	4.7	4.4	4.6
9. Premises, etc.	7.5	8.5	9.1	9.5	9.7	9.8
10. Sundry Assets	—	—	—	—	—	—
11. Total Assets	437.8	496.8	487.1	459.9	465.9	471.8
LIABILITIES.						
12. Capital paid up	39.0	46.1	46.3	46.4	46.4	45.4
13. Reserve Funds	28.3	35.7	36.7	37.0	37.1	36.0
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	3.6	4.5	4.3	3.9	3.1	2.7
15. Notes in Circulation	6.9	7.5	6.8	6.4	6.5	7.0
16. Cheques and Drafts in Circulation	31.7	31.2	29.3	22.2	19.0	19.8
17. Due to Banks (Correspondents)	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
18. Deposits	322.6	365.8	357.8	339.3	349.4	356.3
(a) Current accounts and sight deposits	—	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—	—
(d) Other deposits	—	—	—	—	—	—
19. Rediscounts and Other Borrowings	—	—	—	—	—	—
20. Acceptances and Endorsements	5.7	6.0	5.9	4.7	4.4	4.6
21. Sundry Liabilities	—	—	—	—	—	—
22. Total Liabilities	437.8	496.8	487.1	459.9	465.9	471.8

AUSTRALIA AND NEW ZEALAND. COMMERCIAL BANKS

Table 39 (b)

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :					
	1925	1929	1930	1931	1932	1933
Number of Banks	14	12	12	12	11	11
	£ sterling (000,000's omitted)					
Capital and Reserves	71.0	86.6	88.1	89.4	86.2	87.5
I. Gross Profits	5.79	6.76	6.22	4.85	3.11	2.48
<i>To be deducted :</i>						
2. Expenses	—	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.03	0.02	0.02	0.02	0.02	0.02
4. Written off on (Depreciation Accounts for)	0.15	0.25	0.21	0.13	0.01	0.07
(a) Premises, etc.	0.15	0.25	0.21	0.13	0.01	0.07
(b) Investments and securities	—	—	—	—	—	—
(c) Other assets	—	—	—	—	—	—
5. Remaining Net Profit	5.61	6.49	5.99	4.70	3.08	2.39
6. Carried forward from Preceding Year	1.52	1.79	1.85	1.97	1.96	1.60
7. Taken from Reserves or Capital	—	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	7.13	8.28	7.84	6.67	5.04	3.99
9. Carried to Reserves	1.50	1.07	0.82	0.30	0.11	0.55
10. Dividends	4.02	5.36	5.05	4.41	3.33	2.36
11. Directors' Fees, etc.	—	—	—	—	—	—
12. Carried forward to Following Year	1.61	1.85	1.97	1.96	1.60	1.08
13. Total as above	7.13	8.28	7.84	6.67	5.05	3.99

Balance-sheet Summary.

The figures shown in Summary Table 28 (a) III are based upon a compilation of the balance-sheets of the most important banks operating in Australia and New Zealand. This compilation appears annually in the September number of the *Australasian Insurance and Banking Record*; it shows the aggregate position of the banks at the end of their financial year, which is June 30th or thereabouts in most cases. The table covers the ten trading banks operating in Australia in June 1933, and, in addition, the National Bank of New Zealand, which carries on business only in New Zealand, apart from its London head office. Of the ten banks operating in Australia, five (including

the Bank of New Zealand, whose New Zealand accounts are very much more important than its Australian accounts) also carry on business in New Zealand. Table 28 (a) III therefore represents a combination of Tables 28 (a) I and II, plus the accounts of Australian and New Zealand banks held in London.

For the composition of each item in the summary table, reference may be made to the detailed notes to the summary tables for Australia and New Zealand above. The amounts shown under "1. Cash" include coin and bullion, cash balances, Australian notes, notes of other banks, money at short call and some relatively small amounts of

Government and other securities held by the Bank of New Zealand in London ; " 2. Other Items of a Cash Nature " refer to bills receivable in London and remittances in transit, including a certain amount of remittances in transit between branches ; " 4. Securities " include British, Australian and New Zealand Government securities and some securities of municipalities and other local authorities, as well as short-dated British Treasury bills. " Correspondent Accounts " are not shown separately in these returns and are presumably included under bills receivable and remittances in

transit (group 2) under assets, and " Cheques and Drafts in Circulation " (group 16) under liabilities ; " 7. Loans and Advances " include all credit extended by the banks to the public, whether in the form of loans, discounts, advances or overdrafts. " 8. Cover for Acceptances " consists of customers' liability under letters of credit, etc., where shown separately ; in many cases, however, these items are not included in the balance-sheets of the banks. " 15. Notes in Circulation " are issued chiefly in New Zealand. " 18. Deposits " are not divided into current account, time deposits, etc.

Summary of Profit-and-Loss Accounts.

The summary table of profit and loss accounts is based upon statistics published in the annual (October) banking supplement of the *Economist*. The banks included are practically identical in each year with those included in the balance-sheet summaries published by the *Australasian Banking and Insurance Record*, on which the summary table showing the position of the banks is based.

1 and 2. *Gross Profits and Expenses.*

In the statistics published in the *Economist*, all expenses, including salaries, other expenses, and income and other taxes, are deducted before the banks' profits are stated. These items are accordingly excluded from the summary table.

Further, the banks show only amounts written off on premises ; depreciation allowances on " bad and doubtful debts " and on other assets are made at the discretion of the directors before any figure for profits is disclosed.

Obviously, therefore, the sums shown under group 1 in the summary table do not represent genuine gross profits and are not comparable with figures given under this heading in the profit and loss summaries for other countries.

4. *Depreciation.*

As mentioned in the note to group 1 above, the banks show only their depreciation on premises.

ECONOMIC INTELLIGENCE SERVICE

COMMERCIAL BANKS

1929-1934

LEAGUE OF NATIONS

GENEVA

1935

Series of League of Nations Publications

II. ECONOMIC AND FINANCIAL

1935. II.A. 2.

TABLE OF CONTENTS.

	Page
PREFACE	IV
INTRODUCTION :	
I. General Summary of Outstanding Events in 1933, 1934 and the First Quarter of 1935	V
II. Currency Composition	VII
III. Central Bank Assets	XX
IV. Deposits	XXX
V. Commercial Bank Credits and Investments	XXXV
VI. Cash Ratios	XLII
VII. Clearings	XLVII
VIII. Interest Rates	L
IX. Prices	LV
X. Exchange Rates	LXI
XI. Prices and Exchange Rates	LXX
XII. Gold	LXXXVI
XIII. Summary of the Position at the End of March 1935	LXXXVIII

THE BANKING POSITION IN INDIVIDUAL COUNTRIES.

<i>Europe.</i>	Page	<i>North America.</i>	Page
1. Austria	1	28. Canada	139
2. Belgium	7	29. United States of America	144
3. Bulgaria	10		
4. Czechoslovakia	13	<i>Latin America.</i>	
5. Danzig (Free City of)	18	30. Argentine	155
6. Denmark	20	31. Bolivia	159
7. Estonia	25	32. Brazil	162
8. Finland	29	33. Chile	166
9. France	35	34. Colombia	172
10. Germany	45	35. Ecuador	175
11. Greece	58	36. Mexico	178
12. Hungary	62	37. Peru	182
13. Italy	65	38. Uruguay	185
14. Latvia	72	39. Venezuela	188
15. Lithuania	76		
16. Netherlands	79	<i>South Africa, Asia and Oceania.</i>	
17. Norway	84	40. Union of South Africa	191
18. Poland	89	41. India	194
19. Portugal	93	42. Japan	196
20. Roumania	96	43. Australia and New Zealand	206
21. Spain	99		
22. Sweden	103		
23. Switzerland	107		
24. Turkey	112		
25. Union of Soviet Socialist Republics	117		
26. United Kingdom and Irish Free State	122		
27. Yugoslavia	134		

PREFACE.

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

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

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

A. LOVEDAY,

*Director of the Financial Section
and Economic Intelligence Service.*

League of Nations,
Geneva, May 1935.

INTRODUCTION.

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

The years 1933, 1934 and the first quarter of 1935 constitute an eventful period in world monetary and banking history. Some of the more important developments in the field of commercial banking in 1933 — particularly those in the United States of America — were dealt with in the last edition of this volume¹ and the outstanding monetary events are summarised in the following paragraphs.

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

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

conditions of those countries might appropriately be considered by international organisations especially competent in the field. (5) An agreement should be sought between the chief silver-producing countries and those which are the largest holders or users of silver with a view to mitigating fluctuations in its price. Such an agreement was in fact signed on July 22nd, 1933.

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

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

¹ *Commercial Banks, 1925-1933.*

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

On October 25th, 1933, the United States Government inaugurated its gold-buying policy. Prices higher than the dollar price of gold as determined in the foreign exchange market were offered, at first for domestically mined gold and later in world markets. The price offered was progressively raised from \$31.36 per fine ounce¹ on October 25th, 1933, to \$34.45 on January 16th, 1934. The value of the dollar in the foreign exchange market adapted itself, though somewhat tardily, to these changes: on October 25th, 1933, the dollar was quoted at a discount of 30 per cent below its old gold parity, and on January 16th, 1934, at a discount of 38 per cent. The officially defined object of the gold-buying policy was to raise the level of commodity prices in the United States.

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

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

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

On May 26th, 1934, the head of the Italian Government announced the imposition of regulations limiting purchases of foreign currencies to amounts required to pay for goods purchased and to defray legitimate travelling expenses; exchange would not be sold to buy foreign securities and

Italian bonds held abroad; notes of the Bank of Italy and cheques issued in lire might not be exported without special licence; banks and other business concerns must inform the Bank of Italy from time to time of the net amount of foreign exchange possessed in Italy or abroad.

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

On September 10th, 1934, the Chinese Government issued an order restricting dealings in foreign exchange. Exports of silver continued to take place from China, however, as the demand for silver in London resulted in a rise in its price. On October 19th, 1934, the Chinese Government imposed an export duty of 10 per cent² on silver and also imposed an "equalisation charge" equal to the difference between the theoretical parity with the London price of silver and the official rate fixed by the Central Bank of China, after allowing for export duty. An Exchange Equalisation Fund of 100 million Chinese dollars was set up to counteract fluctuations in the price of silver and to fix the exchange rate.

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

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

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

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

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

Early in January 1935, the head of the French Government announced that State financial requirements would henceforth be met to a greater extent than hitherto by the issue of Treasury bills and to a smaller extent by the issue of long-term bonds. The purpose of this change was stated to be to facilitate the lowering of the long-term rate of interest, to give greater breadth and elasticity to the money market and to encourage the banks to expand private credit by providing them with an earning asset of high liquidity. By a Law of January 27th, 1935, the limit to the issue of Treasury bills (*bons du Trésor*) was raised from ten to fifteen milliard francs. On February 21st, 1935, the Conseil général of the Banque de France — in pursuance of this new financial and monetary policy — decided to make advances of a maximum period of thirty days on Government paper with maturity not exceeding two years. The rate on such advances was fixed at 2½ per cent, while the ordinary lombard rate remained at 4½ per cent.

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

On March 18th, 1935, Belgium instituted official control of foreign-exchange transactions with a view to stopping the flight of capital. By a Law of March 30th, the gold standard was officially suspended and the range of ultimate devaluation fixed at 25-30 per cent. The gold reserve of the

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

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

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

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

II. Currency Composition.

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

they must generally be converted into demand deposits before they can be spent¹.

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

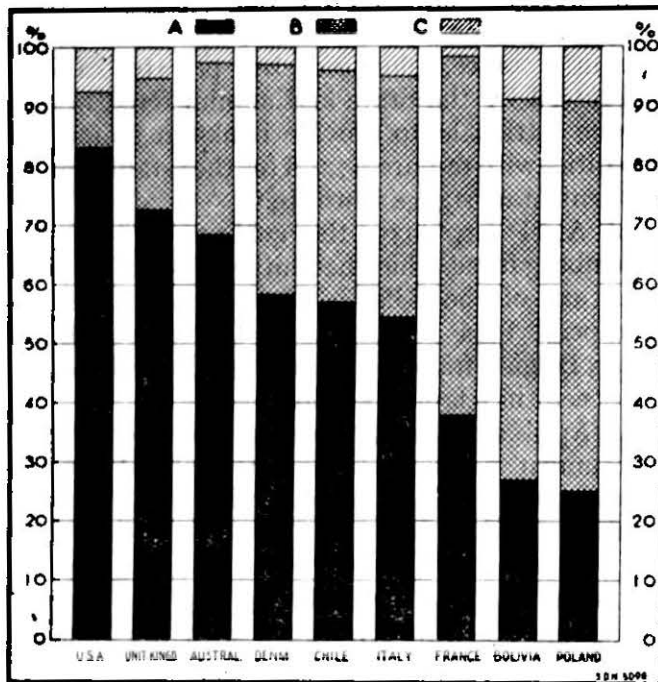
¹ Sometimes the distinction between demand and time deposits is blurred in practice, and in such cases — as, for instance, in Canada — it might seem preferable to treat time deposits as money of low velocity. It would be desirable to exclude from computations of money the quantity of notes and coins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

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

Diagram I.

CURRENCY COMPOSITION OF CERTAIN COUNTRIES, 1929.

A Sight deposits. B Notes. C Coin.



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

Coins are nowhere of great importance ; the relatively high figure shown for the United States — 7½ per cent — includes gold and silver certificates¹. The proportion of coins shown for France is particularly small ; but considerable quantities of new coins have been issued since 1929.

Of the countries included² in Diagram I, the relative importance of deposits ranged from nearly

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

In Table I, an attempt is made to arrive at approximate figures for the net amount of money available in forty-three countries at the end of each year from 1929 to 1934. For several countries it has not been possible to bring this figure any further up to date than the end of 1932 or 1933, as figures of all commercial bank deposits for more recent dates have not been available. The table distinguishes broadly between two kinds of money, which might be characterised as "primary" (central bank and/or State) and "secondary" (commercial bank) money. In the former category are included : (a) notes in circulation (even in cases, such as Canada, where they were issued by commercial banks during the period concerned), (b) sight liabilities of the central bank, and (c) token coin ; in the latter category are included (e) sight deposits. As the purpose of the table is to show the variations in the net amount of money available for settling transactions, the notes and coins and sight balances with the central bank held by commercial banks as a cash reserve against their own deposit liabilities should be excluded — *i.e.*, only the net or effective circulation of primary money should be taken. Unfortunately, it is only in rare cases that sufficiently detailed information regarding the cash reserves of commercial banks is available to enable these deductions to be made directly ; the plan has therefore been followed of subtracting from the aggregate of central bank and State money (*i.e.*, column (d)) the total cash reserves of the commercial banks ; the residual³ is taken as the

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

² For other countries, see below.

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

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

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

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

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

The approximate ratios of sight deposits with commercial banks to the net monetary circulation in each country may be estimated by comparing the figures given in column (e) with those given in column (i); but, on account of the varying degrees of comprehensiveness of the original data, the results obtained can only be approximate. According to the table, the share of sight deposits in the net amount of money available in 1929 ranged from over 90 per cent in the Irish Free State¹ to less than 20 per cent in Lithuania and Portugal. Bank deposits constitute the great bulk of the means of payment in all the Anglo-Saxon countries: in the United States, South Africa and the United Kingdom, the proportion lies between 80 and 90 per cent; and in Canada, New Zealand and Australia, between 70 and 80. In Switzerland, too, where the wealth *per capita* is high and the distribution of income relatively equal, bank deposits are of considerable importance. The position of France has already been mentioned; the Netherlands and Germany also come very low — after Austria, Czechoslovakia and Belgium —

in order of the relative importance of bank deposits, with percentages of between 30 and 40. In South America, the relative importance of deposits is greatest in Venezuela and Brazil and least in Uruguay and Bolivia².

The ratio of coin to notes in circulation is smallest in France, Yugoslavia, Finland, Czechoslovakia, Bulgaria, Portugal and Greece; in none of these countries did the percentage exceed 5 in 1929, and in France it was less than 2. It would seem that, all other conditions being equal, the smaller the value of the currency unit the higher is likely to be the ratio of notes to coin. With the addition of Roumania, the countries mentioned are the only ones included in Table I whose currency unit was worth as little as 4 cents or less in 1929. The relative importance of coin appears to be greatest in the United States, where various legislative measures enacted since the latter part of the nineteenth century resulted in the coinage of large quantities of silver; the amounts shown in the table include gold and silver certificates³ as well as actual gold, silver, nickel and subsidiary coin in circulation.

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

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

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

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

³ See footnote ¹ on page VIII.

Table I. — CURRENCY COMPOSITION AND MOVEMENTS.

Country and unit of currency	End of	CENTRAL BANKS AND TREASURIES				COMMERCIAL BANKS				Net amount of currency available Total (d) + (e) less cash reserve of commercial banks	Retail prices (cost of living)	OBSERVATIONS	
		Note circulation (Bank and State notes)	Central bank sight liabilities	Token coins (less those held by central banks)	Total (a) to (c)	Sight deposits	Savings accounts	Other deposits	Total (e) to (g)				
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)		
EUROPE. Austria (Schilling)	1929	1,004	64	93	1,251	2,183	.	531	2,714	3,335		Commercial bank deposits in 1931: figures for the Oesterreichische Credit-Anstalt not available.	
	1930	1,000	93	92	1,275	2,587	.	623	3,210	3,760			
	1931	1,183	128	98	1,409	...	...	...	...	...
	1932	914	218	97	1,229	1,433	.	258	1,691	2,614			
	1933	952	143	96	1,191	...	...	...	...	...
	1934	964	154	109	1,227	...	...	...	...	...
	1929	100	100	100	100	100	.	100	100	100	100		
	1932	84	342	104	98	66	.	49	62	78	95		
	1933	87	222	103	95	94		
	1934	88	241	117	98	93		
Belgium (Franc)	1929	14,175	1,244	592	16,011	.	.	.	29,363	*33,642			
	1930	17,133	1,470	831	19,434	.	.	.	30,001	.			
	1931	18,930	1,318	866	21,114	.	.	.	26,593	*42,274			
	1932	18,354	1,086	480	19,920	.	.	.	23,214	*35,411			
	1933	17,204	3,006	...	...	.	.	.	23,289	...	
	1934	17,828	1,169	...	...	.	.	.	...	...
	1929	100	100	100	100	.	.	.	100	100	100		
	1932	129	87	81	124	.	.	.	79	105	83		
	1933	121	242	79	...	80		
	1934	126	94	77		
Bulgaria (Lev)	1929	3,609	2,175	143	5,927	7,989	283	146	8,418	13,183		(r) December average. Commercial banks: including popular banks in addition to ordinary joint-stock banks. The latter do not specify their deposits, which are all included in column (e).	
	1930	3,296	1,547	206	5,049	7,134	351	174	7,659	11,287			
	1931	2,919	1,397	710	5,026	5,965	471	197	6,633	9,998			
	1932	2,635	1,597	886	5,118	5,230	517	196	5,943	9,442			
	1933	2,984	1,565	(1) 941	5,490	4,382	699	184	5,265	9,183			
	1934	2,449	1,758	(1) 1,274	5,481	...	...	...	...	...
	1929	100	100	100	100	100	100	100	100	100	100		
	1932	73	73	620	86	65	183	134	71	72	73		
	1933	83	72	658	93	55	247	126	63	70	67		
	1934	68	81	891	92	64		
Czechoslovakia (Koruna)	1929	8,230	675	332	9,237	12,566	.	13,093	25,659	19,995		(s) Figures shown since 1931 represent rough approximations.	
	1930	7,824	570	362	8,756	12,993	.	14,335	27,328	20,037			
	1931	7,679	361	437	8,477	11,221	.	13,765	24,986	*18,503			
	1932	6,754	602	519	7,875	10,832	.	13,233	24,065	*16,901			
	1933	6,334	871	544	7,749	10,884	.	12,416	23,300	*17,003			
	1934	6,017	766	602	7,385	...	...	...	...	...
	1929	100	100	100	100	100	.	100	100	100	100		
	1932	82	89	156	85	86	.	101	94	85	96		
	1933	77	129	164	84	87	.	95	91	85	92		
	1934	73	113	181	80	92		
Danzig (Gulden)	1929	38	4	*8	50	.	.	.	65	.			
	1930	38	2	8	48	.	.	.	63	.			
	1931	44	10	7	61	.	.	.	46	.			
	1932	37	9	7	53	.	.	.	46	.			
	1933	40	11	7	58	.	.	.	...	.
	1934	39	4	8	51	.	.	.	...	.
	1929	100	100	100	100	.	.	.	100	.	100		
	1932	97	225	88	106	.	.	.	71	.	77		
	1933	105	275	88	116	77		
	1934	103	100	100	108	76		
Denmark (Krone)	1929	367	68	26	461	551	543	898	1,992	935			
	1930	360	78	27	465	614	576	920	2,110	987			
	1931	346	63	29	438	545	536	879	1,960	906			
	1932	332	130	29	491	533	476	880	1,889	883			
	1933	375	77	30	482	569	521	901	1,991	948			
	1934	386	144	32	562	*571	*574	*914	*2,059	*1,030			
	1929	100	100	100	100	100	100	100	100	100	100		
	1932	90	191	112	107	97	88	98	95	94	91		
	1933	102	113	115	105	103	96	100	100	101	96		
	1934	105	212	123	125	104	106	102	103	110	99		
Estonia (Eesti Krooni)	1929	34	16	3	53	42	.	24	66	91			
	1930	32	16	3	51	46	.	27	73	93			
	1931	35	15	3	53	38	.	22	60	87			
	1932	31	13	3	48	35	.	16	51	80			
	1933	32	15	4	51	36	.	15	51	83			
	1934	37	20	4	61	47	.	17	64	104			
	1929	100	100	100	100	100	.	100	100	100	100		
	1932	91	81	100	91	83	.	67	77	88	82		
	1933	94	94	133	96	86	.	63	77	91	83		
	1934	109	125	133	115	112	.	71	97	114	78		

* Approximate or provisional figure.

Table I. — CURRENCY COMPOSITION AND MOVEMENTS (continued).

Country and unit of currency	End of	CENTRAL BANKS AND TREASURIES				COMMERCIAL BANKS				Net amount of currency available Total (d) + (e) less cash reserve of commercial banks	Retail prices (cost of living)	OBSERVATIONS
		Note circulation (Bank and State notes)	Central bank sight liabilities	Token coins (less those held by central banks)	Total (a) to (c)	Sight deposits	Savings accounts	Other deposits	Total (e) to (g)			
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
EUROPE (cont.)												
Finland (Markka)	1929	1,361	237	52	1,650	1,486	767	5,228	7,481	2,808		
	1930	1,279	208	54	1,541	1,555	829	5,314	7,698	2,873		
	1931	1,293	166	57	1,516	1,635	793	4,951	7,379	2,919		
	1932	1,085	190	89	1,364	1,607	787	4,761	7,155	2,758		
	1933	1,184	400	102	1,686	1,766	838	4,894	7,408	2,918		
	1934	1,277	360	*113	*1,750	1,878			7,900	*3,216		
	1929	100	100	100	100	100		6,082	100	100		
	1932	80	80	171	83	108			96	95	100	
	1933	87	169	196	102	119			100	101	85	
	1934	94	152	217	106	126		101	106	111	82	
France (Franc)	1929	67,769	20,094	1,196	89,059	42,325	—	5,200	47,525	127,801		
	1930	76,156	24,849	1,217	102,222	44,358	—	5,204	49,562	141,818		
	1931	83,547	29,513	1,256	114,316	44,028	—	3,982	48,010	146,042		
	1932	82,721	24,328	1,363	108,412	43,334	—	5,523	46,857	141,478		
	1933	80,638	16,953	2,925	100,516	38,087	—	3,246	41,333	131,671		
	1934	81,855	20,344	*3,325	*105,524	...	...	...	...	...
	1929	100	100	100	100	100	—	100	100	100	100	
	1932	122	121	114	122	102	—	68	99	111	91	(j) Averages of last quarter.
	1933	119	84	245	113	90	—	62	87	103	91	
	1934	121	101	278	118	...	—	...	...	...	90	
Germany (Reichsmark)	1929	5,479	485	988	6,952	4,490	—	7,623	12,113	11,218		
	1930	5,202	417	984	6,603	4,565	—	6,643	11,208	10,913		
	1931	5,213	555	1,179	6,947	3,870	—	3,776	7,646	10,600		
	1932	4,106	459	1,480	6,045	3,494	—	3,948	7,442	9,366		
	1933	4,082	511	1,485	6,078	3,155	—	3,860	7,015	9,074		
	1934	4,257	995	1,484	6,736	3,372	—	3,882	7,254	9,968		
	1929	100	100	100	100	100	—	100	100	100	100	
	1932	75	95	150	87	78	—	52	61	83	77	
	1933	75	105	150	87	70	—	51	58	81	79	
	1934	78	205	150	97	75	—	51	60	89	80	
Greece (Drachma)	1929	5,193	1,530	*250	6,973	11,405	.	2,175	13,580	17,269		
	1930	4,803	1,728	*279	6,810	12,115	.	3,172	15,287	17,610		
	1931	4,003	702	309	5,014	10,567	.	3,584	14,151	14,476		
	1932	4,714	3,451	338	8,503	9,786	.	3,733	13,519	17,432		
	1933	5,449	5,424	*369	11,242	11,181	.	3,636	14,817	20,508		
	1934	5,686	4,166	*400	10,252	12,689	.	3,520	16,209	20,516		
	1929	100	100	100	100	100	.	100	100	100	100	
	1932	91	226	135	122	86	.	172	100	101	100	
	1933	105	355	148	161	98	.	167	109	119	104	
	1934	109	272	160	147	111	.	162	119	119	104	
Hungary (Pengo)	1929	501	98	39	638	919	992	909	2,820	*1,256		
	1930	469	67	62	598	898	1,019	992	2,909	*1,219		
	1931	423	126	66	615	797	812	804	2,413	*1,178		
	1932	353	78	62	493	770	719	711	2,200	*1,055		
	1933	369	103	70	542	775	731	668	2,174	*1,150		
	1934	381	106	70	557	674	761	...	...	...
	1929	100	100	100	100	100	100	100	100	100	100	
	1932	70	80	159	77	84	72	78	78	84	84	
	1933	74	105	179	85	84	74	73	77	91	78	
	1934	76	108	179	87	73	77	...	...	...	78	
Irish Free State (£)	1929	14.2	—	0.7	14.9	.	.	.	126.9	*75.7		
	1930	14.3	—	0.8	15.1	.	.	.	128.0	*76.3		
	1931	13.4	—	0.8	14.2	.	.	.	128.9	*71.7		
	1932	13.4	—	0.8	14.2	.	.	.	142.4	*76.7		
	1933	13.7	—	0.9	14.6	.	.	.	131.9	*74.8		
	1934	13.8	—	1.0	14.8	.	.	.	*119.8	*69.1		
	1929	100	—	100	100	.	.	.	100	100	100	
	1932	94	—	114	95	.	.	.	112	101	87	
	1933	96	—	129	98	.	.	.	104	99	87	
	1934	97	—	143	99	.	.	.	94	91	88	
Italy (Lira)	1929	16,854	1,985	1,992	20,831	22,416	5,092	3,296	30,804	42,069		
	1930	15,680	2,421	2,135	20,236	22,328	5,075	3,576	30,979	41,341		
	1931	14,295	2,070	2,138	18,503	19,719	4,377	2,717	26,813	37,130		
	1932	13,672	1,622	2,140	17,434	17,953	4,178	2,752	24,883	34,252		
	1933	13,243	1,569	2,142	16,954	17,535	3,899	3,236	24,670	33,269		
	1934	13,145	1,106	2,144	16,395	...	...	...	...	...
	1929	100	100	100	100	100	100	100	100	100	100	
	1932	81	82	107	84	80	82	83	81	81	83	
	1933	79	79	108	81	78	77	98	80	79	80	
	1934	78	56	108	79	...	...	...	...	...	76	

* Approximate or provisional figure.

Commercial banks: all ordinary joint-stock banks. (e) Sight deposits include correspondents' accounts in addition to current account deposits.

(j) October 1929=100; the figures for 1932 to 1934 refer to November.

Figures refer throughout to the end of November of each year. Commercial banks: "Kreditbanken" only; deposits include correspondents' accounts.

Commercial banks: principal banks only.

Table I. — CURRENCY COMPOSITION AND MOVEMENTS (continued).

Country and unit of currency	End of	CENTRAL BANKS AND TREASURIES				COMMERCIAL BANKS				Net amount of currency available Total (d) + (e) less cash reserve of commercial banks	Retail prices (cost of living)	OBSERVATIONS
		Note circulation (Bank and State notes)	Central bank liabilities	Token coins (less those held by central banks)	Total (a) to (c)	Sight deposits	Savings accounts	Other deposits	Total (e) to (g)			
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
EUROPE (cont.)												
Latvia (Lat)	1929	83	72	23	178	58	—	4	62	229		
	1930	86	77	26	189	60	—	4	64	242		
	1931	76	86	27	189	25	—	2	27	209		
	1932	68	87	29	184	26	—	2	28	205		
	1933	75	103	30	208	27	—	2	29	230		
	1934	82	110	30	222	33	—	2	35	247		
	1929	100	100	100	100	100	—	100	100	100	100	(j) January 1930 = 100.
	1932	82	121	126	103	45	—	50	45	90	76	
	1933	90	143	130	117	47	—	50	47	100	73	
	1934	99	153	130	125	57	—	50	56	108	70	
Lithuania (Litas)	1929	95	99	12	206	*43	—	*58	101	*242		
	1930	117	103	14	234	*55	—	*72	127	*280		
	1931	109	78	14	201	42	—	63	105	236		
	1932	96	57	14	167	47	—	55	102	209		
	1933	88	61	14	163	44	—	46	90	201		
	1934	88	69	14	171	...	—	...	...	...
	1929	100	100	100	100	100	—	100	100	100	100	
	1932	101	58	117	81	109	—	95	101	86	64	
	1933	93	62	117	79	102	—	79	89	83	58	
	1934	93	70	117	83	...	—	...	...	...	52	
Netherlands (Gulden)	1929	862	34	120	1,016	634	—	721	1,355	*1,557		Commercial banks: principal banks only.
	1930	847	31	131	1,009	712	—	761	1,473	*1,615		
	1931	1,025	180	119	1,324	584	—	657	1,241	*1,787		
	1932	963	304	120	1,387	606	—	506	1,112	*1,781		
	1933	913	231	*120	*1,264	551	—	445	996	*1,600		
	1934	913	147	*120	*1,180	...	—	...	...	...
	1929	100	100	100	100	100	—	100	100	100	100	
	1932	112	894	100	137	96	—	70	82	114	84	
	1933	106	679	100	124	87	—	62	74	103	85	
	1934	106	432	100	116	...	—	...	...	...	83	
Norway (Krone)	1929	318	90	18	426	124	804	40	1,058	493		Commercial banks: "free" banks only (excluding banks under public administration or liquidation).
	1930	312	65	18	395	128	807	59	1,084	467		
	1931	334	68	19	421	113	835	46	994	489		
	1932	315	77	19	411	99	752	32	883	456		
	1933	327	64	19	410	83	719	35	837	446		
	1934	333	80	20	433	*97	*668	*30	*795	*477		
	1929	100	100	100	100	100	100	100	100	100	100	
	1932	99	86	106	96	80	84	80	83	92	90	
	1933	103	71	106	96	67	80	88	79	90	88	
	1934	105	89	111	102	78	75	75	75	97	90	
Poland (Zloty)	1929	1,404	468	196	2,068	536	141	413	1,090	2,498		(a) Bank and Treasury notes; since 1932, bank-notes only.
	1930	1,331	210	238	1,779	544	178	462	1,184	2,226		Commercial banks: joint-stock banks only, excluding State Land Bank and National Economic Bank.
	1931	1,220	213	240	1,673	375	87	268	730	1,972		
	1932	1,003	220	322	1,545	322	78	246	646	1,801		
	1933	1,004	262	342	1,608	313	72	187	572	1,859		
	1934	981	241	384	1,606	315	80	201	596	*1,861		
	1929	100	100	100	100	100	100	100	100	100	100	
	1932	71	47	164	75	60	55	60	59	72	73	
	1933	72	56	174	78	58	51	45	52	74	70	
	1934	70	51	196	78	59	57	49	55	74	64	
Portugal (Escudo)	1929	2,046	331	*10	*2,387	481	—	563	1,044	*2,706		
	1930	1,994	350	*20	*2,364	389	—	496	885	*2,608		
	1931	2,062	279	42	2,383	464	—	348	812	*2,637		
	1932	2,001	544	70	2,615	481	—	338	819	*2,928		
	1933	1,989	534	121	2,644	*505	—	...	...	*2,980		
	1934	2,137	758	*133	*3,028	*587	—	...	...	*3,419		
	1929	100	100	100	100	100	—	100	100	100	100	
	1932	98	164	700	110	100	—	60	78	108	86	
	1933	97	161	1,210	111	105	—	...	...	110	84	
	1934	104	229	1,330	127	122	—	...	...	126	85	
Roumania (Leu)	1929	21,144	9,371	*2,000	*32,515	19,561	.	31,753	51,314	*45,447		
	1930	19,605	5,077	*2,000	*26,682	18,212	.	35,111	53,323	*36,884		
	1931	23,750	3,865	2,215	29,830	12,840	.	17,366	30,206	39,610		
	1932	21,594	6,366	3,485	31,445	11,714	.	14,469	26,183	40,637		
	1933	21,219	7,257	3,609	32,085	...	...	...	...	...
	1934	22,307	7,232	3,599	33,138	...	...	...	...	...
	1929	100	100	100	100	100	.	100	100	100	100	
	1932	102	68	174	97	60	.	46	51	89	57	
	1933	100	77	180	99	...	.	...	...	...	54	
	1934	106	77	180	102	...	.	...	...	...	53	

Table I. — CURRENCY COMPOSITION AND MOVEMENTS (continued).

Country and unit of currency	End of	CENTRAL BANKS AND TREASURIES				COMMERCIAL BANKS				Net amount of currency available Total (d) + (e) less cash reserve of commercial banks	Retail price (cost of living)	OBSERVATIONS		
		Note circulation (Bank and State notes)	Central bank sight liabilities	Taken coins (less those held by central banks)	Total (a) to (c)	Sight deposits	Savings accounts	Other deposits	Total (e) to (g)					
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)			
EUROPE (cont.) Spain (Peseta)	1929	4,458	2,586	.	7,044	4,206	.	2,736	6,942	10,130				
	1930	4,767	2,368	.	7,135	4,539	.	2,933	7,472	10,527				
	1931	4,093	2,770	.	7,763	3,554	.	2,573	6,127	10,084				
	1932	4,834	2,658	.	7,492	3,623	.	2,823	6,446	9,923				
	1933	4,825	2,669	.	7,494	...	.	...	...	...
	1934	4,711	2,559	.	7,270	...	.	...	...	...
	1929	100	100	.	100	100	.	100	100	100	100			
	1932	108	103	.	106	86	.	103	93	98	99			
	1933	108	103	.	106	...	.	...	...	...	99	
	1934	106	99	.	103	...	.	...	...	...	104	
	Sweden (Krona)	1929	569	274	(60)	903	659	688	2,134	3,481	1,478		(e) Rough approximation; the year-to-year fluctuations are believed to have been insignificant during the period considered.	
		1930	594	293	(60)	947	681	710	2,240	3,631	1,539			
		1931	583	173	(60)	816	610	686	2,257	3,553	1,338			
		1932	598	203	(60)	861	625	648	2,283	3,556	1,353			
1933		648	471	(60)	1,179	674	643	2,311	3,628	1,520				
1934		708	407	(60)	1,175	697	656	2,200	3,553	1,585				
1929		100	100	100	100	100	100	100	100	100	100			
1932		105	74	100	95	95	94	107	102	92	92			
1933		114	172	100	131	102	93	102	104	103	92			
1934		124	149	100	130	106	95	103	102	107	93			
Switzerland (Franc)		1929	999	201	235	1,435	3,756	3,294	6,628	13,678	4,824			(a) Bank of England, Scottish and Northern Irish banks, net circulation. Commercial banks: deposits of all joint-stock banks divided into sight and other accounts according to those of London Clearing Banks.
		1930	1,062	242	290	1,594	2,287	4,422	8,010	14,719	3,422			
		1931	1,609	924	301	2,834	2,449	4,575	7,205	14,229	4,005			
		1932	1,613	974	317	2,904	2,418	4,680	6,811	13,909	4,086			
	1933	1,510	641	337	2,488	2,191	4,591	6,407	13,189	3,661				
	1934	1,440	580	*350	*2,370	...	...	...	...	...
	1929	100	100	100	100	100	100	100	100	100	100			
	1932	161	483	135	202	64	142	103	102	85	83			
	1933	151	319	143	173	58	139	97	96	76	81			
	1934	144	289	149	165	...	...	...	...	...	80	
	United Kingdom (£)	1929	372.3	160.2	83.5	616.0	1,195.0	—	1,016.4	2,211.4	1,457.1		(a) Bank of England, Scottish and Northern Irish banks, net circulation. Commercial banks: deposits of all joint-stock banks divided into sight and other accounts according to those of London Clearing Banks.	
		1930	371.5	175.2	80.3	627.0	1,230.9	—	1,051.1	2,282.0	1,507.7			
		1931	367.1	174.5	77.2	618.8	1,068.6	—	1,045.0	2,113.6	1,374.7			
		1932	374.1	145.0	68.2	587.3	1,214.8	—	1,179.9	2,394.7	1,476.2			
1933		393.1	159.9	70.1	623.1	1,249.7	—	1,108.3	2,358.0	1,546.5				
1934		409.1	156.7	71.0	636.8	...	—	...	...	...	
1929		100	100	100	100	100	—	100	100	100	100			
1932		100	91	82	95	102	—	116	108	101	86			
1933		106	100	84	101	105	—	109	107	106	86			
1934		110	98	85	103	...	—	...	...	...	86	
Yugoslavia (Dinar)		1929	5,818	1,250	146	7,214	*2,336	*7,008	3,842	13,186	*8,816			(a) Dominion notes in hands of public and net circulation of Chartered Bank notes.
		1930	5,397	667	143	6,207	2,709	7,597	3,886	14,192	8,144			
		1931	5,172	417	161	5,750	1,936	6,867	2,930	11,733	7,058			
		1932	4,773	698	479	5,950	1,426	5,343	2,787	9,556	6,846			
	1933	4,327	1,031	960	6,318	*1,400	*4,960	2,322	8,682	*7,122				
	1934	4,384	866	994	6,244	...	...	...	...	...
	1929	100	100	100	100	100	100	100	100	100	100			
	1932	82	56	328	82	61	76	73	72	78	71			
	1933	74	82	658	88	60	71	60	66	85	64			
	1934	75	69	682	87	...	...	...	...	...	60	
	N. AMERICA. Canada (\$)	1929	187	—	32	219	821	—	1,876	2,697	1,040		(a) Dominion notes in hands of public and net circulation of Chartered Bank notes.	
		1930	163	—	32	195	689	—	1,798	2,487	884			
		1931	160	—	33	193	698	—	1,670	2,368	891			
		1932	144	—	33	177	538	—	1,706	2,244	715			
1933		151	—	*34	*185	563	—	1,679	2,242	*748				
1934		160	—	*34	*194	628	—	1,733	2,361	*822				
1929		100	—	100	100	100	—	100	100	100	100			
1932		77	—	103	81	66	—	91	83	69	72			
1933		81	—	106	84	69	—	89	83	72	77			
1934		86	—	106	89	76	—	92	88	79	77			
U.S.A. (\$)		1929	2,613	2,419	1,847	6,879	24,032	—	18,953	42,985	27,001			End of June throughout. (a) All bank & State notes. (b) Federal Reserve banks. (c) Total of gold and silver certificates, gold, silver and minor coin—excl. in all years \$287 million of "gold coin" which at the beginning of 1934 were found to be non-existent. (g) Incl. savings deposits.
		1930	2,346	2,455	1,889	6,690	23,960	—	19,327	43,287	26,517			
		1931	2,660	2,504	1,875	7,039	21,208	—	18,506	39,714	24,123			
		1932	3,774	2,028	1,634	7,436	16,322	—	14,275	30,597	20,451			
	1933	4,376	2,494	1,058	7,928	15,212	—	11,835	27,047	19,870				
	1934	4,393	4,138	693	9,224	...	—	...	...	...	
	1929	100	100	100	100	100	—	100	100	100	100			
	1932	144	84	88	108	68	—	75	71	76	75			
	1933	167	103	57	115	63	—	62	63	74	77			
	1934	168	171	38	134	...	—	...	...	...	81	

* Approximate or provisional figure.

Table I. — CURRENCY COMPOSITION AND MOVEMENTS (continued).

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

* Approximate or provisional figure.

Table I. — CURRENCY COMPOSITION AND MOVEMENTS (continued).

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

* Approximate or provisional figure.

Table I. — CURRENCY COMPOSITION AND MOVEMENTS (*concluded*).

Country and unit of currency	End of	CENTRAL BANKS AND TREASURIES				COMMERCIAL BANKS				Net amount of currency available Total (d) + (e) less cash reserve of commercial banks	Retail prices (cost of living)	OBSERVATIONS
		Note circulation (Bank and State notes)	Central bank sight liabilities	Token coins (less those held by central banks)	Total (a) to (c)	Sight deposits	Savings accounts	Other deposits	Total (e) to (g)			
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
OCEANIA (cont.)	1929	7.2	—	*1.0	*8.2	24.2	—	30.6	54.8	*32.4		(a) Net circulation of note-issuing banks. (c) Estimate of silver coin only.
	1930	6.7	—	*1.0	*7.7	19.5	—	33.0	52.5	*27.2		
New Zealand (£)	1931	7.3	—	*1.0	*8.3	17.2	—	34.8	52.0	*25.2		
	1932	7.1	—	*1.0	*8.1	16.2	—	35.1	51.3	*24.3		
	1933	7.6	—	*1.0	*8.6	20.5	—	39.3	59.8	*29.1		
	1934	6.8	—	*1.0	*7.8	22.1	—	37.7	60.1	*30.2		
	1929	100	—	100	100	100	—	100	100	100	100	(j) Figures refer to November.
1932	99	—	100	99	67	—	115	94	75	80		
1933	106	—	100	105	85	—	128	109	90	80		
1934	94	—	100	95	93	—	123	110	93	81		

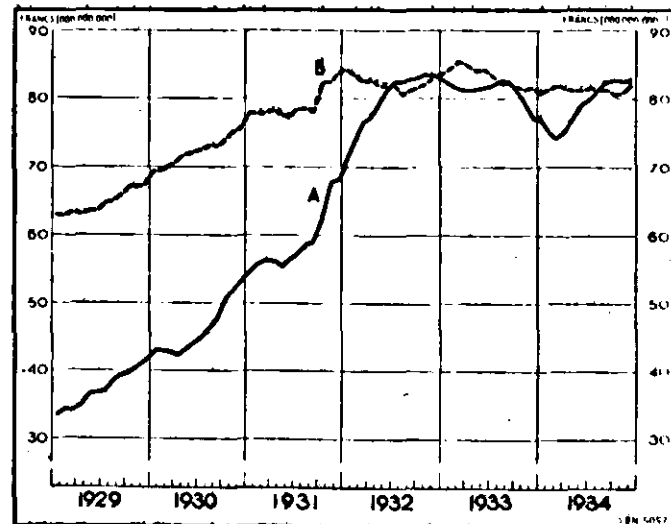
* Approximate or provisional figure.

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

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

on a large scale from London, New York, Berlin and other centres. In 1930 and 1931, the inward movement of capital into France was swollen by foreign capital seeking security. Large gold imports resulted and the circulation of notes rose. The close connection between the import of gold into France and the expansion of the note circulation is shown in Diagram II.

Diagram II.
GOLD RESERVES AND NOTE CIRCULATION
OF THE BANQUE DE FRANCE.
A Gold. B Note circulation.



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

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

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

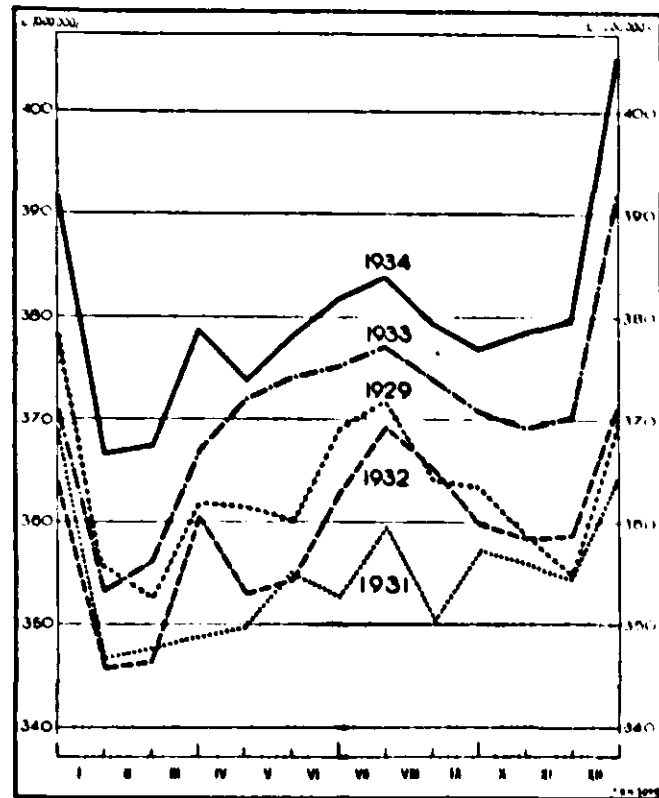
In the United Kingdom, too, according to Table I, the quantity of money available, after rising slightly in 1930 and falling rather sharply in 1931, was again higher at the end of 1932 than at the end of 1929. These movements were chiefly due to changes in the volume of bank deposits, and it is shown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

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

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

Diagram III.

BANK OF ENGLAND NOTES IN CIRCULATION.



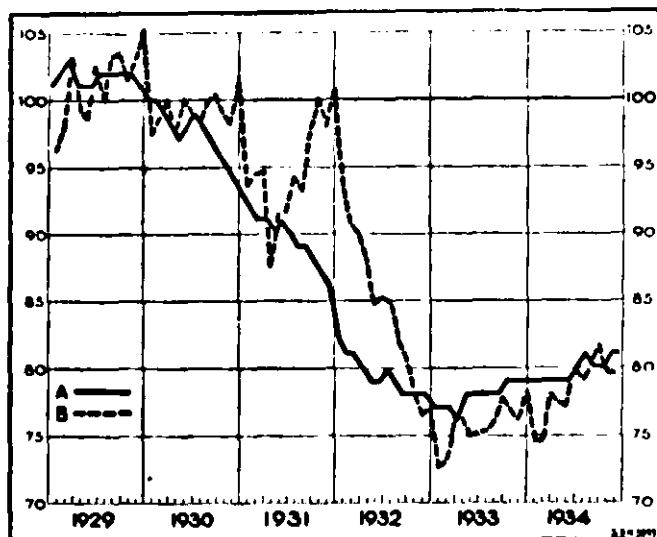
Eastern Europe, particularly Bulgaria, Poland, Yugoslavia and Hungary. These countries were not only affected by the heavy fall in the prices of their chief export products on world markets, but also by the transfer abroad of short-term funds previously loaned them. In the countries mentioned, the note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

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

Diagram IV.

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

A Cost of living. B Note circulation.



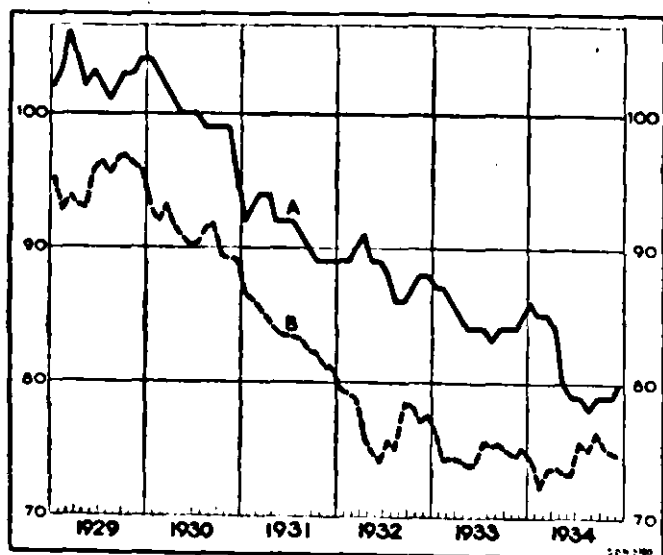
Apart from the period of intense currency hoarding in 1931 — which naturally exercised a deflationary pressure rather than the reverse — the movement of the two curves is similar in both direction and amplitude. Since the beginning of 1933, the rise in the note circulation has been accompanied by an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

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

Diagram V.

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

A Cost of living. B Note circulation.



In most Northern European States — the Scandinavian countries, the Baltic States and

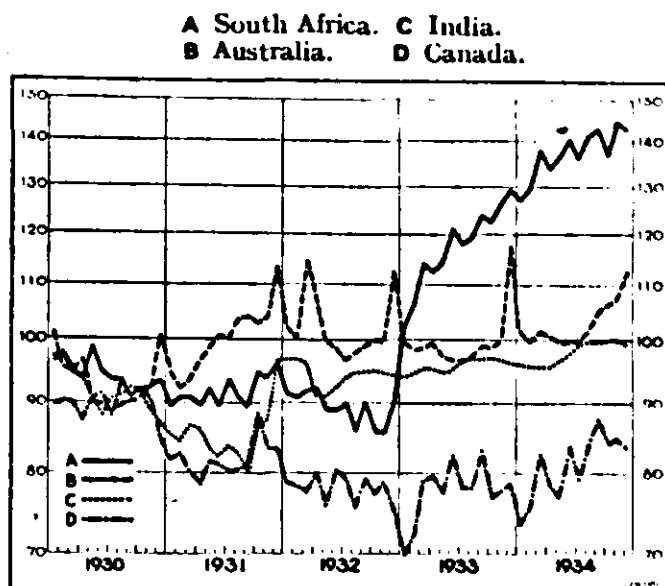
Finland — there was some increase in the quantity of money available in 1933 and 1934. The most important exceptions are Lithuania, whose currency remained linked to gold and where the process of contraction was continuous, and Norway, where expansion set in only in 1934. In Sweden, note circulation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

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

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

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

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



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

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

rapid expansion of the note circulation, which found its way, in large part, into the hands of the commercial banks, whose cash resources and deposit liabilities increased accordingly. A very small part of the increase in deposits is to be attributed to the resumption of active credit operations by the commercial banks.

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

	1929	1934
Denmark	59	53
Estonia	46	45
France	33	29 ^a
Hungary.	59	50
Netherlands	41	35
Poland	22	17
Sweden	46	49
Switzerland	76	58 ^a
United Kingdom	82	81 ^a
U.S.A.	88	75 ^a

^a 1933.

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

The principal reasons for this contraction in most other countries have been indicated above¹. One significant aspect of the increased use of "primary" money as ordinary currency to which attention should be directed rests in the fact that, from the point of view of the national economy, "primary" or central bank money is a more expensive currency than commercial bank money. Against the former a fractional gold reserve must generally be immobilised; against the latter the fractional reserve is in central bank money.

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

III. Central Bank Assets.

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

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

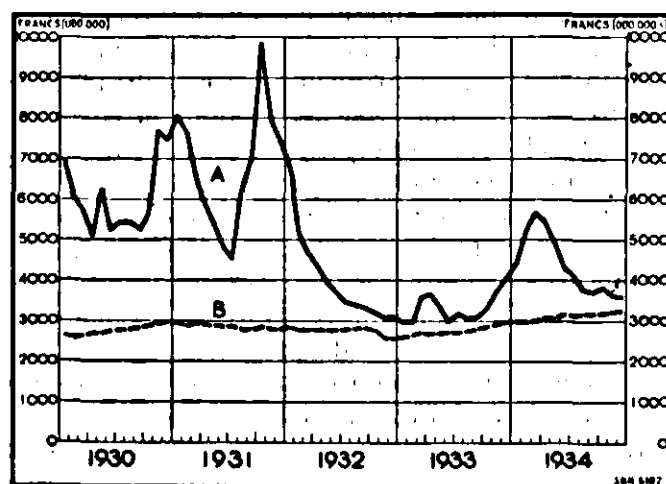
On the other hand, the assets of most of the institutions in question, which can be taken as

representative of central bank credit proper — *i.e.*, their bill and security portfolios and advances to the Government and others — fell considerably while, as will be seen below, the corresponding assets of most other central banks rose. The net fall in these assets (column (g)) was around 5 per cent in Belgium, 10 per cent in France and even more in Switzerland. This contraction was not necessarily due to deliberate policy on the part of the central banks, whose rôle indeed has been largely passive during the past few years. Unlike the Federal Reserve Banks and the Bank of England, the Banque de France does not engage in open-market operations. Its statutes place certain limitations on it in this respect and the Bank has, up to the present, not intervened directly in the money market¹. The variations in the Banque de France's own credit outstanding, therefore result almost entirely from changes in its bill portfolio and lombard loans; the initiative in these changes rests largely with the borrower. Diagram VII below shows fluctuations in the bill portfolio and lombard loans of the Bank since the beginning of 1930.

Diagram VII.

BILL PORTFOLIO AND LOMBARD LOANS
OF THE BANQUE DE FRANCE.

A Bill portfolio. B Lombard loans.



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

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

Table II. — CHANGES IN PRINCIPAL ASSETS OF CENTRAL BANKS.

Country and unit of currency	End of	State Debt relating to fiduciary note-issue	Tempor. advances to Govt. Institut. (incl. discounts of Treasury bills)	Total direct claims on Governm. (a) + (b)	Holdings of Govt. securities	Holdings of other securities, etc.	Non-Govt. loans, advances and discounts	Total domestic credits (e) + (f)	Gold reserves	Foreign assets	Total gold and foreign assets (h) + (i)	OBSERVATIONS	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)		
EUROPE. Austria National Bank (Schilling)	1929	109	—	109	—	4	307	420	169	660	829	(h) (j) 1934 according to new parity. Figures according to old parity would have been:	
	1930	101	—	101	—	7	149	257	214	801	1,015		
	1931	96	—	96	—	5	934	1,035	189	140	329		
	1932	663	—	663	—	1	405	1,009	149	54	203		
	1933	624	—	624	—	1	288	913	189	38	227		
	1934	624	—	624	—	1	239	864	242	69	311		
	1929	100	—	100	—	100	100	100	100	100	100		(h) 190
	1932	608	—	608	—	25	132	255	88	8	84		(j) 259
	1933	572	—	572	—	25	94	217	112	6	27		
	1934	572	—	572	—	25	78	206	143	10	38		112 31
Belgium National Bank (Franc)	1929	—	1,688	1,688	295	76	4,243	6,302	5,876	2,888	8,764		
	1930	—	1,462	1,462	325	91	4,687	6,565	6,862	4,852	11,714		
	1931	—	1,440	1,440	344	100	5,161	7,045	12,749	—	12,749		
	1932	—	1,820	1,820	349	—	3,944	6,113	12,980	—	12,980		
	1933	—	1,756	1,756	350	—	4,190	6,206	13,668	—	13,668		
	1934	—	1,718	1,718	354	—	4,001	6,073	12,524	—	12,524		
	1929	—	100	100	100	100	100	100	100	100	100		
	1932	—	108	108	118	—	93	97	221	—	148		
	1933	—	104	104	119	—	99	100	233	—	156		
	1934	—	102	102	120	—	94	96	213	—	143		
Bulgaria National Bank (Lev)	1929	3,470	—	3,470	—	42	1,628	5,140	1,388	1,158	2,546	(i) Foreign assets: net amounts, liabilities in foreign currency deducted.	
	1930	3,162	157	3,319	—	58	800	4,177	1,455	792	2,247		
	1931	2,995	279	3,274	—	95	711	4,080	1,512	257	1,769		
	1932	2,903	423	3,326	—	100	527	3,953	1,519	123	1,642		
	1933	2,813	818	3,631	—	93	552	4,276	1,545	141	1,686		
	1934	2,755	655	3,410	—	124	437	3,971	1,547	121	1,668		
	1929	100	—	100	—	100	100	100	100	100	100		
	1932	84	(100)	96	—	238	32	77	109	11	64		
	1933	81	(193)	105	—	221	34	83	111	12	66		
	1934	79	(155)	98	—	295	27	77	111	10	66		
Czechoslovakia National Bank (Koruna)	1929	3,761	362	4,123	—	—	1,011	5,134	1,261	2,270	3,531	(h) (j) According to new parity. Figures according to old parity would have been:	
	1930	3,453	323	3,776	—	—	525	4,301	1,545	2,447	3,992		
	1931	3,121	294	3,415	—	—	2,316	5,731	1,650	1,060	2,710		
	1932	2,687	—	2,687	—	—	1,675	4,362	1,709	1,029	2,738		
	1933	2,593	—	2,593	—	—	1,751	4,344	1,708	926	2,634		
	1934	2,095	—	2,095	—	—	1,379	3,474	2,680	229	2,909		
	1929	100	100	100	—	—	100	100	100	100	100		
	1932	71	—	65	—	—	166	85	136	45	78		
	1933	69	—	63	—	—	173	85	135	41	75		
	1934	56	—	51	—	—	136	68	213	10	82		
Danzig Bank of Danzig (Gulden)	1929	—	—	—	—	3	10	13	—	41	41		
	1930	—	—	—	—	5	4	9	—	45	45		
	1931	—	—	—	—	5	11	16	22	25	47		
	1932	—	2	2	—	5	12	19	21	14	35		
	1933	—	1	1	—	3	15	19	30	10	40		
	1934	—	—	—	—	3	22	25	21	3	27		
	1929	—	—	—	—	100	100	100	—	100	100		
	1932	—	(100)	(100)	—	167	120	146	(100)	34	85		
	1933	—	(50)	(50)	—	100	150	146	(143)	24	98		
	1934	—	—	—	—	100	220	192	(114)	7	66		
Denmark National Bank (Krone)	1929	—	—	—	—	38	182	220	172	90	262		
	1930	—	—	—	—	51	166	217	172	100	272		
	1931	—	13	13	—	49	246	308	144	15	159		
	1932	—	60	60	—	145	189	394	133	—5	128		
	1933	—	113	113	—	120	201	434	133	—27	106		
	1934	—	192	192	—	141	217	550	133	—68	65		
	1929	—	—	—	—	100	100	100	100	100	100		
	1932	—	(100)	(100)	—	382	104	179	77	—6	49		
	1933	—	(188)	(188)	—	316	110	197	77	—30	40		
	1934	—	(320)	(320)	—	371	119	250	77	—76	25		
Estonia Bank of Estonia (Eesti kroon)	1929	—	—	—	0.8	0.1	27.3	28.2	6.4	24.0	30.4		
	1930	—	—	—	0.3	0.5	23.9	24.7	6.6	23.7	30.3		
	1931	—	3.1	3.1	—	3.1	23.9	30.1	6.6	15.8	22.4		
	1932	—	4.8	4.8	—	3.1	20.3	28.2	15.2	5.1	20.3		
	1933	—	4.0	4.0	—	3.0	20.4	27.4	20.1	3.8	23.9		
	1934	—	3.3	3.3	—	...	...	...	27.7	8.0	35.7
	1929	—	—	—	100	100	100	100	100	100	100		
	1932	—	(100)	(100)	—	3,100	74	100	238	21	67		
	1933	—	(83)	(83)	—	3,000	75	97	314	16	79		
	1934	—	(69)	(69)	—	...	...	...	433	33	117

Table II. — CHANGES IN PRINCIPAL ASSETS OF CENTRAL BANKS (continued).

Country and unit of currency	End of	State Debt relating to fiduciary note-issue	Tempor. advances to Govt. Institut. (incl. discounts of Treasury bills)	Total direct claims on Government. (a) + (b)	Holdings of Govt. securities	Holdings of other securities, etc.	Non-Govt. loans, advances and discounts	Total domestic credits (c) + (d) + (e) + (f)	Gold reserves	Foreign assets	Total gold and foreign assets (h) + (i)	OBSERVATIONS
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
EUROPE.												
<i>(cont.)</i>												
Finland	1929	—	—	—	287	36	1,382	1,705	302	683	985	
Bank of Finland	1930	—	—	—	315	56	935	1,306	301	935	1,236	
(Markka)	1931	—	—	—	293	66	1,309	1,668	304	491	795	
	1932	—	—	—	236	65	1,218	1,519	304	545	849	
	1933	—	—	—	246	70	716	1,032	323	1,324	1,647	
	1934	—	—	—	273	85	672	1,030	323	1,436	1,759	
	1929	—	—	—	100	100	100	100	100	100	100	
	1932	—	—	—	82	181	88	89	101	80	86	
	1933	—	—	—	86	194	52	61	107	194	167	
	1934	—	—	—	95	216	49	60	107	210	179	
France	1929	3,200	5,612	8,812	113	—	10,979	19,904	41,622	26,053	67,675	
Bank of France	1930	3,200	5,304	8,504	113	—	11,367	19,984	53,563	26,205	79,768	
(Franc)	1931	3,200	7,157	10,357	113	—	11,053	21,523	68,481	21,500	89,981	
	1932	3,200	6,802	10,002	113	—	7,291	17,406	83,129	4,483	87,612	
	1933	3,200	6,187	9,387	113	—	8,506	18,006	76,959	1,162	78,121	
	1934	3,200	5,898	9,098	113	—	8,374	17,585	82,123	962	83,085	
	1929	100	100	100	100	—	100	100	100	100	100	
	1932	100	121	114	100	—	66	87	200	17	129	
	1933	100	110	107	100	—	77	90	185	4	115	
	1934	100	105	103	100	—	76	88	195	4	123	
Germany	1929	70	350	420	—	93	2,463	2,976	2,283	812	3,095	
Reichsbank	1930	70	347	417	—	103	2,331	2,851	2,216	764	2,980	
(Reichsmark)	1931	70	289	359	—	162	4,275	4,796	984	—120	864	
	1932	70	166	236	—	323	2,892	3,451	806	—120	686	
	1933	70	193	263	—	592	3,171	4,026	386	222	608	
	1934	70	167	237	—	773	4,132	5,142	79	89	168	
	1929	100	100	100	—	100	100	100	100	100	100	
	1932	100	47	56	—	347	117	116	35	—15	22	
	1933	100	55	63	—	637	129	135	17	27	20	
	1934	100	48	56	—	831	168	173	3	11	5	
Greece	1929	2,714	882	3,596	—	56	325	3,977	640	2,477	3,117	
Bank of Greece	1930	2,714	675	3,389	—	299	327	4,015	510	2,502	3,012	
(Drachma)	1931	2,672	454	3,126	—	287	533	3,946	869	1,051	1,920	
	1932	2,714	1,928	4,642	654	360	1,054	6,710	.	.	1,599	
	1933	2,714	2,603	5,317	641	371	716	7,045	.	.	3,954	
	1934	2,714	1,361	4,075	639	282	1,211	6,207	.	.	4,013	
	1929	100	100	100	—	100	100	100	100	100	100	
	1932	100	219	129	(100)	643	324	169	.	.	51	
	1933	100	295	148	(98)	663	220	177	.	.	127	
	1934	100	154	113	(98)	504	373	156	.	.	129	
Hungary	1929	88	—	88	—	—	329	417	163	80	243	
National Bank	1930	64	—	64	—	—	298	362	163	67	230	
(Pengö)	1931	58	—	58	—	—	441	499	102	24	126	
	1932	52	24	76	—	—	449	525	97	20	117	
	1933	50	31	81	—	—	605	686	79	33	112	
	1934	50	34	84	—	—	597	681	79	...	...
	1929	100	—	100	—	—	100	100	100	100	100	
	1932	59	(100)	86	—	—	136	126	60	25	48	
	1933	57	(129)	92	—	—	184	165	48	41	46	
	1934	57	(142)	95	—	—	181	163	48	...	...
Italy	1929	1,813	456	2,269	1,053	—	7,192	10,964	5,190	5,151	10,341	
Bank of Italy	1930	1,784	527	2,311	1,160	—	6,521	9,992	5,297	4,327	9,624	
(Lira)	1931	1,773	370	2,143	1,375	—	7,411	10,929	5,626	2,171	7,797	
	1932	1,773	—	1,773	1,366	—	8,644	11,783	5,839	1,305	7,144	
	1933	1,773	—	1,773	1,371	—	5,987	9,131	7,092	305	7,397	
	1934	1,773	—	1,773	1,385	—	7,759	10,917	5,811	72	5,883	
	1929	100	100	100	100	—	100	100	100	100	100	
	1932	98	—	78	130	—	120	107	113	25	69	
	1933	98	—	78	130	—	83	83	137	6	72	
	1934	98	—	78	132	—	108	100	112	1	57	
Latvia	1929	—	—	—	8	—	141	149	24	56	80	
Bank of Latvia	1930	—	—	—	9	—	153	162	24	41	65	
(Lat)	1931	—	—	—	9	—	131	140	32	14	46	
	1932	—	—	—	9	—	125	134	36	11	47	
	1933	—	—	—	9	—	132	141	45	3	48	
	1934	—	—	—	8	—	137	145	46	4	60	
	1929	—	—	—	100	—	100	100	100	100	100	
	1932	—	—	—	111	—	80	90	150	20	59	
	1933	—	—	—	111	—	94	95	188	5	60	
	1934	—	—	—	100	—	97	97	192	7	63	

Table II. — CHANGES IN PRINCIPAL ASSETS OF CENTRAL BANKS (continued).

Country and unit of currency	End of	State Debt relating to fiduciary note-issue	Tempor. advances to Govt. Institut. (incl. discounts of Treasury bills)	Total direct claims on Governm. (a) + (b)	Holdings of Govt. securities	Holdings of other securities, etc.	Non-Govt. loans, advances and discounts	Total domestic credits (c) + (d) + (e) + (f)	Gold reserves	Foreign assets	Total gold and foreign assets (h) + (i)	OBSERVATIONS
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
EUROPE (cont.)												
Lithuania	1929	.	.	.	.	.	.	84	35	70	114	
Bank of Lithuania (Litas)	1930	.	.	.	.	.	.	102	30	86	125	
	1931	.	.	.	.	.	.	100	50	33	83	
	1932	.	.	.	.	.	.	92	49	16	65	
	1933	.	.	.	.	.	.	84	52	15	67	
	1934	.	.	.	.	.	.	101	52	8	60	
	1929	.	.	.	.	.	.	100	100	100	100	
	1932	.	.	.	.	.	.	110	140	20	57	
	1933	.	.	.	.	.	.	100	149	19	59	
	1934	.	.	.	.	.	.	120	149	10	53	
Netherlands	1929	—	—	—	25	182	207	447	220	667	(i) Foreign bills only; balances abroad, which are only shown as per March 1931, dropped from 37 million fl. in March 1929 to 1 million in March 1934.	
Bank of Netherlands (Gulden)	1930	—	—	—	26	148	174	426	247	673		
	1931	—	—	—	27	188	215	887	86	973		
	1932	—	19	19	20	118	157	1,033	71	1,104		
	1933	—	18	18	22	177	217	922	1	923		
	1934	—	17	17	37	174	228	842	1	843		
	1929	—	—	—	100	100	100	100	100	100		
	1932	—	(100)	(100)	80	65	76	231	12	166		
	1933	—	(95)	(95)	88	97	105	206	—	178		
	1934	—	(89)	(89)	148	96	110	188	—	126		
Norway	1929	—	—	—	16	18	187	221	147	66	213	
Bank of Norway (Krone)	1930	—	—	—	10	17	160	187	146	72	218	
	1931	—	—	—	12	27	229	268	155	23	178	
	1932	—	—	—	12	20	231	263	144	31	175	
	1933	—	—	—	14	21	258	293	143	6	149	
	1934	—	—	—	18	20	251	289	135	41	176	
	1929	—	—	—	100	100	100	100	100	100	100	
	1932	—	—	—	75	111	124	119	98	47	82	
	1933	—	—	—	88	117	138	131	97	9	70	
	1934	—	—	—	113	111	134	131	92	62	83	
Poland	1929	—	30	30	55	28	781	894	701	526	1,227	
Bank of Poland (Zloty)	1930	—	8	8	57	38	758	861	562	413	975	
	1931	—	32	32	57	49	706	934	600	214	814	
	1932	—	104	104	57	49	700	910	502	137	630	
	1933	—	138	138	57	49	767	1,011	476	88	504	
	1934	—	138	138	57	45	709	949	503	28	531	
	1929	—	100	100	100	100	100	100	100	100	100	
	1932	—	347	347	104	175	90	102	72	26	52	
	1933	—	460	460	104	175	98	113	68	17	46	
	1934	—	460	460	104	161	91	106	72	5	43	
Portugal	1929	1,751	10	1,761	1	6	440	2,208	209	412	621	
Bank of Portugal (Escudo)	1930	1,531	10	1,541	2	6	664	2,213	209	259	468	
	1931	1,058	11	1,069	169	2	346	1,586	286	515	801	
	1932	1,055	—	1,055	228	14	343	1,640	539	472	1,011	
	1933	1,052	—	1,052	267	12	332	1,663	770	117	887	
	1934	1,049	—	1,049	...	...	318	...	903	...	...
	1929	100	100	100	100	100	100	100	100	100	100	
	1932	60	—	60	22,800	233	78	74	258	115	163	
	1933	60	—	60	26,700	200	75	75	368	28	143	
	1934	60	—	60	...	...	73	...	432	...	...
Roumania	1929	3,797	1,672	5,469	548	150	9,717	15,884	9,185	6,702	15,977	(i) Excluding "provisions spéciales de devises".
National Bank (Leu)	1930	3,617	—	3,617	553	231	8,132	12,533	9,275	1,823	11,098	
	1931	3,767	—	3,767	495	231	13,758	18,251	9,675	323	9,998	
	1932	3,726	2,000	5,726	314	231	13,549	19,820	9,527	559	10,086	
	1933	3,681	2,000	5,681	420	155	12,493	18,749	9,896	270	10,166	
	1934	3,655	6,013	9,668	502	159	9,675	20,004	10,285	127	10,412	
	1929	100	100	100	100	100	100	100	100	100	100	
	1932	98	120	105	57	154	139	125	104	8	63	
	1933	97	120	104	77	103	129	118	108	4	64	
	1934	96	360	177	92	106	100	126	112	2	65	
												(j) In addition: Silver Reserves:
Spain	1929	—	285	285	344	15	3,594	4,238	2,566	101	2,667	704
Bank of Spain (Peseta)	1930	—	287	287	344	18	3,620	4,269	2,440	84	2,524	(699)
	1931	—	528	528	344	18	4,739	5,629	2,447	279	2,726	515
	1932	—	470	470	344	18	4,398	5,230	2,259	285	2,544	601
	1933	—	357	357	344	18	4,381	5,117	2,261	279	2,540	644
	1934	—	469	469	344	18	4,089	4,920	2,267	282	2,549	678
	1929	—	100	100	100	100	100	100	100	100	100	100
	1932	—	165	165	100	120	122	123	88	282	95	85
	1933	—	125	125	100	120	122	121	88	276	95	91
	1934	—	165	165	100	120	114	116	88	279	96	96

Table II. — CHANGES IN PRINCIPAL ASSETS OF CENTRAL BANKS (continued).

Country and unit of currency	End of	State Debt relating to fiduciary note-issue	Tempor. advances to Govt. Institut. (incl. discounts of Treasury bills)	Total direct claims on Governm. (a) + (b)	Holdings of Govt. securities *	Holdings of other securities, etc.	Non-Govt. loans, advances and discounts	Total domestic credits (c) + (d) + (e) + (f)	Gold reserves	Foreign assets	Total gold and foreign assets (h) + (i)	OBSERVATIONS
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
EUROPE (cont.)												
Sweden	1929	—	—	—	23	—	379	402	245	265	510	
Riksbank (Krona)	1930	—	—	—	4	2	321	327	241	390	631	
	1931	—	—	—	4	—	558	562	206	49	255	
	1932	—	—	—	238	—	205	443	206	214	420	
	1933	—	—	—	227	—	56	283	370	447	817	
	1934	—	—	—	149	—	44	193	351	554	905	
	1929	—	—	—	100	—	100	100	100	100	100	
	1932	—	—	—	1,035	—	54	110	84	81	82	
	1933	—	—	—	987	—	15	70	151	169	160	
	1934	—	—	—	648	—	12	48	144	209	177	
Switzerland	1929	—	39	39	5	—	226	270	595	353	948	(f) Including, since 1932, "effets de la Caisse de prêts":
National Bank (Franc)	1930	—	39	39	8	1	142	190	713	438	1,151	
	1931	—	—	—	29	9	125	163	2,347	103	2,450	
	1932	—	5	5	37	14	84	140	2,471	87	2,558	5
	1933	—	74	74	11	17	150	252	1,998	17	2,015	58
	1934	—	10	10	45	7	160	222	1,910	7	1,917	6
	1929	—	100	100	100	—	100	100	100	100	100	
	1932	—	13	13	740	(100)	37	52	415	25	270	
	1933	—	190	190	220	(121)	66	93	336	5	213	
	1934	—	26	26	900	(50)	71	82	321	2	202	
United Kingdom	1929	244.8	—	244.8	81.7	28.7	42.2	397.4	146.1	—	146.1	(d) = Govt. securities in Banking Department.
Bank of England (£)	1930	244.1	—	244.1	81.0	35.2	49.0	409.3	148.3	—	148.3	(e) = "Other securities" in both Departments.
	1931	253.7	—	253.7	95.4	54.8	27.3	431.2	121.3	—	121.3	(h) = Including small amount of silver coin in Banking Department.
	1932	266.2	—	266.2	102.4	22.8	18.5	409.9	120.6	—	120.6	(f) = All discounts and advances.
	1933	254.2	—	254.2	88.0	15.6	16.8	374.6	191.7	—	191.7	
	1934	256.6	—	256.6	87.5	11.7	7.6	363.4	192.8	—	192.8	
	1929	100	—	100	100	100	100	100	100	—	100	
	1932	109	—	109	125	79	44	103	83	—	83	
	1933	104	—	104	108	54	40	94	131	—	131	
	1934	105	—	105	107	41	18	91	132	—	132	
Yugoslavia	1929	4,153	—	4,153	—	65	1,518	5,736	1,046	742	1,788	1 Gold at new parity.
National Bank (Dinar)	1930	4,021	—	4,021	—	88	1,637	5,746	1,080	358	1,438	2 Foreign assets at current rate, excluding "blocked" amounts: 680 in 1929, 300 in 1930.
	1931	1,799	—	1,799	—	108	2,253	4,160	1,758	425	2,183	
	1932	1,809	600	2,409	—	82	2,457	4,948	1,761	209	1,970	
	1933	1,716	600	2,316	—	78	2,102	4,496	1,795	166	1,961	
	1934	1,687	600	2,287	—	135	1,764	4,186	1,785	225	2,010	
	1929	100	—	100	—	100	100	100	100	100	100	
	1932	44	(100)	58	—	126	162	86	168	28	110	
	1933	41	(100)	56	—	120	138	78	172	22	110	
	1934	41	(100)	55	—	208	116	73	171	30	112	
NORTH AMERICA.												
U.S.A.	1929	—	—	—	511	12	1,025	1,548	2,857	—	2,857	(h) Including gold held by the Treasury for account of the F.R.B.s.
Federal Reserve Banks (8)	1930	—	—	—	729	7	615	1,351	2,941	—	2,941	Figure for 1934 according to new parity. According to old parity it would have been: 3,026
	1931	—	—	—	817	5	977	1,799	2,989	—	2,989	
	1932	—	—	—	1,855	5	268	2,128	3,223	—	3,223	
	1933	—	—	—	2,437	1	231	2,669	3,524	—	3,524	
	1934	—	—	—	2,430	—	27	2,457	5,124	—	5,124	
	1929	—	—	—	100	100	100	100	100	—	100	
	1932	—	—	—	363	42	26	137	113	—	113	
	1933	—	—	—	477	8	23	172	123	—	123	
	1934	—	—	—	476	—	3	159	179	—	179	106
LATIN AMERICA.												
Bolivia	1929	—	4.4	4.4	3.8	0.6	17.2	26.0	9.2	46.4	55.6	(A) Since 1931, in paper bolivianos.
Central Bank (Boliviano)	1930	—	3.3	3.3	5.1	2.1	17.8	28.3	2.8	36.3	39.1	
	1931	—	2.2	2.2	6.5	4.6	18.3	31.6	16.2	10.5	26.7	
	1932	—	12.7	12.7	57.1	4.8	17.9	92.5	27.0	2.5	29.5	
	1933	—	3.9	3.9	115.4	5.2	15.0	139.5	7.9	6.7	14.6	
	1934	—	—	—	—	—	—	—	—	—	—	
	1929	—	100	100	100	100	100	100	100	100	100	
	1932	—	289	289	1,503	800	104	356	293	5	53	
	1933	—	89	89	3,037	867	87	537	86	14	26	
	1934	—	—	—	—	—	—	—	—	—	—	
Brazil	1929	500	—	500	57	—	1,322	1,879	407	228	635	(A) Gold in 1934, expressed in paper milreis.
Bank of Brazil (Milreis)	1930	—	—	—	52	—	1,638	1,690	—	298	298	
	1931	—	—	—	42	—	2,021	2,063	—	205	205	
	1932	—	—	—	33	—	2,904	2,937	—	702	702	
	1933	—	—	—	28	—	3,012	3,040	—	938	938	
	1934	—	300	300	25	—	2,950	3,275	97	692	789	
	1929	100	—	100	100	—	100	100	100	100	100	
	1932	—	—	—	58	—	220	156	—	308	111	
	1933	—	—	—	49	—	228	162	—	411	148	
	1934	—	—	60	44	—	223	174	24	304	124	

Table II. — CHANGES IN PRINCIPAL ASSETS OF CENTRAL BANKS (continued).

Country and unit of currency	End of	State Debt relating to fiduciary note-issue	Tempor. advances to Govt. Institut. (incl. discounts of Treasury bills)	Total direct claims on Governm. (a) + (b)	Holdings of Govt. securities	Holdings of other securities, etc.	Non-Govt. loans, advances and discounts	Total domestic credits (c) + (d) + (e) + (f)	Gold reserves	Foreign assets	Total gold and foreign assets (h) + (i)	OBSERVATIONS	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)		
LATIN AMER. (cont.)													
Chile Central Bank (Peso)	1929	—	—	—	25	—	93	118	63	385	448	(h) Including gold earmarked abroad shown under foreign assets in the balance-sheet.	
	1930	—	—	—	25	—	112	137	62	279	341		
	1931	—	184	184	8	—	130	322	100	95	195		
	1932	—	311	311	329	—	129	799	84	70	154		
	1933	—	672	672	—	—	120	793	95	72	167		
	1934	—	704	704	—	—	59	793	140	3	142		
	1929	—	—	—	100	—	100	100	100	100	100		
	1932	—	(100)	(100)	1,316	—	139	652	133	18	34		
	1933	—	(216)	(216)	—	—	129	671	151	19	37		
	1934	—	(226)	(226)	—	—	63	647	122	1	32		
Colombia Bank of the Republic (Peso)	1929	—	1.5	1.5	0.4	—	18.1	20.0	22.4	15.4	17.8		* Including loans to certain official bodies and to Administrative Council of National Railways. * Including "premium on gold": 2.4 million.
	1930	—	4.0	4.0	—	—	13.5	17.5	17.5	9.9	27.4		
	1931	—	7.4	7.4	2.2	—	20.2	29.8	9.1	4.7	13.8		
	1932	—	19.4	19.4	4.3	4.0	10.2	36.9	12.3	4.9	17.2		
	1933	—	26.0	26.0	9.4	12.0	7.1	54.5	14.3	2.5	16.8		
	1934	—	28.0	28.0	13.2	12.0	10.3	63.5	14.2	1.9	16.1		
	1929	—	100	100	100	—	100	100	100	100	100		
	1932	—	1,293	1,293	1,075	(100)	51	185	55	72	46		
	1933	—	1,713	1,733	2,350	(300)	39	273	64	16	44		
	1934	—	1,867	1,867	3,300	(300)	57	318	63	12	43		
Ecuador Central Bank (Sucre)	1929	—	10	10	—	—	5	15	6	29	35		
	1930	—	9	9	—	—	5	14	6	23	29		
	1931	—	8	8	—	—	6	14	6	10	16		
	1932	—	20	20	—	—	9	29	14	3	27		
	1933	—	33	33	—	—	17	50	14	4	18		
	1934	—	36	36	—	—	15	51	16	10	26		
	1929	—	100	100	—	—	100	100	100	100	100		
	1932	—	200	200	—	—	180	197	211	10	49		
	1933	—	330	330	—	—	340	333	211	14	51		
	1934	—	360	360	—	—	300	340	267	34	74		
Peru Central Bank (Sol)	1929	—	—	—	—	—	32	32	77	9	86		
	1930	—	—	—	—	—	23	23	63	7	70		
	1931	—	—	—	—	—	13	13	43	17	60		
	1932	—	9	9	—	—	12	21	40	—	40		
	1933	—	27	27	—	—	22	40	42	3	45		
	1934	—	34	34	—	—	28	62	39	4	43		
	1929	—	—	—	—	—	100	100	100	100	100		
	1932	—	(100)	(100)	—	—	38	66	52	—	47		
	1933	—	(300)	(300)	—	—	69	157	55	33	52		
	1934	—	(378)	(378)	—	—	88	194	51	44	50		
Uruguay Bank of the Republic (Peso)	1929	—	8	8	1	1	100	110	66	2	68		
	1930	—	9	9	8	2	102	121	60	—	60		
	1931	—	12	12	7	1	91	111	51	—	51		
	1932	—	21	21	6	2	86	115	47	3	50		
	1933	—	24	24	6	1	74	105	49	4	53		
	1934	—	...	...	...	...	...	...	...	...	...
	1929	—	100	100	100	100	100	100	100	100	100		
	1932	—	263	263	600	200	86	105	71	150	74		
	1933	—	300	300	600	100	74	95	74	200	78		
	1934	—	...	...	...	...	...	...	...	...	...
ASIA.													
Japan Bank of Japan (Yen)	1929	22	—	22	202	—	747	971	1,072	261	1,333	(i) In 1929 and 1931, including United States Treasury certificates: 20 and 8 million respectively. (ii) 1934: including foreign agencies account not shown separately.	
	1930	22	3	25	176	—	821	1,022	826	230	1,056		
	1931	22	3	25	252	—	1,027	1,304	470	110	580		
	1932	22	25	47	565	—	830	1,442	425	130	555		
	1933	22	3	25	682	—	919	1,626	425	53	478		
	1934	22	46	68	647	—	1,056	1,771	466	...	...
	1929	100	—	100	100	—	100	100	100	100	100		
	1932	100	(100)	214	280	—	111	149	40	50	47		
	1933	100	(12)	114	378	—	123	167	40	20	36		
	1934	100	(184)	309	320	—	141	182	43	...	...
AFRICA.													
Union of South Africa Reserve Bank (£)	1929	—	—	—	1.8	0.6	1.7	4.1	7.5	6.6	14.1		
	1930	—	—	—	0.2	1.6	1.1	2.9	6.7	7.2	13.9		
	1931	—	1.5	1.5	0.8	1.2	3.6	7.1	8.1	—	8.1		
	1932	—	3.5	3.5	0.2	1.9	1.5	7.1	7.2	—	7.2		
	1933	—	2.4	2.4	—	1.7	0.3	4.4	17.1	18.9	36.0		
	1934	—	—	—	—	1.7	0.1	1.8	22.3	10.5	32.8		
	1929	—	—	—	100	100	100	100	100	100	100		
	1932	—	(100)	(100)	11	317	88	173	96	—	51		
	1933	—	(69)	(69)	—	283	18	107	228	286	255		
	1934	—	—	—	—	283	6	44	297	159	233		

Table II. — CHANGES IN PRINCIPAL ASSETS OF CENTRAL BANKS (concluded).

Country and unit of currency	End of	State Debt relating to fiduciary note-issue	Tempor. advances to Govt. Institut. (incl. discounts of Treasury bills)	Total direct claims on Governm. (a) + (b)	Holdings of Govt. securities	Holdings of other securities, etc.	Non-Govt. loans, advances and discounts	Total domestic credits (c) + (d) + (e) + (f)	Gold reserves	Foreign assets	Total gold and foreign assets (h) + (i)	OBSERVATIONS
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
OCEANIA. Australia Commonwealth Bank (£)	1929	—	—	—	25.7	7.7	18.6	52.0	18.2	7.9	26.2	
	1930	—	—	—	23.3	6.3	20.9	50.5	15.4	4.3	19.7	
	1931	—	—	—	61.9	10.5	19.2	91.6	10.5	13.3	23.8	
	1932	—	—	—	57.6	10.9	22.2	90.7	8.5	18.0	26.5	
	1933	—	—	—	58.7	9.5	18.3	86.5	0.5	34.7	35.2	
	1934	—	—	—	59.9	9.5	22.8	92.2	0.5	39.2	39.7	
	1929	—	—	—	100	100	100	100	100	100	100	
	1932	—	—	—	224	142	119	174	47	228	101	
	1933	—	—	—	228	123	98	166	3	439	134	
	1934	—	—	—	233	123	123	177	3	496	152	

February 1935, however, following the alteration in the Government's fiscal policy to which reference was made above, the Banque de France reduced its rate for Treasury bills left "en pension" from $4\frac{1}{2}$ to $2\frac{5}{8}$ per cent: its ordinary lombard rate remained at $4\frac{1}{2}$ per cent. The fluctuations in the Bank's bill portfolio are more considerable. The peaks generally mark the crises in French banking¹; the demand for funds incidental to these difficulties led to a rapid increase in the rediscount activity of the central bank, but these rediscounts were promptly liquidated when the crisis had passed.

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

Within twelve months of the outbreak of the European financial crisis in the spring of 1931, gold reserves had risen by 2,000 million francs, or fivefold². Since the end of 1932, the variations in the bank's gold reserves, which are chiefly due to capital movements, have affected principally bankers' deposits; the note circulation has been fairly constant with a slight downward tendency.

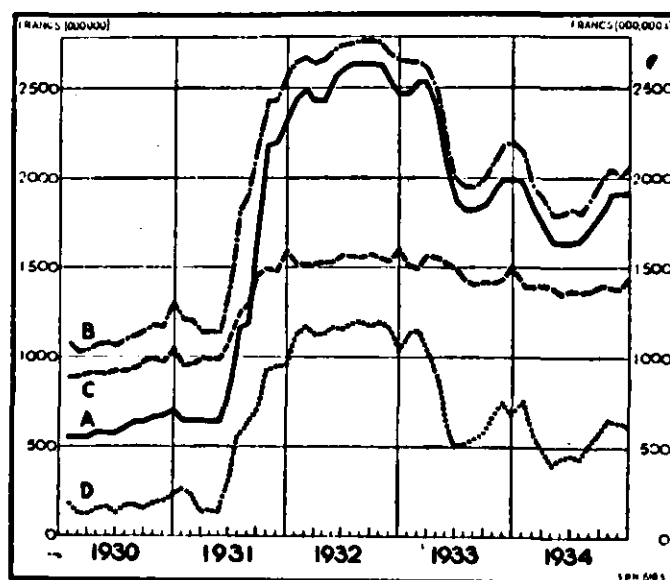
¹ For example, the failure of the Banque Adam and runs on provincial banks at the end of 1930; the difficulties of the Banque nationale de Crédit and certain other banks late in 1931; the failure of the Société centrale des Banques de Province early in 1933; and the outflow of capital and political difficulties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

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

Diagram VIII.

GOLD RESERVES AND SIGHT LIABILITIES OF THE SWISS NATIONAL BANK.

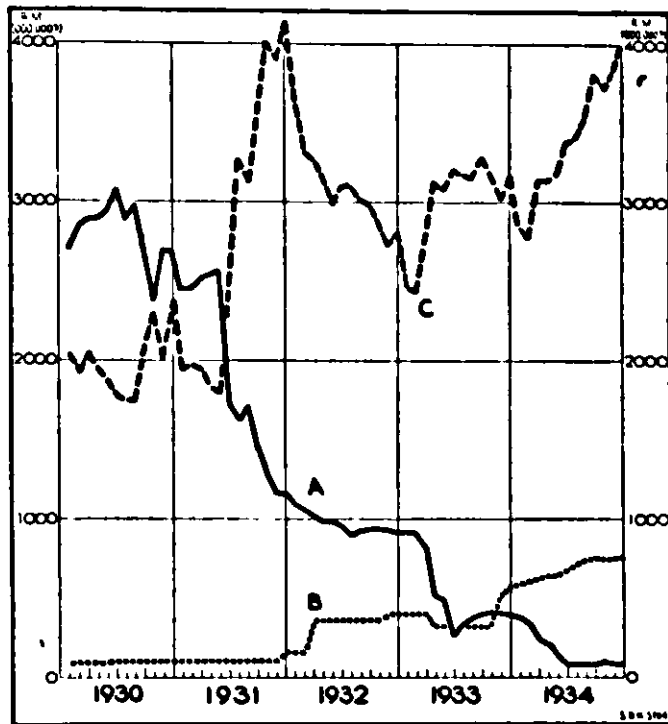
- A Gold. B Total sight liabilities. C Note circulation. D Other sight liabilities.



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

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

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



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

credit has been commented upon in connection with Diagram IV above.

Apart from Germany, the loss of cover reserves was most severe — 50 to 60 per cent — in Austria, Denmark, Hungary, Greece, Italy and Poland. In the last two countries mentioned, the loss proceeded almost without interruption from 1930 to 1933-34, while in the others the institution of exchange control (and in the case of Greece the abandonment of the gold standard) stayed the outflow in 1931 or 1932. In Austria, the loss of gold and foreign assets in 1931 was accompanied by a very sharp rise in the bill portfolio of the National Bank, due chiefly to the rediscount of Creditanstalt bills¹. The part of the increase in the note circulation of the National Bank (resulting from these rediscounts) which did not flow back to it for the purchase of *Devisen* went chiefly into hoards, but there was at the same time a "flight into goods" on a minor scale. With the gradual relaxation of exchange control and the financing of foreign trade through private clearings rather than through the National Bank in 1932-33, the gold reserves of the latter increased. In April 1934, the National Bank revalued its gold and foreign currency assets on the basis of the private clearing rates of foreign currencies; after the revaluation of certain liabilities, the resulting net profit was used by the bank in connection with the reorganisation of the commercial banks, whose sight deposits with it rose considerably in 1934.

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

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

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

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

The open-market purchases of securities effected by the Bank of England in 1932 are obscured in Table II¹. The form in which the Bank of England statements are published renders them extremely difficult of interpretation even in normal times, and since 1932 these difficulties have been greatly increased on account of the connection between the Bank and the Exchange Equalisation Account.

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

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

In Finland, Estonia and Portugal, where the note circulation and/or sight liabilities of the central banks have risen in recent years, the increase

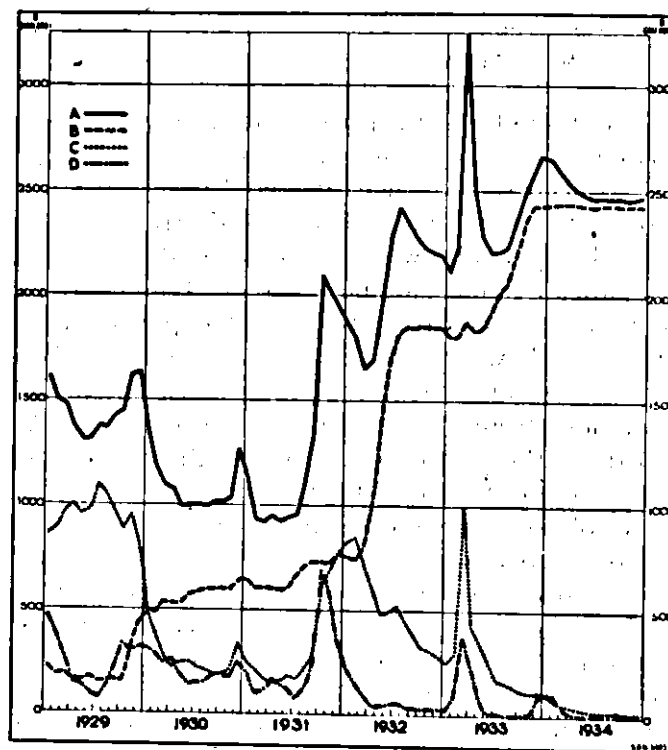
was chiefly due to an inflow of gold and *Devisen*.

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

Diagram X.

FEDERAL RESERVE CREDIT OUTSTANDING.

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



At the end of 1934, member bank rediscounts at the Federal Reserve banks had been reduced to quite negligible amounts. The assets of the Reserve banks consisted almost entirely of Government securities and gold certificates². The member

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

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

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

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

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

As a group, the central banks of South America lost a higher proportion of their gold and foreign cover assets during the first years of the depression than any others; and, as shown in the previous section, the contraction in the quantity of money was particularly violent in most of these countries. In Bolivia, Colombia, Chile and Ecuador, the loss of cover reserves has been offset since 1931 or 1932 by temporary and long-term advances to the Government¹, and — as shown above — the note circulation has increased sharply. The central banking functions of the Banco do Brasil — a mixed central and commercial bank almost entirely owned by the Federal Government — have become progressively less important in recent years, but no other central bank has so far been established. The entire gold stock of the Banco do Brasil was exported in 1930, and the Bank ceased to report a gold reserve until August 1934.

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

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

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

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

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

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

IV. Deposits.

Figures for commercial bank deposits are given in Table I above, where their annual percentage movement is also shown; and the percentage distribution of deposits between current accounts and other (chiefly time and savings) deposits is shown in Table III below. The statistics of deposits are more comprehensive for some countries than for others, and their relative importance in the currency

composition varies within a wide range; international comparisons must therefore be made with caution. For a detailed statement of the factors influencing the movement of commercial bank deposits in each country during the period 1929-1932, reference should be made to the introduction to the last edition of this volume ¹ and to the individual chapters.

Table III. — COMPOSITION OF COMMERCIAL BANK DEPOSITS, 1929-1934.

Country	a Current accounts and sight deposits b Other deposits						as percentage of total deposits.						
	1929	1930	1931	1932	1933	1934	Country	1929	1930	1931	1932	1933	1934
EUROPE :							NORTH AMERICA :						
Austria . . . (a . . .)	.	80.8	.	82.1	81.3	.	Canada . . . (a . . .)	30.4	27.7	29.5	24.0	25.1	26.6
(b . . .)	.	19.2	.	17.9	18.7	.	(b . . .)	69.6	72.3	70.5	76.0	74.9	73.4
Belgium . . . (a . . .)	72.5	.	75.3	75.4	77.6	.	U.S.A. * . . . (a . . .)	56.6	55.8	54.5	54.7	59.4	.
(b . . .)	27.5	.	24.7	24.6	22.4	.	(All banks) (b . . .)	43.4	44.9	45.5	45.3	40.6	.
Czechoslovakia (a . . .)	52.1	50.2	47.7	47.4	48.3	.	U.S.A. * . . . (a . . .)	56.3	55.9	54.7	52.9	57.3	.
(b . . .)	47.9	49.8	52.3	52.6	51.7	.	(National banks) (b . . .)	43.7	44.1	45.3	47.1	42.7	.
Denmark . . . (a . . .)	27.7	29.1	27.8	28.2	28.6	27.7	LATIN AMERICA :						
(b . . .)	72.3	70.9	72.2	71.8	71.4	72.3	Argentina . . . (a . . .)	30.9	31.3	28.4	31.3	34.6	32.4
Estonia . . . (a . . .)	63.3	63.0	74.4	67.4	70.7	74.1	(b . . .)	69.1	68.7	71.6	68.7	65.4	67.6
(b . . .)	36.7	37.0	25.6	32.6	29.3	25.9	Bolivia (a . . .)	57.8	54.5	54.9	61.1	73.3	.
Finland (a . . .)	19.9	20.2	22.2	22.5	23.6	23.6	(b . . .)	42.2	45.5	45.1	18.9	26.7	.
(b . . .)	80.1	79.8	77.8	77.5	76.4	76.4	Brazil (a . . .)	58.8	49.8	58.5	69.2	68.5	68.1
France (a . . .)	92.7	92.2	93.8	94.2	94.9	.	(b . . .)	41.2	50.2	41.5	30.8	31.5	31.9
(Deposit banks) (b . . .)	7.3	7.8	6.2	5.8	5.1	.	Chile (a . . .)	40.2	38.8	46.8	62.4	69.2	73.1
France (Invest- (a . . .)	57.4	64.0	64.7	70.5	57.8	.	(b . . .)	59.8	62.2	53.2	37.6	30.8	26.9
ment banks) (b . . .)	42.6	36.0	35.3	29.5	42.2	.	Colombia (a . . .)	65.2	56.4	55.1	61.8	66.6	77.2
France (a . . .)	89.1	89.5	91.7	92.5	92.1	.	(b . . .)	34.8	43.6	44.9	38.2	33.4	22.8
(Deposit and In- (b . . .)	10.9	10.5	8.3	7.5	7.9	.	Ecuador (a . . .)	71.3	67.0	65.3	81.9	85.1	76.9
vestment banks) (b . . .)	.	.	.	.	.	.	(b . . .)	28.7	33.0	34.7	18.1	14.9	23.1
Germany ¹ (a . . .)	37.1	40.7	50.6	46.9	45.0	46.5	Mexico (a . . .)	80.4	75.2	70.2	83.4	78.1	.
(All banks) (b . . .)	62.9	59.3	49.4	53.1	55.0	53.5	(b . . .)	19.6	24.8	29.8	16.6	21.9	.
Germany ² (a . . .)	41.8	45.8	52.3	48.2	47.3	49.8	Peru (a . . .)	51.2	45.0	48.8	52.4	55.3	59.9
(Big Berlin banks) (b . . .)	58.2	54.2	47.7	51.8	52.7	50.2	(b . . .)	48.8	55.0	51.2	47.6	44.7	40.1
Hungary (a . . .)	32.6	30.9	33.0	35.0	35.6	.	Uruguay (a . . .)	47.1	46.1	46.0	50.1	45.5	.
(b . . .)	67.4	69.1	67.0	65.0	64.4	.	(b . . .)	52.9	53.9	54.0	49.9	54.5	.
Italy (a . . .)	72.8	72.1	73.5	72.1	71.1	.	ASIA :						
(All banks) (b . . .)	27.2	27.9	26.5	27.9	28.9	.	Japan (a . . .)	43.4	40.8	38.6	38.9	40.0	39.7
Italy (a . . .)	22.8	21.2	22.6	21.7	21.9	.	(Clearing-House (b . . .)	56.6	59.2	61.4	61.1	60.0	60.3
(All banks) (b . . .)	77.2	78.8	77.4	78.3	78.1	.	SOUTH AFRICA and OCEANIA :						
Latvia (a . . .)	94.0	93.7	91.6	94.2	94.4	94.9	Union of South (a . . .)	50.3	43.9	43.6	42.8	64.3	64.9
(b . . .)	6.0	6.3	8.4	5.8	5.6	5.1	Africa ³ (b . . .)	49.7	56.1	56.4	57.2	35.7	35.1
Netherlands . . (a . . .)	46.8	48.3	47.1	54.5	55.3	.	Union of South (a . . .)	49.5	45.6	46.4	47.2	61.7	62.2
(b . . .)	53.2	51.7	52.9	45.5	44.7	.	Africa ⁴ (b . . .)	50.5	54.4	53.6	52.8	38.3	37.8
Norway (a . . .)	11.7	11.8	11.4	11.2	9.9	12.2	New Zealand ⁵ . (a . . .)	39.5	32.0	31.1	32.9	35.3	.
(b . . .)	88.3	88.2	88.6	88.8	90.1	87.8	(b . . .)	60.5	67.1	68.9	67.1	64.7	.
Poland (a . . .)	49.2	45.9	51.4	49.8	54.6	52.9	Australia ⁶ . . . (a . . .)	30.5	30.0	31.1	32.1	33.8	.
(b . . .)	50.8	54.1	48.6	50.2	45.4	47.1	(b . . .)	69.1	69.1	68.9	67.9	66.2	.
Portugal (a . . .)	46.1	44.0	57.1	58.3	.	.	Footnotes:						
(b . . .)	53.9	56.0	42.9	41.7	.	.	¹ November returns. Including balances due to German banks.						
Spain (a . . .)	60.6	60.7	58.0	56.2	.	.	² Including balances due to German banks.						
(b . . .)	39.4	39.3	42.0	43.8	.	.	³ Including correspondents.						
Sweden (a . . .)	18.9	18.8	17.2	17.6	18.6	19.6	⁴ Deposits only.						
(b . . .)	81.1	81.2	82.8	82.4	81.4	80.4	⁵ Including the "Obligationen" issued by the banks.						
Switzerland . . . (a . . .)	27.5	15.5	17.2	17.4	16.6	.	⁶ End of June each year.						
(b . . .)	72.5	84.5	82.8	82.6	83.4	.	⁷ Deposits within the Union only.						
United Kingdom and Irish Free State :													
England & Wales (a . . .)	54.0	53.9	50.6	50.7	53.0	53.4	⁸ Including deposits with branches outside the Union.						
(10 London Clearing banks) (b . . .)	46.0	46.1	49.4	49.3	47.0	46.6	⁹ End of June following year. Deposits within the Dominion only.						

¹ Commercial Banks, 1925-1933, pages 11-13.

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

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

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

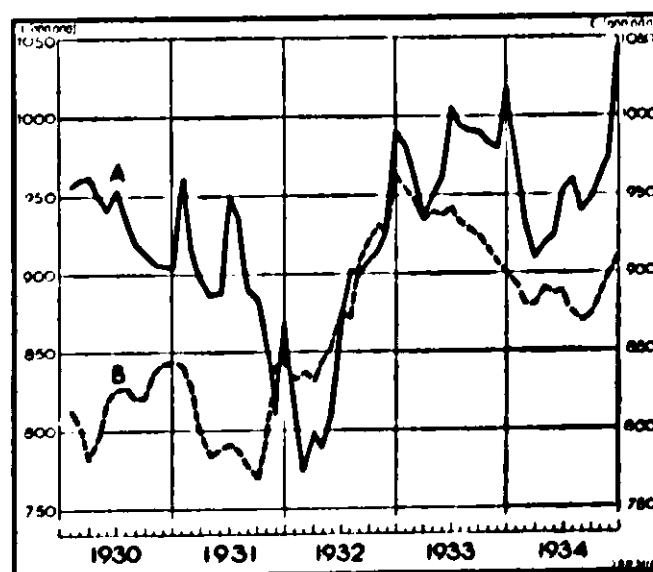
Only limited significance can be attached to the fluctuations in total commercial bank deposits on account of the wide differences in the character of the elements they include. Current accounts

constitute money — in the Anglo-Saxon countries by far the greater part of the aggregate means of payment of the community. Savings and time accounts, on the other hand, are in most countries an investment: they can be legally converted into money after a specified period, but they do not serve immediately as money¹. The addition of these two items is apt to be somewhat misleading. A shift of deposits from current to time account, even though it leaves total commercial bank deposits unchanged, tends to have a direct deflationary effect as it reduces *pro tanto* the means of payment of the community. If the commercial banks are required (as in the United States and under the new banking law in the Argentine) to hold lower cash reserves against time than against demand deposits, a natural corrective is brought into play through the release of part of the cash reserves formerly held against demand deposits; there is some tendency in normal times for the banks to increase their demand deposit liabilities on the basis of these additional cash reserves. If — as in England — the commercial banks maintain a stable cash ratio against total deposit liabilities, this corrective influence does not operate. Diagram XI below shows that, from the beginning of 1930 to the beginning of 1932, the current accounts of the London Clearing Banks fell by nearly £200 million, while deposit accounts rose by nearly £50 million.

Diagram XI.

DEPOSIT LIABILITIES OF LONDON CLEARING BANKS.

A Current accounts. B Deposit accounts.



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

During the first years of the depression — in most cases from 1929 to 1932 — the relative importance of current accounts was reduced and that of savings deposits increased in many countries besides the United Kingdom, notably in the British Dominions, Switzerland and Sweden (in all of which current accounts normally account for the bulk of aggregate means of payment). The shift of deposits from current to time account is perhaps more significant in so far as it reflects the reduced activity of current accounts than in so far as it causes an actual contraction of the latter. An unfavourable change in profit anticipations, however induced, tends to reduce investment and increase the proportion of current income which entrepreneurs desire to hold in liquid form. If, for example, it is expected that prices will fall, the amortisation quotas which would normally have been spent in replacing obsolescent capital will be saved, partly in monetary form. Whether the increase in bank deposits which results from this¹ factor is held on current or on time account is a matter of comparative indifference. In some countries, interest is paid by the banks on current as well as time accounts and it is more convenient to hold "cash" balances in that form. The essential fact is that these deposits, for the time being, serve more as a store of value than as a means of payment; they are temporarily idle². Even though no contraction occurs in the visible monetary supply, there is a real contraction in the effective supply. The fact, therefore, to quote but one example, that the ratio of time to total deposits rose less in the United States from 1930 to 1932 than in the countries previously mentioned cannot be taken as evidence that the phenomenon of building-up of idle cash balances was any less marked in that country.

The attempt on the part of entrepreneurs to hold a higher proportion of their income in the form of cash in the early stages of depression (which is illustrated in the well-nigh universal tendency, shown in Table I, for time deposits³ in commercial banks to rise in 1930) had, of course,

the effect of reducing the flow of money income. The consequence of holding in the form of bank deposits funds which would ordinarily have been spent for wages, materials, etc., was to contract income by more than the amount of idle funds, for if these had been used as money they would have become money for the recipient and available to finance other transactions. The net effect on the national income of holding deposits idle for a year clearly depends upon the number of times in the course of a year that money normally turns over against income; some indications of the general order of magnitudes involved are given in a later section.

The fall in entrepreneurial incomes was particularly marked⁴ in most countries in the course of the depression and, as business became less profitable and the investment outlook more and more discouraging, there was a strong inducement for business-men to repay their bank advances and so reduce the volume of deposits. In many cases, of course, this process was accelerated by the banks, which were also affected by the general desire for liquidity. It would seem that, after a certain stage, the contraction in the quantity of money tended, in most countries, to become cumulative and self-perpetuating. Every attempt on the part of individuals and business concerns to anticipate the fall in prices by holding a higher proportion of their income in the form of cash balances led to a further contraction in the effective monetary supply, a further reduction in incomes, a further decline in the profitability of business and further difficulties in the way of borrowing and lending. The magnitude of the contraction tended to make all credit risks unsound, and the criterion of choice for the calling-in of credits became, in many countries, not their essential unsoundness but — what is to some extent the opposite criterion — the ease with which they could be liquidated.

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

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

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

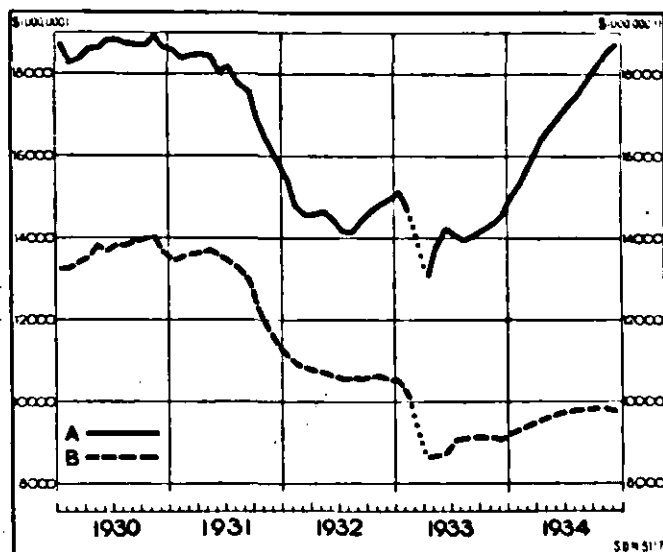
³ In a few countries, such as the Scandinavian and Baltic States, and Austria and Italy, current accounts rose as well. The depression reached the first group of States rather late and incomes were, on the whole, as high in 1930 as in 1929. But, in the second group, the rise in total deposits would appear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

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

Diagram XII.

DEPOSITS OF MEMBER BANKS OF FEDERAL RESERVE SYSTEM.

A Net demand deposits. B Time deposits.



United States and the sudden desire of a large section of the public to hold their liquid balances in the form of notes rather than bank deposits

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

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

Table IV. — PERCENTAGE MOVEMENT OF CURRENT ACCOUNT DEPOSITS, 1932-1934. (June 1932 = 100.)

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

^a February. ^b November.

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

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

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

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

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

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

In Japan, the trend of current accounts has been upwards since the middle of 1932, and by the end of

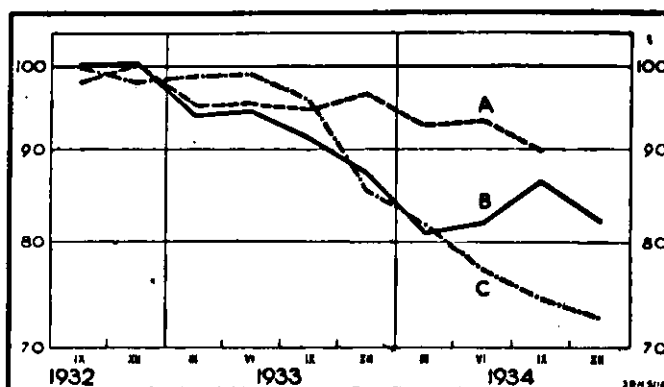
1934 these had risen by nearly 25 per cent; the increase in time accounts was only slightly less marked.

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

Diagram XIII.

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

A Italy. B France. C Switzerland.



The figures for Italy include the correspondent accounts of the "Big Three" as well as their sight deposits. In 1934, they fell less than current accounts in France or Switzerland. The striking decline in the current account liabilities of the Swiss banks was partly due to the withdrawal of foreign balances. Quarterly figures for current account deposits of the Belgian and Dutch banks are not available, but it is highly probable that they would show the same marked downward tendency in 1933 and 1934¹.

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

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

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

Reichsmark deposits held by foreigners as a result of the depreciation of foreign currencies and the release of these deposits for "additional" exports or investment in Germany. In the second place, it would appear that the large public works

expenditures had principally the result of raising the money incomes of the lower-income groups which patronise the savings banks. In the course of the years mentioned, deposits in the savings banks rose by R.M. 2,500 million.

V. Commercial Bank Credits and Investments.

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

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

For all these reasons, no attempt is made in the

present section to give a detailed account of the movements of the commercial bank assets of different countries. For this, reference should be made to the individual chapters in the second part of this volume, where information is also given regarding the fluctuations of non-commercial bank credit. Attention is here confined to pointing out some of the broad general tendencies in the movements of commercial bank earning assets in recent years.

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

As banks generally earn a higher return on advances than on other assets, it may be assumed that they would normally be reluctant to see them fall in importance. The decline which took place in most¹ countries from 1929 to 1932 reflects chiefly the reduced demand for advances on the part of entrepreneurs, who restricted production, liquidated stocks and paid off their debts to the banks. The cancellation of a formerly active deposit through the repayment of a loan has, of course, the result of decreasing aggregate expenditure still further and hence stimulating further repayment of loans and cancellation of deposits.

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

Table V. — PERCENTAGE MOVEMENTS OF COMMERCIAL BANK CREDITS AND INVESTMENTS, 1929-1934.
(1929 = 100)

Country	a Discounts. b Loans and advances.						c Total discounts, loans and advances. d Government securities.						e Other investments and participations. f Total.								
	1929	1930	1931	1932	1933	1934	Country	1929	1930	1931	1932	1933	1934	Country	1929	1930	1931	1932	1933	1934	
EUROPE :																					
Austria	a. 100	104	101	83	85	.	Greece	a. 100	69	58	42	70	71								
	b. 100	98	74	59	55	.		b. 100	150	142	141	126	141								
	c. 100	99	80	64	62	.		c. 100	122	113	108	107	117								
	d. 100	125	126	123	121	.		d. 100	123	123	110	103	106								
	e. 100	104	88	74	72	.		e. 100	122	115	108	106	115								
	f. 100	75	54	45	35	.		f. 100	109	103	93	92	.								
Belgium	a. 100	98	74	59	55	.	Hungary	a. 100	105	91	78	73	.								
	b. 100	99	80	64	62	.		b. 100	107	97	85	82	.								
	c. 100	125	126	123	121	.		c. 100	98	96	213	210	.								
	d. 100	104	88	74	72	.		d. 100	107	97	89	86	.								
	e. 100	75	54	45	35	.		e. 100	104	102	107	101	.								
	f. 100	89	67	53	51	.		f. 100	97	73	65	58	.								
Bulgaria	a. 100	83	61	50	44	.	Italy	a. 100	101	87	86	79	.								
	b. 100	83	61	50	44	.	(All banks) ^a	b. 100	103	75	80	79	.								
	c. 100	103	79	70	72	.		c. 100	101	85	85	79	.								
	d. 100	99	83	71	66	.		d. 100	101	85	85	79	.								
	e. 100	100	83	71	67	.		e. 100	104	102	107	101	.								
	f. 100	110	112	91	94	.	Italy	a. 100	104	102	107	101	.								
Czechoslovakia	a. 100	106	107	87	86	85	(All banks) ^a	b. 100	90	53	49	51	.								
	b. 100	99	98	88	89	92		c. 100	100	88	90	86	.								
	c. 100	101	100	88	89	90		d. 100	103	75	80	79	.								
	d. 100	96	77	86	113	.		e. 100	101	85	88	85	.								
	e. 100	116	104	102	107	.		f. 100	101	85	88	85	.								
	f. 100	104	100	91	93	96	Italy	a. 100	107	122	114	125	121								
Denmark	a. 100	91	76	69	69	79	(Principal banks) ^a	b. 100	104	76	74	63	67								
	b. 100	115	98	86	77	73		c. 100	106	100	95	95	95								
	c. 100	104	88	78	73	76		d. 100	101	65	71	67	58								
	d. 100	143	121	136	171	229		e. 100	105	95	92	91	90								
	e. 100	82	71	55	43	41		f. 100	107	122	114	125	121								
	f. 100	104	103	102	99	97	Italy	a. 100	84	54	42	43	36								
Finland	a. 100	96	92	86	79	78	(Principal banks) ^a	b. 100	103	109	100	109	105								
	b. 100	106	122	128	263	.		c. 100	101	65	71	67	58								
	c. 100	122	129	160	172	336		d. 100	101	65	71	67	58								
	d. 100	97	93	88	82	85		e. 100	103	101	95	101	96								
	e. 100	95	81	98	89	.		f. 100	91	41	29	28	29								
	f. 100	115	97	73	78	.	Latvia	a. 100	94	51	42	40	36								
France	a. 100	102	86	89	85	.		b. 100	93	47	37	35	33								
(Deposit banks)	b. 100	117	132	101	104	.		c. 100	125	125	131	89	111								
	c. 100	102	86	89	85	.		d. 100	94	49	39	36	35								
	d. 100	97	82	96	64	.		e. 100	164	123	96	93	.								
	e. 100	78	46	33	40	.		f. 100	113	112	96	95	.								
	f. 100	85	59	56	49	.		a. 100	127	115	96	95	.								
France	a. 100	109	118	115	105	.	Lithuania	b. 100	97	97	94	93	.								
(Investment banks)	b. 100	89	69	66	58	.		c. 100	123	113	96	94	.								
	c. 100	95	81	98	87	.		d. 100	101	82	81	65	.								
	d. 100	109	88	66	72	.		e. 100	91	82	65	63	.								
	e. 100	100	84	86	81	.		f. 100	94	82	69	63	.								
	f. 100	111	121	112	105	.	Netherlands	a. 100	135	146	128	109	.								
	a. 100	85	50	55	59	70		b. 100	97	88	74	67	.								
	b. 100	102	78	66	57	54		c. 100	104	100	96	92	88								
	c. 100	97	71	63	57	58		d. 100	100	100	94	92	88								
	d. 100	141	1,179	1,731	1,503	1,248		e. 100	101	100	95	92	88								
	e. 100	94	93	81	81	100		f. 100	98	86	76	76	.								
	f. 100	97	75	68	62	68		a. 100	103	88	83	77	.								
	a. 100	90	61	65	.	.		b. 100	101	97	92	89	84								
	b. 100	97	66	56	.	.		c. 100	92	56	44	39	39								
	c. 100	95	65	59	.	.		d. 100	110	80	69	58	59								
	d. 100	98	129	129	.	.		e. 100	102	69	57	50	46								
	e. 100	95	69	63	.	.		f. 100	102	87	83	81	109								
	f. 100	85	49	57	58	.		a. 100	102	70	59	51	52								
	a. 100	96	65	58	49	.		b. 100	66	55	59	.	.								
	b. 100	93	60	57	51	.		c. 100	96	86	78	.	.								
	c. 100	127	373	440	520	.		d. 100	79	68	67	.	.								
	d. 100	91	85	97	89	.		e. 100	93	79	77	.	.								
	e. 100	93	61	60	54	.		f. 100	80	69	68	.	.								
	f. 100	93	61	60	54	.		a. 100	98	81	69	.	.								
								b. 100	100	72	63	.	.								
								c. 100	99	77	66	.	.								
								d. 100	96	99	75	.	.								
								e. 100	96	99	75	.	.								
								f. 100	99	78	67	.	.								

Table V. — PERCENTAGE MOVEMENTS OF COMMERCIAL BANK CREDITS AND INVESTMENTS, 1929-1934 (concluded).

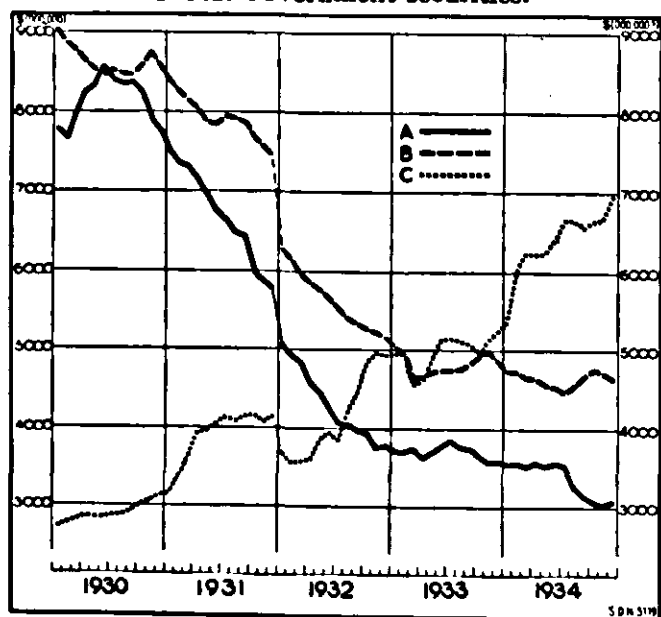
Country	1929	1930	1931	1932	1933	1934	Country	1929	1930	1931	1932	1933	1934	
Spain	a.	100	102	83	88	.	Colombia ⁸	a.	100	84	69	41	31	35
	b.	100	105	79	79	.		b.	100	86	89	75	71	62
	c.	100	104	83	82	.		c.	100	85	78	57	49	47
	d.	100	113	110	115	.		d.	100	108	121	145	193	226
	e.	100	105	94	94	.		e.	100	87	83	66	64	66
	f.	100	106	91	93	.		f.	100	109	73	84	194	267
Sweden	a.	100	110	102	118	107	Ecuador	a.	100	91	73	73	67	72
	b.	100	106	106	95	87		b.	100	95	73	76	98	120
	c.	100	107	105	100	93		c.	100	100	100	100	100	100
	d.	100	117	104	108	117		d.	100	103	79	77	74	76
	e.	100	108	105	101	95		e.	100	96	74	76	95	115
	f.	100	108	105	101	95		f.	100	104	45	51	74	.
Switzerland	a.	100	105	72	60	50	Mexico	a.	100	97	104	88	120	.
	b.	100	103	101	101	99		b.	100	100	79	73	101	.
	c.	100	103	97	96	93		c.	100	97	60	68	91	.
	d.	100	116	121	121	109		d.	100	100	77	72	99	.
	e.	100	104	99	97	94		e.	100	70	48	66	44	59
	f.	100	104	99	97	94		f.	100	76	80	82	50	72
United Kingdom and Irish Free State:	a.	100	141	104	174	131	Peru ⁹	a.	100	73	66	75	53	66
	b.	100	94	91	78	74		b.	100	89	4	9	9	10
	c.	100	102	93	64	85		c.	100	76	63	70	52	64
	d.	100	119	119	197	234		d.	100	74	39	26	22	.
	e.	100	102	102	118	130		e.	100	107	101	101	98	.
	f.	100	105	97	111	109		f.	100	107	100	100	97	.
England and Wales	a.	100	100	133	140	102	Uruguay	a.	100	565	482	441	447	.
	b.	100	94	79	70	65		b.	100	111	104	103	100	.
	c.	100	95	86	80	70		c.	100	111	118	92	112	.
	d.	100	116	119	163	187		d.	100	92	101	101	99	.
	e.	100	130	139	165	199		e.	100	94	103	100	100	.
	f.	100	103	99	109	112		f.	100	100	91	135	169	.
Scotland	a.	100	531	533	592	506	Venezuela	a.	100	95	102	102	106	.
	b.	100	75	75	69	69		b.	100	95	87	94	98	105
	c.	100	98	98	96	91		c.	100	102	102	101	102	99
	d.	100	104	100	115	111		d.	100	101	100	100	102	92
	e.	100	101	99	105	100		e.	100	96	93	96	107	123
	f.	100	101	99	105	100		f.	100	99	97	99	104	104
Ireland	a.	100	107	101	83	78	ASIA :	a.	100	95	87	94	98	105
	b.	100	117	102	89	79		b.	100	102	102	101	102	99
	c.	100	113	102	87	79		c.	100	101	100	100	102	92
	d.	100	154	143	129	.		d.	100	96	93	96	107	123
	e.	100	116	104	90	.		e.	100	99	97	99	104	104
	f.	100	116	104	90	.		f.	100	99	97	99	104	104
NORTH AMERICA :	a.	100	81	73	64	60	SOUTH AFRICA and OCEANIA :	a.	100	74	58	57	55	64
	b.	100	137	162	186	207		b.	100	92	100	86	81	102
	c.	100	118	113	93	97		c.	100	87	89	79	75	92
	d.	100	90	86	82	82		d.	100	151	154	209	206	200
	e.	100	97	82	62	46		e.	100	67	83	133	67	267
	f.	100	97	82	62	46		f.	100	91	93	87	83	101
Canada	a.	100	97	145	151	179	Union of South Africa ⁷	a.	100	82	55	62	68	64
	b.	100	108	97	75	56		b.	100	89	86	81	78	96
	c.	100	108	97	75	56		c.	100	87	78	76	75	87
	d.	100	99	91	73	62		d.	100	182	129	223	254	247
	e.	100	99	91	73	62		e.	100	75	67	108	100	167
	f.	100	99	91	73	62		f.	100	103	86	101	105	115
U.S.A. ⁵	a.	100	101	89	69	55	Union of South Africa ⁸	a.	100	92	87	89	90	.
	b.	100	100	119	123	145		b.	100	111	226	274	270	.
	c.	100	108	111	91	73		c.	100	93	97	102	102	.
	d.	100	101	97	81	72		d.	100	75	58	50	158	.
	e.	100	101	97	81	72		e.	100	99	94	87	74	.
	f.	100	101	97	81	72		f.	100	99	94	86	77	.
LATIN AMERICA :	a.	100	101	102	93	86	New Zealand ⁶	a.	100	57	57	57	57	.
	b.	100	109	99	95	100		b.	100	97	100	102	114	.
	c.	100	105	100	94	93		c.	100	97	100	102	114	.
	d.	100	115	128	124	115		d.	100	82	163	257	486	.
	e.	100	106	102	96	95		e.	100	57	57	57	57	.
	f.	100	106	102	96	95		f.	100	97	100	102	114	.
Argentina	a.	100	91	91	54	63	AUSTRALASIA ¹⁰	a.	100	95	90	89	90	.
	b.	100	98	87	89	81		b.	100	101	147	179	203	.
	c.	100	95	88	78	75		c.	100	96	96	99	102	.
	d.	100	118	148	446	713		d.	100	96	96	99	102	.
	e.	100	100	101	157	213		e.	100	96	96	99	102	.
	f.	100	100	101	157	213		f.	100	96	96	99	102	.
Bolivia	a.	100	85	83	102	104	Brazil	a.	100	96	95	106	109	.
	b.	100	103	101	105	109		b.	100	76	31	28	62	.
	c.	100	95	92	104	107		c.	100	103	92	93	92	.
	d.	100	138	157	161	166		d.	100	95	73	73	83	.
	e.	100	96	95	106	109		e.	100	88	188	388	175	.
	f.	100	96	95	106	109		f.	100	102	78	87	88	.
Chile	a.	100	76	31	28	62	Chile	a.	100	95	75	77	84	.
	b.	100	103	92	93	92		b.	100	95	75	77	84	.
	c.	100	95	73	73	83		c.	100	95	75	77	84	.
	d.	100	88	188	388	175		d.	100	95	75	77	84	.
	e.	100	102	78	87	88		e.	100	95	75	77	84	.
	f.	100	102	78	87	88		f.	100	95	75	77	84	.

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

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

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

Diagram XIV.
LOANS AND INVESTMENTS OF REPORTING MEMBER BANKS OF FEDERAL RESERVE SYSTEM.
A Loans on securities. B All other loans.
C U.S. Government securities.



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

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

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

Diagram XV.
PRINCIPAL ASSETS OF LONDON CLEARING BANKS.
A Advances. B Investments. C Bills discounted.
D Money at call.

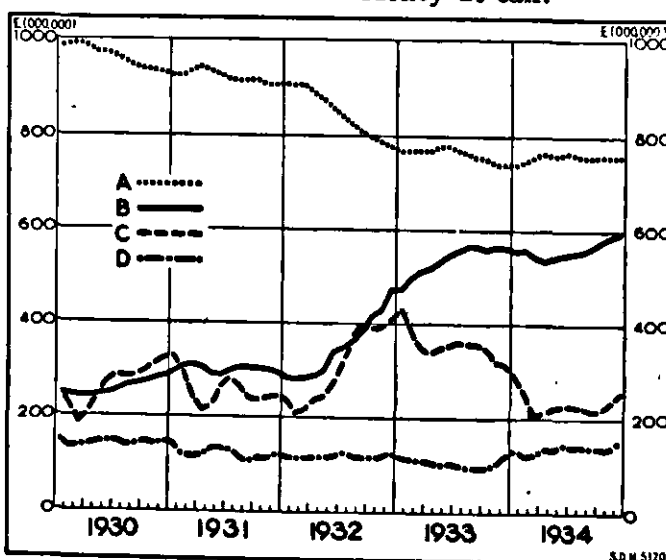


Table VI. — PERCENTAGE COMPOSITION OF COMMERCIAL BANK CREDITS, 1929-1934.

Country	as percentage of total of these items.						Country	as percentage of total of these items.								
	1929	1930	1931	1932	1933	1934		1929	1930	1931	1932	1933	1934			
EUROPE :																
Austria	a.	-	10.3	-	9.1	10.2	Latvia	a.	39.0	37.9	32.3	29.3	29.9	31.9		
	b.	-	77.5	-	78.3	75.9		b.	58.6	58.8	61.5	62.5	64.1	60.4		
	c.	-	12.2	-	12.6	13.9		c.	2.4	3.3	6.2	8.2	6.0	7.7		
	d.	-	-	-	-	-		d.	-	-	-	-	-	-		
Belgium	a.	19.2	19.2	22.2	21.5	22.7	Lithuania	a.	23.8	31.7	25.9	23.9	23.5	-		
	b.	63.8	60.3	53.4	50.4	48.6		b.	61.7	56.9	61.6	61.9	62.2	-		
	c.	17.0	20.5	24.4	28.1	28.7		c.	14.5	11.4	12.3	14.2	14.3	-		
	d.	-	-	-	-	-		d.	-	-	-	-	-	-		
Bulgaria	a.	43.7	39.7	32.7	32.2	27.7	Netherlands	a.	25.6	26.6	24.0	27.8	24.6	-		
	b.	56.3	60.3	61.3	60.5	64.9		b.	65.6	61.3	61.3	57.1	61.1	-		
	c.	-	-	0.1	0.5	0.3		c.	8.8	12.1	14.5	15.1	14.3	-		
	d.	-	-	0.5	6.8	7.1		d.	-	-	-	-	-	-		
Czechoslovakia	a.	10.1	10.2	9.1	9.6	10.2	Norway	a.	25.6	26.3	26.2	26.8	26.3	26.8		
	b.	76.0	74.7	73.0	73.2	71.3		b.	34.0	33.2	35.5	35.1	35.8	30.5		
	c.	13.9	15.1	17.9	17.2	18.5		c.	6.0	5.8	5.3	5.0	5.1	16.7		
	d.	-	-	-	-	-		d.	14.4	14.7	13.0	13.1	12.8	-		
Denmark	a.	16.5	16.9	17.7	15.9	15.3	14.7	Poland	a.	43.7	39.6	35.3	32.5	33.5	30.5	
	b.	59.6	57.2	58.6	58.0	57.1	56.8		b.	51.1	55.2	58.2	60.1	58.2	58.5	
	c.	4.2	3.9	3.2	4.0	5.1	d.		5.2	5.2	6.5	7.4	8.3	11.0		
	d.	19.7	22.0	20.5	22.1	22.5	28.6		c.	-	-	-	-	-	-	
Estonia	a.	45.7	39.9	39.4	39.9	42.0	46.4	Portugal	a.	53.1	44.0	42.5	46.2	-	-	
	b.	53.0	58.2	58.7	57.7	54.9	49.6		b.	38.6	40.3	48.0	44.4	-	-	
	c.	1.3	1.9	1.9	2.4	3.1	4.0		c.	8.3	9.7	9.5	9.4	-	-	
	d.	-	-	-	-	-	-		d.	-	-	-	-	-	-	
Finland	a.	34.1	28.9	26.2	21.5	17.7	16.7	Roumania	a.	43.8	43.4	45.3	45.2	-	-	
	b.	63.2	67.8	70.1	73.7	76.3	72.6		b.	47.5	48.1	43.7	45.0	-	-	
	c.	0.3	0.3	0.4	0.5	1.0	10.7		c.	8.7	8.5	11.0	9.8	-	-	
	d.	2.4	3.0	3.3	4.3	5.0	-		d.	-	-	-	-	-	-	
France (Deposit banks)	a.	64.5	60.0	60.2	70.8	67.3	-	Spain	a.	22.9	22.0	21.0	21.5	-	-	
	b.	34.8	39.2	38.8	28.4	31.9	-		b.	31.4	30.9	27.2	26.4	-	-	
	c.	0.7	0.8	1.0	0.8	0.8	-		c.	26.8	28.5	32.2	33.0	-	-	
	d.	-	-	-	-	-	-		d.	18.9	18.6	19.6	19.1	-	-	
France (Investment banks)	a.	30.9	33.7	36.8	44.9	34.1	-	Sweden	a.	22.5	22.9	21.9	26.4	26.3	24.8	
	b.	52.6	46.0	34.9	26.4	36.0	-		b.	69.0	67.9	69.7	64.5	63.3	61.0	
	c.	16.3	20.3	28.3	28.7	29.9	-		c.	8.5	9.2	8.4	9.1	10.4	14.2	
	d.	-	-	-	-	-	-		d.	-	-	-	-	-	-	
France (Deposit and Investment banks)	a.	60.5	57.2	57.9	68.5	64.4	-	Switzerland	a.	11.9	12.0	8.6	7.3	6.3	-	
	b.	36.9	39.9	38.4	28.2	32.3	-		b.	80.9	80.0	82.6	83.7	85.3	-	
	c.	2.6	2.9	3.7	3.3	3.3	-		c.	7.2	8.0	8.8	9.0	8.4	-	
	d.	-	-	-	-	-	-		d.	-	-	-	-	-	-	
Germany ¹ (All banks)	a.	23.3	20.3	15.5	19.1	22.1	26.0	United Kingdom and Irish Free State :	a.	14.6	19.7	15.7	22.8	17.5	-	
	b.	70.9	74.0	74.3	69.1	65.6	61.1		England and Wales	b.	66.8	59.9	62.3	46.7	45.8	-
	c.	0.2	0.3	3.2	5.1	4.9	4.0			c.	15.1	17.1	18.4	26.9	32.6	-
	d.	5.6	5.4	7.0	6.7	7.4	8.9			d.	3.4	3.3	3.6	3.6	4.1	-
Germany ² (All banks)	a.	25.6	24.2	22.7	26.4	-	-	Scotland		a.	9.1	8.8	12.3	11.7	8.3	-
	b.	67.5	68.7	64.5	59.6	-	-		b.	55.7	51.0	44.5	33.7	32.4	-	
	c.	6.9	7.1	12.8	14.0	-	-		c.	32.2	36.4	39.0	48.1	54.0	-	
	d.	-	-	-	-	-	-		d.	3.0	3.8	4.2	4.5	5.3	-	
Germany (Big Berlin banks)	a.	27.8	25.3	22.0	26.4	29.8	-	Ireland	a.	2.7	14.1	14.5	15.2	13.5	-	
	b.	67.7	70.2	71.2	65.5	61.7	-		b.	50.4	37.5	38.2	33.4	34.8	-	
	c.	0.1	0.2	0.8	1.0	1.3	-		c.	46.9	48.4	47.3	51.4	51.7	-	
	d.	4.4	4.3	6.0	7.1	7.2	-		d.	-	-	-	-	-	-	
Greece	a.	27.8	15.5	14.0	10.7	18.4	17.1	Yugoslavia	a.	36.2	33.9	35.8	33.9	35.5	-	
	b.	54.0	66.2	66.5	70.7	64.0	66.1		b.	56.8	58.3	56.2	57.6	55.8	-	
	c.	18.2	18.3	19.5	18.6	17.6	16.8		c.	7.0	7.8	8.0	8.5	8.7	-	
	d.	-	-	-	-	-	-		d.	-	-	-	-	-	-	
Hungary	a.	46.7	47.9	49.8	48.9	49.8	-	NORTH AMERICA :								
	b.	50.2	49.2	47.1	45.6	42.6	-	Canada	a.	83.3	74.9	70.1	64.7	61.0	57.2	
	c.	3.1	2.9	3.1	7.5	7.6	-		b.	14.3	21.9	26.7	32.5	36.1	40.5	
	d.	-	-	-	-	-	-		c.	2.4	3.2	3.2	2.8	2.9	2.3	
-	-	-	-	-	-	-	d.		-	-	-	-	-	-		
Italy (All banks) ³	a.	41.5	42.7	49.6	52.3	52.8	-	U.S.A. ⁴ (All banks)	a.	33.0	35.0	31.1	29.3	23.8	-	
	b.	43.1	41.5	36.9	33.1	31.8	-		b.	39.4	36.1	34.0	31.6	30.4	-	
	c.	15.4	15.8	13.5	14.6	15.4	-		c.	10.4	10.2	16.6	21.5	30.2	-	
	d.	-	-	-	-	-	-		d.	17.2	18.7	18.3	17.6	15.6	-	
Italy (All banks)	a.	56.3	58.2	67.5	68.3	66.9	-	U.S.A. ⁵ (National banks)	a.	35.3	32.5	30.2	28.2	52.4	-	
	b.	22.7	20.2	14.1	12.6	13.6	-		b.	33.7	35.9	33.0	30.6	-		
	c.	21.0	21.6	18.4	19.1	19.5	-		c.	16.6	16.3	20.4	25.1	32.9	-	
	d.	-	-	-	-	-	-		d.	14.4	15.3	16.4	16.1	14.7	-	
Italy (Principal banks) ³	a.	45.0	45.9	57.7	56.0	61.6	60.6	LATIN AMERICA :								
	b.	42.7	42.2	33.9	34.5	29.4	31.5	Argentina	a.	42.9	40.8	42.8	41.5	38.8	-	
	c.	12.3	11.9	8.4	9.5	9.0	7.9		b.	51.7	53.4	50.4	51.5	54.7	-	
	d.	-	-	-	-	-	-		c.	5.4	5.8	6.8	7.0	6.5	-	
-	-	-	-	-	-	-	d.		-	-	-	-	-	-		
Italy (Principal banks) ⁴	a.	66.1	69.1	79.8	79.5	81.5	83.2	Bolivia	a.	25.1	22.7	22.7	8.6	7.4	-	
	b.	15.8	13.0	8.5	7.0	6.6	6.0		b.	53.3	51.9	45.7	30.1	20.3	-	
	c.	-	-	-	-	-	-		c.	-	-	-	-	-	-	
	d.	18.1	17.9	11.7	13.5	11.9	10.8		d.	21.6	25.4	31.6	61.3	72.3	-	

Table VI. — PERCENTAGE COMPOSITION OF COMMERCIAL BANK CREDITS, 1929-1934 (concluded).

Country	1929	1930	1931	1932	1933	1934	Country	1929	1930	1931	1932	1933	1934		
Brazil	a.	44.4	39.3	38.8	42.9	42.5	ASIA :	Japan	a.	10.2	9.9	9.2	9.7	9.7	10.3
	b.	51.9	55.4	55.1	51.5	51.9			b.	53.0	54.5	55.5	54.3	52.3	45.9
	c.								c.	36.8	35.6	35.3	36.0	38.0	43.8
	d.	3.7	5.3	6.1	5.6	5.6			(Clearing-House Member banks)						
Chile	a.	28.4	22.6	11.8	10.3	21.0	SOUTH AFRICA and OCEANIA :	Union of South Africa ⁶	a.	23.8	19.3	14.7	15.6	15.8	15.1
	b.	64.2	69.7	79.2	77.8	70.2			b.	68.8	69.3	73.8	67.6	67.5	69.4
	c.	0.9	0.8	2.3	4.6	1.9			c.	6.3	10.6	10.5	15.1	15.8	12.6
	d.	6.5	6.9	6.7	7.3	6.9			d.	1.1	0.8	1.0	1.7	0.9	2.9
Colombia ⁴	a.	48.9	47.2	41.0	30.7	23.4	26.1	Union of South Africa ⁷	a.	22.2	17.7	14.1	13.7	14.4	12.3
	b.	40.4	39.6	43.4	45.9	44.7	37.6		b.	59.8	51.8	59.8	47.9	44.1	49.8
	c.								c.	16.8	29.6	25.1	37.1	40.3	36.1
	d.	10.7	13.2	15.6	23.4	31.9	36.3		d.	1.2	0.9	1.0	1.3	1.2	1.8
Ecuador	a.	21.9	24.8	21.7	24.3	44.7	50.8	Australia ⁸	a.	93.2	91.8	84.0	81.6	82.6	
	b.	68.1	64.5	67.6	65.6	47.5	42.6		b.	6.8	8.2	16.0	18.4	18.0	
	c.	0.2	0.2	0.2	0.2	0.2	0.2		c.						
	d.	9.8	10.5	10.5	9.9	7.6	6.4		d.						
Mexico	a.	36.3	37.8	21.2	25.5	27.0		New Zealand ⁹	a.	2.0	1.5	1.2	1.0	2.7	
	b.	51.3	50.0	69.2	62.9	61.7			b.	87.6	89.9	83.0	75.0	57.2	
	c.								c.	9.3	7.9	15.1	23.4	39.5	
	d.	12.4	12.2	9.6	11.6	11.3			d.	1.1	0.7	0.7	0.6	0.6	
Peru	a.	37.0	34.0	28.0	34.6	31.6	34.4	Australasia ¹⁰	a.	88.8	88.2	82.9	79.8	77.8	
	b.	46.3	46.4	59.2	53.7	52.8	52.6		b.						
	c.								c.	11.2	11.8	17.1	20.2	22.2	
	d.	16.7	19.6	11.7	9.5	12.7	10.2		d.						
Uruguay	a.	1.2	0.8	0.5	0.3	0.2		¹ November returns. ² December figures. ³ Loans include correspondents. ⁴ Loans excluding correspondents. ⁵ End of June each year. ⁶ Accounts of offices within the Union only. ⁷ Including accounts of branches outside the Union. ⁸ End of June following year. Accounts of domestic offices only. ⁹ End of June following year. Including accounts of branches outside the Dominions.							
	b.	97.9	94.8	95.5	96.0	95.9									
	c.	0.3													
	d.	0.6	4.4	4.0	3.7	3.9									
Venezuela	a.	11.6	13.5	13.3	10.4	12.2									
	b.	80.7	78.3	79.8	79.4	75.4									
	c.	7.7	8.2	6.9	10.2	12.4									

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

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

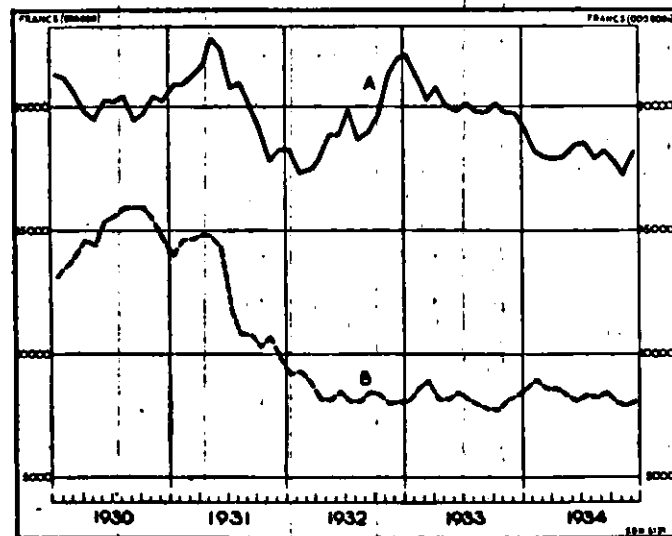
The lower curve of the diagram represents current account debtors and correspondents: this

Diagram XVI.

PRINCIPAL EARNING ASSETS OF FRENCH DEPOSIT BANKS.

A Discount portfolio.

B Current accounts and correspondents.



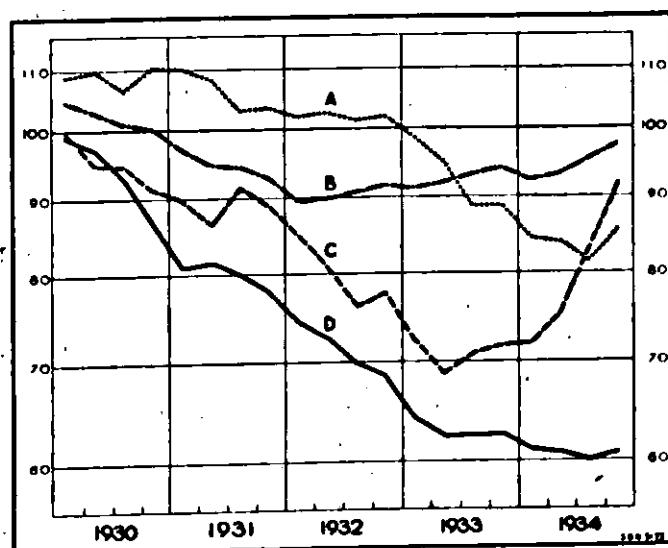
item fell from nearly 16 milliards towards the end of 1930 to only slightly more than 8 milliards in the first months of 1932. Foreign short-term balances are included in this item and it would appear that the extremely sharp contraction of 1931 is largely to be explained by the repatriation of these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

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

The credit contraction was also very severe in Belgium, where the commercial banks' loans and advances fell from 21 milliard francs at the end of 1930 to less than 12 milliard at the end of 1933. The Belgian banks maintained very close relations with industry and, as a result of the decline in prices and incomes, a very large part of their industrial advances became immobilised. By a series of decrees passed in August 1934, the banks were required to give up their long-term industrial activities and reorganise along deposit banking lines; in the meantime, special steps were taken to enable the banks to raise cash resources on the basis of their old industrial advances¹.

Diagram XVII below shows the quarterly changes in the discounts, loans and advances of the

Diagram XVII.
DISCOUNTS, LOANS AND ADVANCES
OF COMMERCIAL BANKS.
(1929 = 100.)
A New Zealand. C South Africa.
B Australia. D Canada.



¹ For details, see chapter on Belgium.

commercial banks of four British Dominions since the first quarter of 1930 on the base average of 1929 = 100.

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

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

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

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

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

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

increased to an exceptional extent in 1933 or 1934, there was but little increase or even a further fall in loans and advances.

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

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

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

VI. Cash Ratios.

Table VII shows the changes in the cash ratios of the commercial banks of a number of countries from 1929 to 1934. Four different ratios are shown : (a) cash as a percentage of demand deposits¹, (b) cash and other items of a cash nature (such as call loans to the money market²) as a percentage of demand deposits, (c) cash as a percentage of total deposits and (d) cash and other

items of a cash nature as a percentage of total deposits.

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

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

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

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

Diagram XVIII.

CASH RATIOS OF COMMERCIAL BANKS.

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

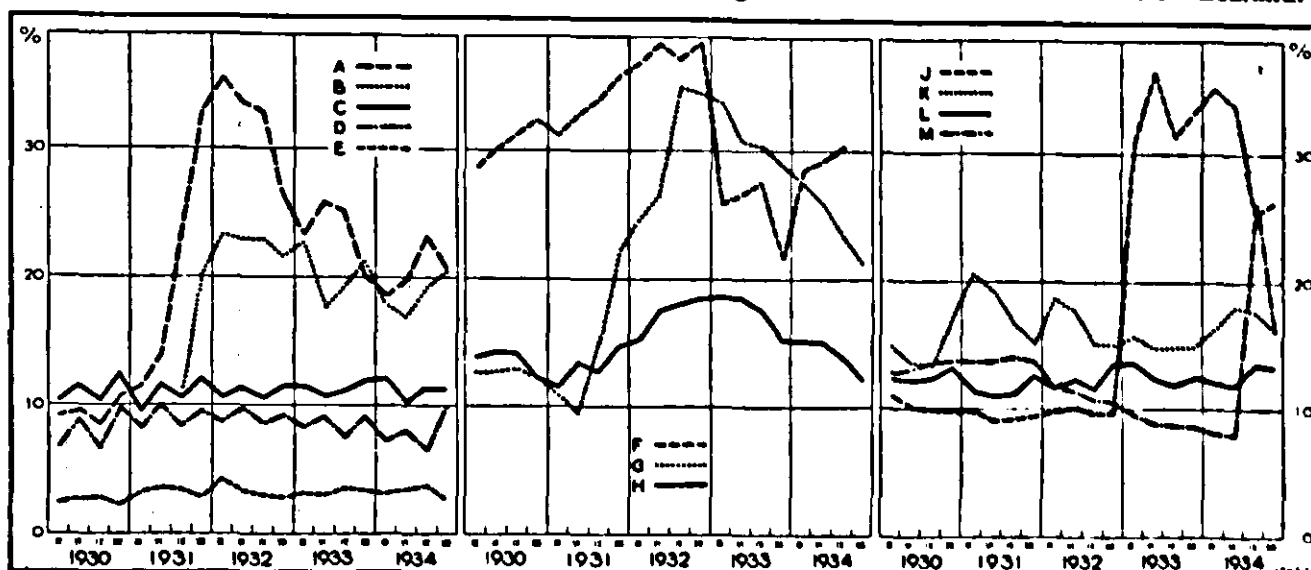


Table VII. — CASH RATIOS OF COMMERCIAL BANKS, 1929-1934.

a Cash as percentage of demand deposits.

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

c Cash as percentage of total deposits.

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

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

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

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

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

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

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

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

In the latter part of 1933 and during 1934, with the resumption of more active credit operations by the commercial banks, the cash ratio fell.

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

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

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

More striking, perhaps, than the rise in the cash reserve ratio in any other country is the recent accumulation of excess cash reserves by the commercial banks of the United States in recent years. Diagram XIX on page XLVI shows the monthly variations in the total¹ and in the excess cash reserves of the member banks of the Federal Reserve System from 1930 to 1934.

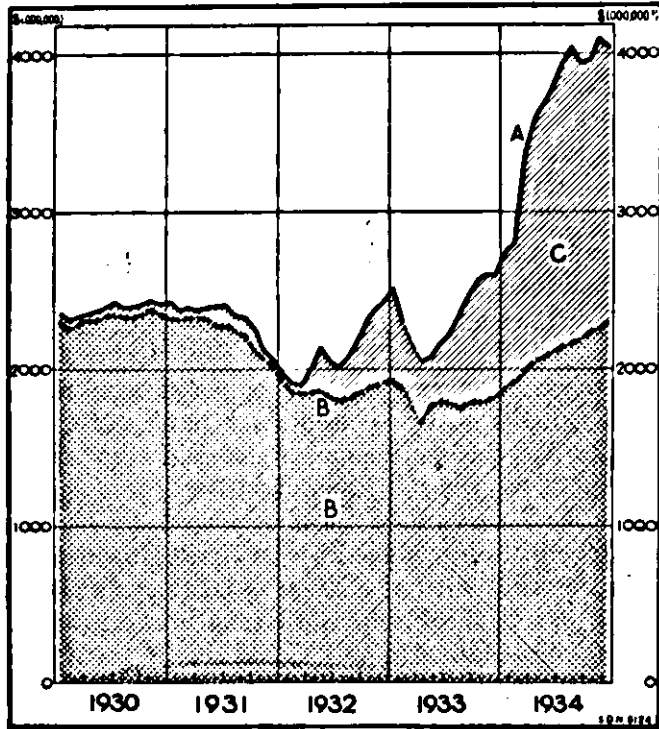
Excess reserves rose to a monthly average of nearly \$600 million in January 1933 as a result

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

Diagram XIX.

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

A Total. B Legal. C Excess.



chiefly of the extensive open-market operations¹ carried out by the Federal Reserve banks in the previous year. They must have been completely exhausted during the March crisis², but they soon began to rise again. The increase in 1933 was chiefly due to open-market purchases of Government securities by the Federal Reserve banks and the return flow of hoarded currency, while the increase in 1934 mainly reflects gold imports. In December 1934, the excess cash reserves held by member banks amounted to \$1,750 million. The immense magnitude of the recent figures of excess reserves is brought out by the following comparison with certain other relevant series :

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

^a January-February.

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

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

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

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

² Figures for March are not available.

VII. Clearings.

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

Bank debits are more representative of the

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

Table VIII. — QUARTERLY MOVEMENT OF CLEARINGS IN VARIOUS COUNTRIES, 1930-1934.
(Corresponding quarter of 1929 = 100.)

Quarter	Australia	Belgium	Canada	Chile	Colombia	Finland	France	Germany	Italy	Japan	Netherlands	South Africa	Sweden	Switzerland	U. K. ⁶	U. S. A.
1930 I	88.9	98.4	79.3	101.5	56.0	96.7	114.5	99.3	85.4	80.1	85.0	98.1	112.8	99.4	95.7	89.5
1930 II	87.7	98.1	87.4	94.4	56.6	95.2	121.1	88.6	93.0	77.8	85.5	95.0	112.7	106.0	94.2	92.0
1930 III	80.6	88.8	79.6	86.2	55.6	99.1	102.5	94.2	96.3	80.9	88.0	95.2	106.5	95.7	90.3	77.8
1930 IV	88.6	90.8	75.7	71.1	68.6	101.2	97.5	93.7	99.4	86.6	87.6	91.7	99.0	106.4	88.2	75.9
1931 I	81.3	86.4	67.6	68.7	47.3	82.5	103.7	82.3	92.3	66.2	76.0	89.3	116.1	99.8	85.8	72.1
1931 II	84.0	82.9	76.4	56.8	44.0	75.9	109.8	82.3	90.9	70.2	83.5	92.4	114.3	110.5	84.6	72.7
1931 III	75.2	74.7	63.7	42.9	45.4	75.6	70.2	79.5	88.2	75.1	58.4	92.7	97.6	93.7	83.0	61.4
1931 IV	77.8	65.8	63.5	43.5	52.1	88.2	69.9	82.1	81.6	82.2	51.4	86.5	99.1	80.4	85.2	56.9
1932 I	57.0	71.6	52.9	47.6	38.2	76.5	79.2	77.2	61.5	74.9	41.9	79.3	99.9	57.3	84.5	52.7
1932 II	65.6	56.9	56.9	50.1	39.5	66.7	70.0	66.9	88.0	73.1	39.5	76.8	93.1	58.1	82.8	49.9
1932 III	82.4	56.5	57.3	68.2	46.1	75.0	54.0	68.3	67.0	82.2	37.0	78.1	75.4	47.8	81.3	42.9
1932 IV	93.9	58.2	54.5	66.3	60.2	79.3	64.8	68.5	67.1	106.1	37.5	79.7	81.8	54.0	83.3	41.2
1933 I	75.7	59.9	49.4	73.7	44.8	77.0	77.1	69.9	61.9	89.2	37.9	125.6	88.2	49.8	83.5	89.7
1933 II	85.4	52.3	66.3	78.1	47.8	69.6	75.4	62.4	61.5	90.2	40.4	114.0	83.1	66.5	84.8	44.0
1933 III	85.1	49.8	77.5	90.3	62.8	77.5	68.4	65.2	64.3	118.1	44.6	129.3	78.9	56.6	87.2	45.8
1933 IV	94.2	46.9	64.2	77.1	97.0	88.3	75.3	71.2	67.9	129.7	39.5	115.6	78.1	61.3	80.9	43.7
1934 I	85.5	57.6	62.4	91.0	75.0	86.1	79.8	74.1	79.7	101.3	38.1	134.9	84.7	54.4	91.6	48.4
1934 II	96.0	51.5	73.0	95.4	81.2	87.3	62.3	69.7	67.0	96.1	42.0	160.6	86.3	54.8	90.5	54.3
1934 III	91.3	51.2	70.7	106.9	97.2	92.3	82.4	72.3	80.1	101.6	41.3	151.8	78.9	44.9	90.2	47.9
1934 IV	94.1	61.7	75.2	101.2	118.0	102.6	60.6	80.2	75.6	114.5	43.1	135.1	87.7	51.0	93.5	49.7

In 1930, the fall in total volume of cheque transactions, as measured in Table VIII, appears to have been greatest in Colombia and Chile (about 30 per cent) and Canada and the United States (about 25 per cent). All these countries, and especially the first three, were affected with

exceptional severity by the sharp fall in the prices of raw products which characterised the first stage of the depression. In the case of the United States, the series shown in the table represent bank debits outside New York City. Debits in New York City may perhaps be taken as a very rough measure

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

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

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

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

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

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

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

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

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

In Japan, bank clearings reached their minimum as early as the first quarter of 1931. In Chile clearings touched their lowest point in the third quarter of 1931 and then rose rapidly with the expansion of central bank credit and rise in prices and production. The rise from the minimum (reached in the first quarter of 1932) was even more striking in Colombia. The minimum for Australia occurred in the first quarter of 1932 and, with the enforcement of the Premiers' Plan, clearings rose rapidly during the remainder of the year. The increase in bank clearings in South Africa was very marked in 1933 and 1934. Bank debits in both Canada and the United States touched their low points in the first quarter of 1933; the subsequent rise is very much more striking for Canada than for the United States. For the United Kingdom and Sweden, the minimum (in relation to the corresponding quarter of 1929) was not attained until the last quarter of 1933, but the decline in that year was relatively moderate, particularly in the United Kingdom. The only countries where bank clearings continued to decline in 1934 and did not reach their minimum over the period considered until that year are France¹, Switzerland, Italy and the Netherlands; in Belgium, the other country of the gold bloc included in Table VIII, the minimum was reached in the last quarter of 1933. Of these countries, the continued pressure of deflation during 1934 is most marked in the clearings statistics of France, Switzerland and the Netherlands. The Italian figures were, on the whole, higher than in 1933 — partly the result, no doubt, of the considerable public works expenditure — and those of Belgium show a fairly well-marked tendency to rise in the latter part of the year.

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

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

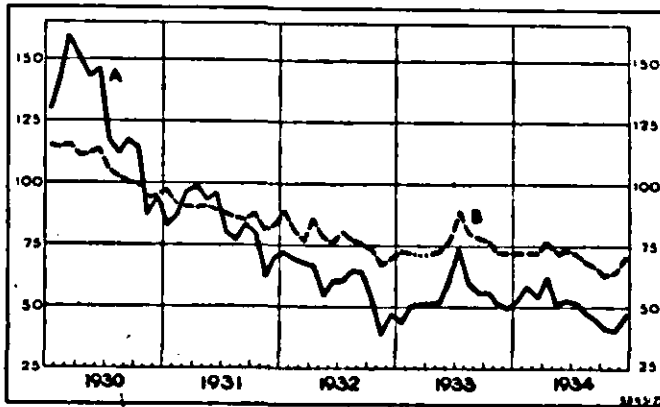
¹ The figures for France are those of the *Chambre de compensation des banquiers de Paris* and their movement is influenced by stock-exchange transactions. In recent years, however, the level of the latter has been low and commercial transactions have increased in relative importance.

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

Diagram XX.

VELOCITY OF CIRCULATION OF DEMAND DEPOSITS IN THE UNITED STATES.

A New York City. B Elsewhere.



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

No such refined measures of velocity are available for other countries, but it is possible to compute rough indices by comparing the variations in demand deposits with the variations in bank clearings or bank debits. This has been done for a number of countries and the results¹ are given in Table IX below. The figures there shown express the ratio of bank clearings to current-account deposits in each quarter since 1930 as a percentage of this ratio in the corresponding quarter of 1929.

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

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

For most countries, the trend of these indices was downward in 1930 and 1931. On account of the qualification to which the computations are subject, it would be dangerous to make comparisons of the degree of decline in the activity of bank deposits in different countries. In the latter part of 1932 or in 1933, most of the series show an increase; in Japan, the turning-point seems to have come at the beginning of 1931 and in Australia at the beginning of 1932. The net revival of activity of bank deposits from the low point reached in the course of the depression up to the latter part of 1934 would appear, on the whole, to have been less marked in France² than in most other countries. In the United Kingdom³, the recovery in economic activity which took place in 1933 and 1934 was

accompanied, by and large (particularly in 1934), by a tendency for current accounts to be checked against more freely, which more than compensated the decline in the absolute amount of deposits.

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

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

² See footnote¹, page XLVIII.

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

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

Some rough calculations of this multiple are made below.

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

* Sources : U.S.A. — Department of Commerce (income produced).

U.K. — Clark - The National Income (1932); *Economic Journal*, June 1933.

France — *Revue d'Économie politique*, May-June 1934.

Their purpose is simply to illustrate the general magnitude of the figures for certain countries and the nature of the changes which took place in the course of the depression. The statistics for national income are estimates derived

from the sources indicated. Those for the total monetary supply are taken from Table I above; for the United Kingdom and France, the figures shown for 1929 are averages of end of 1928 and end of 1929, and those shown for 1932 are averages of end of 1931 and end of 1932; for the United States, the figures relate to the end of June.

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

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

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

VIII. Interest Rates.

The collapse of the boom in 1929 was followed in most countries by a rapid fall in money rates; and, as long-term interest yields declined much more slowly, the discrepancy between the two — which has been relatively small in 1929¹ — was considerably increased. For an important group of countries — such as Germany, Sweden, the United Kingdom and the United States — this movement was interrupted by a rise of short-term rates during the financial crisis of 1931, but was, on the whole, continued in the subsequent years. Certain countries, such as France, the Netherlands and Switzerland, were much less affected by the repercussions of the crisis of 1931; for them, 1931 and 1932 were years of relatively cheap money. This was due partly to repatriation of short-term funds, but also, in large part, to the flight of capital

to these countries from Central and Eastern Europe, which was reflected in the high money rates of, for example, Germany, Czechoslovakia and Hungary in 1931-32.

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

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

Table X. — MONEY RATES AND BOND YIELDS.

Per cent per annum	BELGIUM		CZECHOSLOVAKIA		FRANCE				GERMANY			HUNGARY		ITALY		JAPAN	
	Comm. paper 1-3 months	Rente belge 3%	Private discount 3 months & shorter	Govn. bonds	Discount rate on Treasury bills *	Comm. paper 45-90 days	Rente perpet. 3%	Miscell. bonds	Private discount 50-90 day bills	6% Mortgage bonds	Comm. paper up to 3 months	Forced loan 1924 5%	Comm. bills 4 months	Rendita 3 1/2%	Comm. paper 60 days	Average of public bonds	
Yearly average																	
1929	4.30	4.52	5.01	5.76	.	3.46	3.98	4.89	6.87	7.40	b	b					
1930	2.78	3.94	4.46	5.68	2.32	2.32	3.44	3.82	4.43	7.15	7.37-10.25	8.18	5.75-7	3.14	4.85	5.07	
1931	2.32	3.98	4.77	5.73	1.41	1.57	3.48	3.70	6.14	7.08	5.50-10	8.61	5 -7	5.21	4.85	5.41	
1932	3.12	4.51	5.15	6.50	1.00	1.28	3.84	4.73	4.05	8.33	5.50-10.50	8.61	4.75-7.25	4.90	4.85	5.44	
1933	2.42	4.54	3.37	6.06	1.76	1.83	4.38	5.74	3.88	7.15	4.38-10	22.51	4.50-7.25	4.77	5.24	5.50	
1934	2.16	4.08	3.50	5.84	2.11	2.12	4.14	5.61	3.77	6.57	4.38-7.50	17.53	3 -4.75	4.35	4.49	4.78	
1929	I 3.97	4.52	4.80	5.74	.	3.38	4.19	5.15	5.97	7.23	4.38-7.50	12.22	3 -4.50	4.09	4.38	4.53	
	II 3.97	4.53	4.86	5.77	.	3.45	4.06	5.04	7.21	7.35	7.37-8.62	8.01	5.75-6.75	4.97	5.04	5.03	
	III 4.64	4.53	4.91	5.76	.	3.50	3.96	4.84	7.25	7.45	8.50-9.75	8.72	6.75	5.10	4.80	5.13	
	IV 4.63	4.51	5.45	5.76	.	3.50	3.73	4.52	7.05	7.58	8.75-10.25	9.39	6.75-7	5.19	4.80	5.09	
1930	I 3.38	4.24	5.08	5.69	2.75	2.88	3.40	3.77	5.66	7.47	8.50-10	8.08	6.50-7	5.26	4.82	5.15	
	II 2.99	3.88	4.77	5.72	2.23	2.32	3.45	3.83	3.98	7.11	5.50-8.25	7.87	5.25-6.50	5.15	4.82	5.42	
	III 2.54	3.84	4.00	5.69	2.25	2.05	3.40	3.77	3.31	6.91	5.50-7.25	8.17	5.25-5.50	5.24	4.83	5.55	
	IV 2.22	3.79	4.00	5.63	2.04	2.02	3.51	3.91	4.77	7.10	5.75-7.75	8.58	5 -5.75	5.18	4.97	5.51	
1931	I 2.31	3.75	4.00	5.57	1.59	1.74	3.42	3.69	4.81	7.08	5.50-7.75	8.50	5.25-5.75	4.92	4.94	5.32	
	II 2.19	3.70	4.00	5.56	1.06	1.26	3.39	3.55	5.13	7.00	5.50-8	8.31	4.75-5.75	4.96	4.78	5.14	
	III 2.33	4.02	4.76	5.64	1.44	1.41	3.44	3.53	7.47	.	7.25-10.50	.	4.75-6.50	4.81	4.56	5.30	
	IV 2.44	4.48	6.33	6.16	1.54	1.88	3.67	4.04	7.77	.	7.75-10	.	6 -7.25	4.90	5.18	5.98	
1932	I 3.19	4.36	6.00	6.35	1.68	1.80	3.83	4.35	6.57	.	6.50-10	.	5.25-7.25	4.80	5.41	5.96	
	II 3.21	4.50	5.11	6.73	-98	1.20	4.04	4.93	4.92	8.56	5.50-9	24.33	5 -6.25	4.93	5.41	5.74	
	III 3.10	4.64	4.97	6.52	-53	1.04	3.67	4.82	4.44	8.67	4.88-8	20.62	5 -5.50	4.76	5.28	5.30	
	IV 2.91	4.52	4.50	6.39	-81	1.08	3.83	4.80	3.88	7.91	4.38-8	22.59	4.50-5.50	4.60	4.85	5.00	
1933	I 2.76	4.45	3.77	6.33	1.91	1.84	4.06	5.30	3.88	7.14	4.38-7.50	21.83	3.75-4.75	4.49	4.68	5.02	
	II 2.41	4.60	3.50	5.64	1.62	1.91	4.45	5.88	3.88	7.14	4.38-7.50	18.17	3.50-4.75	4.56	4.51	4.85	
	III 2.30	4.58	3.50	6.08	1.36	1.53	4.49	5.82	3.88	7.51	4.38-7.50	14.53	3.50-4.75	4.42	4.38	4.63	
	IV 2.19	4.52	3.50	6.20	2.17	2.03	4.52	5.97	3.88	6.81	4.38-7.50	15.59	3 -4	3.95	4.38	4.64	
1934	I 2.09	4.27	3.50	5.90	2.91	2.65	4.52	6.24	3.88	6.50	4.38-7.50	13.25	3 -3.50	3.93	4.38	4.51	
	II 2.06	4.00	3.50	5.75	2.66	2.58	3.93	5.44	3.84	6.60	4.50-7.50	11.72	3 -3.50	4.25	4.38	4.44	
	III 2.22	3.86	3.50	5.96	1.63	1.73	4.14	5.58	3.75	6.72	4.50-7.50	11.94	3 -3.50	2.07	4.38	4.57	
	IV 2.28	4.18	3.50	5.75	1.26	1.51	3.97	5.19	3.63	6.44	4.50-7.50	11.99	3 -4.50	4.09	4.18	4.60	
Per cent per annum	NETHERLANDS		POLAND		SWEDEN		SWITZERLAND		UNITED KINGDOM			UNITED STATES OF AMERICA					
	Private discount	Govn. bonds	Assoc. of private banks 4-5 months' bills	Miscell. Govn. bonds	Comm. paper 3 months	7 Govn. bonds	3 months' bills	Federal Railways 3 1/2%	Treasury bills	Bankers' drafts 90 days	Consols 4 1/2%	Treasury bills	Bankers' accept. 90 days	Treasury bonds	15 Intrust. bonds	Bank loan rate in 17 south, and west, cities	
Yearly average																	
1929	4.82	5.16	12.22	9.57	4.74	4.56	3.31	4.38	5.264	5.26	4.60	3.25 ^a	5.03	3.60	5.06	6.14	
1930	2.06	5.11	11.46	10.58	3.72	4.18	2.01	4.07	4.484	2.57	4.48	2.49 ^b	2.46	3.28	4.95	5.72	
1931	1.42	5.15	10.95	13.12	4.09	4.22	1.44	3.78	3.593	3.61	4.39	1.49 ^b	1.58	3.31	5.31	5.39	
1932	-85	4.98	10.67	16.48	4.39	4.32	1.52	3.62	1.486	1.87	3.76	-90	1.26	3.66	7.46	5.62	
1933	1.08	4.75	9.38	15.34	3.17	4.02	1.50	3.84	-591	-69	3.38	-52	-61	3.31	6.93	5.56	
1934	-87	4.37	9.02	11.84	2.50	3.47	1.50	4.09	-727	-82	3.08	-30 ^c	-24	3.10	5.30	5.17	
1929	I 4.38	5.16	11.44	8.46	4.50	4.61	3.33	4.37	4.861	4.90	4.49	—	5.11	3.63	5.00	5.98	
	II 5.35	5.18	12.44	8.79	4.50	4.58	3.35	4.39	5.256	5.25	4.57	—	5.48	3.65	5.06	6.11	
	III 5.19	5.15	12.49	10.51	4.54	4.53	3.30	4.40	5.504	5.48	4.68	—	5.14	3.67	5.10	6.22	
	IV 4.30	5.15	12.49	10.54	5.40	4.51	3.28	4.36	5.405	5.41	4.66	3.25 ^a	4.38	3.44	5.07	6.26	
1930	I 2.75	5.10	12.43	10.58	4.37	4.23	2.76	4.23	3.419	3.55	4.55	3.30 ^a	3.60	3.38	5.00	6.05	
	II 2.17	5.13	11.76	10.20	3.51	4.19	2.37	4.20	2.302	2.32	4.53	2.74 ^b	2.49	3.30	4.92	5.77	
	III 1.90	5.09	10.91	10.15	3.50	4.22	1.72	3.92	2.203	2.22	4.51	1.96 ^a	1.88	3.24	4.88	5.59	
	IV 1.43	5.10	10.74	11.42	3.50	4.07	1.21	3.94	2.208	2.20	4.33	1.72 ^a	1.88	3.19	4.99	5.49	
1931	I 1.19	5.10	11.14	11.63	3.19	4.04	1.05	3.79	2.457	2.47	4.30	1.08 ^a	1.48	3.23	4.99	5.44	
	II 1.28	5.11	10.80	11.84	3.00	4.03	1.11	3.70	2.295	2.31	4.18	1.14	1.11	3.16	5.20	5.32	
	III 1.23	5.13	10.87	13.68	3.92	4.15	1.78	3.82	3.854	3.87	4.45	-78	-91	3.16	5.34	5.30	
	IV 1.96	5.26	11.00	15.32	6.23	4.66	1.81	3.82	5.534	4.11	4.55	2.68	2.81	3.71	6.51	5.49	
1932	I 1.73	5.16	10.90	15.51	5.61	4.54	1.57	3.69	3.738	4.27	4.28	2.56	2.70	4.11	6.96	5.62	
	II -75	5.13	10.90	17.49	4.60	4.46	1.50	3.64	1.345	1.56	3.94	-54	1.09	3.70	8.28	5.63	
	III -41	4.69	10.90	16.78	3.83	4.24	1.50	3.53	-608	-77	3.42	-36	-75	3.45	7.40	5.65	
	IV -38	4.60	9.97	16.12	3.50	4.03	1.50	3.60	-871	-93	3.38	-15	-49	3.36	7.20	5.57	
1933	I -48	4.62	9.40	15.32	3.50	4.11	1.50	3.46	-681	-78	3.34	-91	1.04	3.31	7.68	5.61	
	II 1.63	4.78	9.40	15.94	3.33	4.22	1.50	4.07	-415	-53	3.40	-49	-59	3.32	7.20	5.65	
	III 1.84	4.76	9.40	15.17	3.00	3.99	1.50	3.98	-355	-44	3.41	-24	-38	3.20	6.20	5.54	
	IV -49	4.83	9.30	14.93	2.83	3.77	1.50	3.85	-908	1.00	3.37	-43	-42	3.40	6.63	5.45	
1934	I -83	4.56	9.20	12.87	2.50	3.69	1.50	4.03	-867	-97	3.20	-46	-46	3.34	5.79	5.40	
	II 1.39	4.48	9.13	11.51	2.50	3.63	1.50	4.22	-866	-93	3.18	-07 ^b	-19	3.02	5.25	5.27	
	III -69	4.38	8.90	11.52	2.50	3.51	1.50	4.08	-693	-80	3.10	—	-19	3.01	5.15	5.05	
	IV -58	4.04	8.83	11.47	2.50	3.06	1.50	4.02	-491	-59	2.85	—	-14	3.01	4.00	4.07	

* Bons du Trésor ou de la Défense. ^b Range of rates. ^c No quotations. ^d Average of most frequent rates. ^e 1 month. ^f 3 months. ^g 6 months. ^h 2 months.

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

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

Besides the discrepancy between long- and short-term interest rates, the spread between the yield of Government bonds and that of private industrial bonds also deserves consideration. Government bonds being in general of a "gilt-edged" character, their actual percentage yield is, as a rule, more representative of the "pure" long-term rate of interest than the yield of private industrial bonds, in which the "risk-premium" plays a greater part. Owing to the general financial difficulties, business failures, etc., characteristic of a depression, the margin between the yield of Government securities and that of private industrial bonds may then be expected to be relatively wide; while, in a period of economic recovery, the improvement of business and the increasing willingness of the investor to take risks will tend to reduce that margin. In France, the margin has shown a tendency to increase: in 1934, the yield of miscellaneous bonds¹, as shown in Table X, stood on the average about 1.5 points higher than the Government bond yield quoted, as compared with an average difference of only 0.22 in 1931. In the United States, on the other hand, the discrepancy between the two long-term rates shown in Table X has been reduced since 1932, particularly during 1934. The same is true of the United Kingdom, as is shown by the following statement of the yields on new issues on the London capital market²:

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

The sharp fall of Government bond yields in the United Kingdom in 1932 is, of course, connected with the Government conversion operation which was carried out in that year with the assistance of

the discount and open-market policy of the Bank of England; the reduction in the yield on private issues, on the other hand, is seen to have taken place mainly in the following year and to have continued in 1934.

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

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

¹ These 35 French bonds include 19 industrial, 2 agricultural, 12 railway bonds, and 2 Government securities.

² Source: *The Economist*, February 2nd, 1935.

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

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

An important factor which has contributed to the lowering of long-term interest rates in these countries is the cessation of capital exports. This

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

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

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

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

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

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

Table XI. — INDICES OF WHOLESALE PRICES
in National Currency and in Gold (1928 = 100).

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

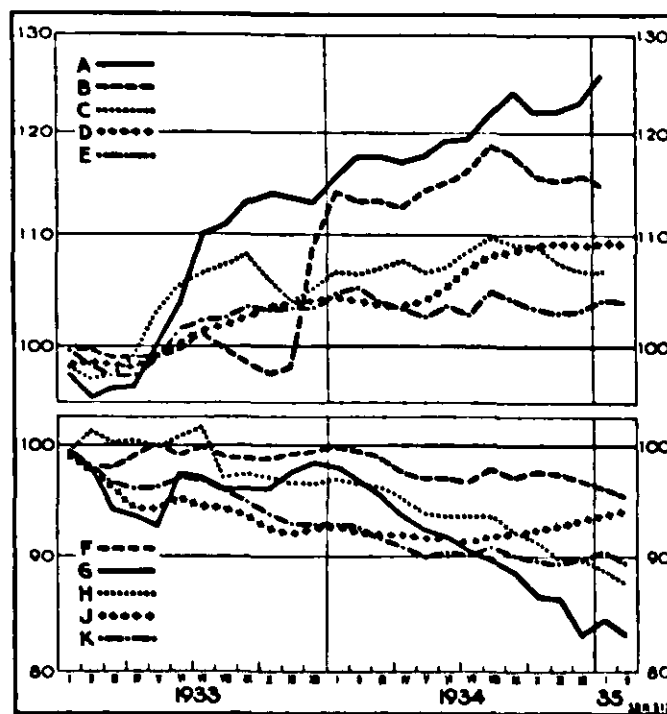
Year Month	ARGENTINE			AUSTRALIA		AUSTRIA		BELGIUM	BULGARIA	CANADA		CHILE			CHINA		CZECHOSLOV.		DENMARK		EGYPT		
	N. C.	G.		N. C.	G.	N. C.	G.	N. C.	N. C.	N. C.	G.	N. C.	G.		N. C.	G.	N. C.	G.	N. C.	G.	N. C.	G.	
		O.	F.										O.	F.									
1929 Av.	98	97		101	100	100		101	106	99		100			103	103	94		98				97
1930 "	94	81		89	84	90		88	86	90		87			113	81	84		85				87
1931 "	90	63		80	58	84	81	74	72	75	72	79	57	125	66	76	75	70	70			81	75
1932 "	91	55		79	45	86	71	63	64	69	61	120	78	111	58	70	76	54	54			70	50
1933 "	87	52		79	43	83	66	59	56	70	51	180	88	102	50	68	82	46	46			58	40
1934 "	100	47	36	82	40	85	66	56	58	74	45	178	89	95	46	70	86	43	43			72	45
1929 III	99			100		102		103	110	99		102		102	109	98			101				102
VI	97			100		103		101	110	97		101		101	100	94			95				90
IX	98			104		98		100	107	101		101		105	101	91			98				94
XII	96	92		98	97	95		98	101	100		95		104	95	89			95				92
1930 III	97	86		92	88	93		92	90	95		91		109	88	85			89				84
VI	94	82		92	87	93		89	86	91		88		116	73	84			85				83
IX	92	78		85	80	88		84	84	85		85		116	79	80			82				87
XII	88	69		78	72	82		81	76	81		78		112	68	78			78				85
1931 III	88	71		81	62	82		78	72	77		81		124	67	78			76				88
VI	88	64		80	61	85		76	72	74		82		127	64	79			72				81
IX	88	55		78	55	83	82	71	70	72	70	78		127	67	74			71	67			76
XII	95	58		80	44	86	72	68	71	73	60	78	45	120	67	72			78	54			76
1932 III	94	56		80	48	87	70	65	69	72	64	85	36	116	65	71			76	57			78
VI	91	55		78	46	88	70	61	65	69	60	118	28	112	58	69			74	55			68
IX	90	54		80	46	85	72	63	61	68	62	146	73	108	57	70			78	52			65
XII	87	53		76	41	83	70	62	60	66	58	176	87	106	50	68			78	49			63
1933 III	86	52		74	42	82	68	60	56	67	56	178	88	105	52	87			80	46			58
VI	87	52		80	44	84	66	60	56	70	51	186	94	103	52	69			80	45			56
IX	86	52		83	42	83	65	59	57	71	46	183	88	99	47	68			84	44			57
XII	95	48		80	43	83	66	57	56	72	46	167	84	97	50	84			84	46			61
1934 III	98	47	35	81	40	87	67	57	56	75	44	175	87	95	47	68	57		84	43			66
VI	100	47	34	82	40	85	66	56	57	75	45	183	91	94	44	72	60		84	42			70
IX	102	47	38	83	40	83	65	56	60	75	45	183	91	96	48	71	59		88	43			85
XII	100	46	35	81	39	84	66	56	58	74	44	178	89	97	47	72	60		88	43			82
Year Month	HUNGARY		INDIA		ITALY		JAPAN		LATVIA	NETHERL.	N. ZEALAND		NORWAY		PERU		POLAND		SOUTH AFR.		SPAIN		
	N. C.	N. C.	G.	N. C.	N. C.	G.	N. C.	N. C.	N. C.	N. C.	G.	N. C.	G.	N. C.	G.	N. C.	N. C.	G.	N. C.	G.	N. C.	G.	
1929 Av.	90		97		98		97		93	95		100		95		97		96		96		103	78
1930 "	71		80		84		80		79	78		97		87		93		86		85		103	62
1931 "	70	66	61		70	66	68	66	66	65	77	78	73	89	91	75		75		83		104	51
1932 "	68	63	45		63	40	71	40	66	52	57	78	52	89	73	66		66		76	75	103	43
1933 "	56	60	41		58	32	70	32	65	49	48	78	49	94	50	59		59		76	51	98	42
1934 "	59	61	38		56	28	79	28	65	51	44	79	45	98	49	56		56		84	52		
1930 III	101		90		102		100		97	98		99		96		99		99		97		105	82
VI	90		95		98		98		91	94		99		93		97		97		95		102	75
IX	81		99		96		96		92	95		101		96		97		95		94		102	78
XII	79		92		93		91		87	90		99		94		95		93		89		103	73
1931 III	74		86		89		87		84	82		99		89		94		88		86		103	66
VI	70		80		84		80		79	78		98		87		93		85		83		99	60
IX	68		77		81		76		77	75		98		87		93		84		83		103	57
XII	67		69		75		71		70	71		95		83		90		80		85		105	58
1932 III	70		69		73		70		68	69		93		79		93		77		82		106	59
VI	69		64		69		67		65	66		90		76		93		77		82		102	51
IX	71	63	58		67	66	67	66	66	60	76	89	71	75	71	91		72		82		105	49
XII	73	68	47		66	58	67	58	68	56	63	90	54	78	54	88		70		80		103	45
1933 III	73		48		66		70	45	69	54	61	89	57	78	57	85		68		78		106	48
VI	71		44		62		85	39	67	51	60	88	51	76	51	91		68		74		103	44
IX	67		45		62		74	35	65	50	57	88	51	78	51	91		63		72		101	42
XII	60		41		61		82	34	65	50	52	86	49	78	49	90		60		73	51	100	42
1933 III	61		40		58		78	33	65	47	50	88	51	77	51	91		60		75	52	99	43
VI	59		43		58		79	33	66	49	49	89	49	77	49	94		60		79	54	98	42
IX	52		39		57		81	30	65	49	46	88	46	78	46	96		58		83	53	97	42
XII	53		41		56		78	31	64	50	48	88	48	78	48	97		58		88	57	100	42
1934 III	55		38		56		78	28	65	52	45	90	44	78	44	96		57		86	54	102	43
VI	60		38		56		77	27	64	50	44	90	44	78	44	99		56		81	50	100	42
IX	62		37		56		79	28	65	51	43	90	43	80	44	99		55		82	49		
XII	62		37		57		80	28	67	51	43	90	43	80	44	96		54		79	47		

* Months of April, July, October and January.

Diagram XXI.

WHOLESALE PRICE INDICES.
(December 1932=100.)

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



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

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

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

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

ESTONIA		FINLAND		FRANCE		GERMANY		GREECE		Year Month
N. C.	G.	N. C.	G.	N. C.	N. C.	N. C.	N. C.	N. C.	G.	
97		96		97		98		100		1929 Av.
84		88		86		89		91		1930
75		82	78	78		79		81		1931 "
69		88	54	66		69		98	63	1932 "
70	58	87	51	62		67		110	43	1933 "
70	44	88	47	58		70		109	47	1934 "
102		98		101		100		102		1929 III
97		96		98		97		101		VI
97		94		94		99		99		IX
93		93		92		96		97		XII
88		90		87		90		94		1930 III
83		88		84		89		91		VI
84		86		86		88		89		IX
79		84		84		84		85		XII
77		84		84		81		83		1931 III
77		81		80		80		81		VI
74		77		73		78		78		IX
70		90	61	69		74		79		XII
71		90	57	69		71		83		1932 III
67		85	58	66		69		105	52	VI
67		88	52	64		68		105	49	IX
67		88	50	64		66		109	48	XII
66		87	53	60		65		111	49	1933 III
65	61	87	52	62		66		110	48	VI
75	49	88	49	62		68		110	48	IX
73	50	87	50	63		69		108	47	XII
73	45	88	47	61		69		107	46	1934 III
70	43	87	46	59		69		107	46	VI
67	41	88	45	57		72		110	48	IX
69	42	88	45	58		72		110	47	XII
SWEDEN		SWITZERLAND		U. K.		U. S. A.		YUGOSLAVIA		Year Month
N. C.	G.	N. C.	N. C.	N. C.	G.	N. C.	G.	N. C.		
95		98		97		99		95		1929 Av.
82		87		85		89		82		1930
75	71	76		74	69	75		69		1931 "
74	51	66		72	52	67		61		1932 "
72	47	63		72	49	68	55	61		1933 "
77	45	62		74	46	78	46	60		1934 "
97		98		100		99		100		1929 III
94		96		97		98		95		VI
95		98		97		99		91		IX
91		96		94		96		88		XII
84		91		89		93		86		1930 III
83		87		86		90		82		VI
80		85		82		87		78		IX
79		81		78		82		73		XII
76		79		76		79		70		1931 III
74		76		74		75		69		VI
72	70	74		71	66	74		67		IX
75	52	71		76	52	71		63		XII
74	55	68		75	56	68		64		1932 III
73	51	65		70	52	66		61		VI
74	49	66		73	52	68		58		IX
73	49	63		72	49	65		61		XII
71	48	62		70	49	62		63		1933 III
72	46	63		72	50	67	55	62		VI
74	45	63		73	47	73	49	57		IX
74	47	63		73	49	73	47	59		XII
76	44	63		74	46	76	45	60		1934 III
77	44	62		74	45	77	46	62		VI
77	43	62		75	45	80	47	60		IX
78	44	61		74	45	80	47	59		XII

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

Table XIII. — INDICES OF COST OF LIVING
in National Currency and in Gold. (1928 = 100.)

Year Month	AUSTRALIA		AUSTRIA		BELGIUM	BULGARIA	CANADA		CHILE		CHINA		CZECHOSLOV.		DENMARK		EGYPT		ESTONIA	
	N. C.	G.	N. C.	G.	N. C.	N. C.	N. C.	G.	N. C.	G.	N. C.	G.	N. C.	G.	N. C.	G.	N. C.	G.	N. C.	G.
1929 Av.	102	101	103		106	102	101		101		105	105	99		99		99		104	
1930 "	97	91	103		110	94	100		100		119	85	100		94		97		93	
1931 "	87	63	98	95	98	81	91	87	97	70	123	65	95		89	83	91	85	89	
1932 "	83	48	100	82	88	74	82	72	105	68	29	116	61	94		89	62	87	63	84
1933 "	80	43	97	77	87	69	79	58	130	64	27	105	52	93		92	51	82	56	79
1934 "	81	40	97	76	84	66	80	48	131	65	26	104	50	92	78	95	48	84	52	78
1929 III	102		102		104	102	100		96		101	108	101		99		100		109	
VI	102		103		102	104	100		103		103	102	99		99		98		106	
IX	102		105		109	102	102		107		111	107	98		98		99		103	
XII	102	101	105		110	101	103		107		109	100	99		97		99		97	
1930 III	100	97	103		111	98	102		96		119	96	100		95		99		96	
VI	99	93	105		108	94	101		101		117	74	102		94		97		91	
IX	96	90	102		111	91	98		102		125	85	98		93		97		89	
XII	92	85	100		107	88	96		102		111	68	97		91		93		88	
1931 III	90	71	97		101	84	93		94		129	70	95		90		93		87	
VI	88	67	98		98	82	90		97		118	60	98		88		89		93	
IX	85	64	99	97	97	80	87	84	99	89	132	69	96		88	83	89	83	89	
XII	84	49	100	84	93	80	86	71	98	56	118	66	93		88	61	89	62	85	
1932 III	84	48	100	80	88	76	84	75	98	39	124	70	95		89	66	88	66	87	
VI	83	50	101	80	86	73	81	70	100	24	118	61	95		88	65	86	64	85	
IX	82	47	100	85	88	74	81	73	118	59	115	60	93		89	60	84	60	83	
XII	81	44	99	84	90	74	80	69	124	62	25	105	95		89	56	86	58	79	
1933 III	80	44	97	74	88	74	79	66	125	62	23	108	54	92		90	51	84	59	79
VI	80	44	98	77	85	68	78	57	133	67	28	103	52	94		91	51	82	57	78
IX	80	43	97	76	88	69	79	51	136	66	30	103	50	92		93	49	82	53	78
XII	80	42	98	78	88	68	79	51	131	66	27	100	51	91		93	51	80	54	81
1934 III	81	41	97	75	84	68	80	48	127	63	25	96	48	91	76	94	47	82	51	79
VI	82	40	97	76	81	66	79	47	131	66	25	96	45	93	77	95	47	82	51	79
IX	81	40	97	76	85	66	80	48	134	66	26	115	58	92	76	97	47	87	52	76
XII	82	39	97	76	84	64	80	48	137	68	28	108	52	91	76	97	47	86	52	76
Year Month	INDIA		ITALY		JAPAN		LATVIA	NETHERLANDS	N. ZEALAND		NORWAY		PERU		POLAND	SOUTH AFRICA		SPAIN		
	N. C.	G.	N. C.	G.	N. C.	G.	N. C. (1930=100)	N. C.	N. C.	G.	N. C.	G.	N. C.	G.	N. C.	N. C.	G.	N. C.	G.	
1929 Av.	101		103		98			99	100		96		98		101		100		103	78
1930 "	93		100		84		100	95	98		93		93		94		97		106	64
1931 "	84	78	91		74	72	91	89	77		88	83	87		86		94		110	55
1932 "	74	54	88		74	42	79	83	55		86	58	83	69	78		90	88	106	44
1933 "	69	47	85		79	32	76	82	43		85	53	82	44	71		87	59	102	44
1934 "	66	41	81		81	29	72	83	40		86	48	83	41	67		88	54	105	44
1929 III	101		106		101			100		100		96		99		104		100		105
VI	100		103		99			100		100		95		98		101		100		102
IX	101		102		96			99		100		96		97		99		99		101
XII	102		104		93			99		100		95		96		100		98		103
1930 III	96		102		89		101	96		99		94		95		93		98		106
VI	95		100		85		106	96		98		93		94		94		98		101
IX	93		99		82		96	96		97		93		92		94		96		110
XII	82		96		76		93	93		96		92		90		93		96		116
1931 III	76		94		76		89	91		93		90		88		87		94		110
VI	74		92		73		97	91		91		87		88		88		94		107
IX	73	68	90		73		89	89		89	79	87	82	86		84		93		113
XII	74	52	89		73	64	80	86		88	61	87	60	85		83		92		116
1932 III	76	56	90		71	48	78	83		87	57	87	63	83		79		91		110
VI	73	54	89		71	43	80	83		83	58	86	58	84	64	82		90		102
IX	74	53	86		75	36	77	83		82	54	86	56	84	62	76		88		102
XII	75	51	88		79	33	75	83		80	50	86	54	83	51	73		87	86	102
1933 III	72	51	86		78	33	73	82		79	46	85	56	80	47	73		86	60	104
VI	71	49	84		77	33	78	81		79	44	85	54	82	42	72		87	60	102
IX	69	45	84		80	29	76	82		79	42	86	50	83	40	70		87	56	104
XII	67	45	85		81	32	72	84		80	42	84	52	82	41	70		89	59	102
1934 III	64	40	85		81	29	70	84		80	40	84	48	82	42	68		88	54	106
VI	65	40	79		80	29	77	83		80	40	86	48	83	41	66		89	54	103
IX	68	41	79		81	28	70	83		80	39	86	47	84	41	66		88	53	103
XII	67	41	80		81	28	69	82		81	39	86	47	83	41	68		88	53	104

* Quarterly indices. * Quarterly indices up to 1933.

FINLAND		FRANCE		GERMANY		GREECE		HUNGARY		Year Month
N. C.	G.	N. C.	N. C.	N. C.	G.	N. C.	N. C.			
99		107		102		103		101		1929 Av.
92		112		98		90		91		1930 "
84	80	110		90		89		86		1931 "
83	51	101		79		95	61	84		1932 "
81	47	100		78		102	44	78		1933 "
80	42	99		80		104	45	76		1934 "
100		105		103		104		104		1929 III
99		107		101		104		102		VI
100		107		102		101		97		IX
98		109		101		101		96		XII
94		109		99		91		93		1930 III
90		110		98		88		90		VI
92		114		97		89		90		IX
88		115		94		89		85		XII
86		114		91		91		86		1931 III
83		113		91		89		86		VI
82		109		89		87		88		IX
85	57	102		86		88		86		XII
85	54	103		81		89		84		1932 III
81	55	103		79		98	48	85		VI
82	49	100		78		98	46	85		IX
83	47	99		78		101	48	81		XII
81	49	101		77		102	44	80		1933 III
80	47	99		78		101	44	79		VI
82	45	99		78		102	44	76		IX
80	46	101		79		104	46	75		XII
80	42	101		79		103	44	76		1934 III
78	41	101		79		103	44	77		VI
80	41	98		80		104	45	76		IX
81	42	97		81		105	45	76		XII
SWEDEN		SWITZERLAND		U. K.		U. S. A.		YUGOSLAVIA		Year Month
N. C.	G.	N. C.	N. C.	G.	N. C.	G.	N. C.	N. C.		
99		100		99		100		101		1929 Av.
96		98		95		96		92		1930 "
92	87	93		89	83	86		85		1931 "
91	63	86		87	62	77		77		1932 "
89	57	81		84	57	75	60	66		1933 "
90	52	80		85	53	79	47	62		1934 "
99		100		98		99		102		1929 III
98		100		97		99		101		VI
99		101		99		100		100		IX
97		101		100		100		101		XII
96		99		95		97		97		1930 III
95		98		93		96		94		VI
95		99		94		95		89		IX
94		97		92		92		88		XII
93		95		89		89		86		1931 III
92		93		89		86		86		VI
92	89	93		87	81	85		86		IX
91	64	90		89	61	83		83		XII
91	68	88		87	65	79		79		1932 III
91	63	86		86	65	77		76		VI
91	60	84		86	61	76		76		IX
90	60	83		86	58	76		72		XII
89	60	82		88	58	72		70		1933 III
89	58	81		83	58	73	59	67		VI
90	54	81		85	55	78	52	63		IX
89	56	81		86	58	77	49	64		XII
89	52	81		84	52	78	47	64		1934 III
90	52	80		85	52	78	47	63		VI
90	51	80		86	52	81	47	60		IX
90	51	80		86	52	80	48	61		XII

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

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

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

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

In terms of gold, the general level of wholesale prices at the end of 1934 ranged from as much as 72 per cent of the 1928 level in Germany to as little as 28 per cent in Japan. Apart from Japan, the level of gold prices at the end of 1934 was lowest in Chile¹, the Argentine² and India—about 37 per cent of the 1928 level in all cases. In practically all other countries with depreciated

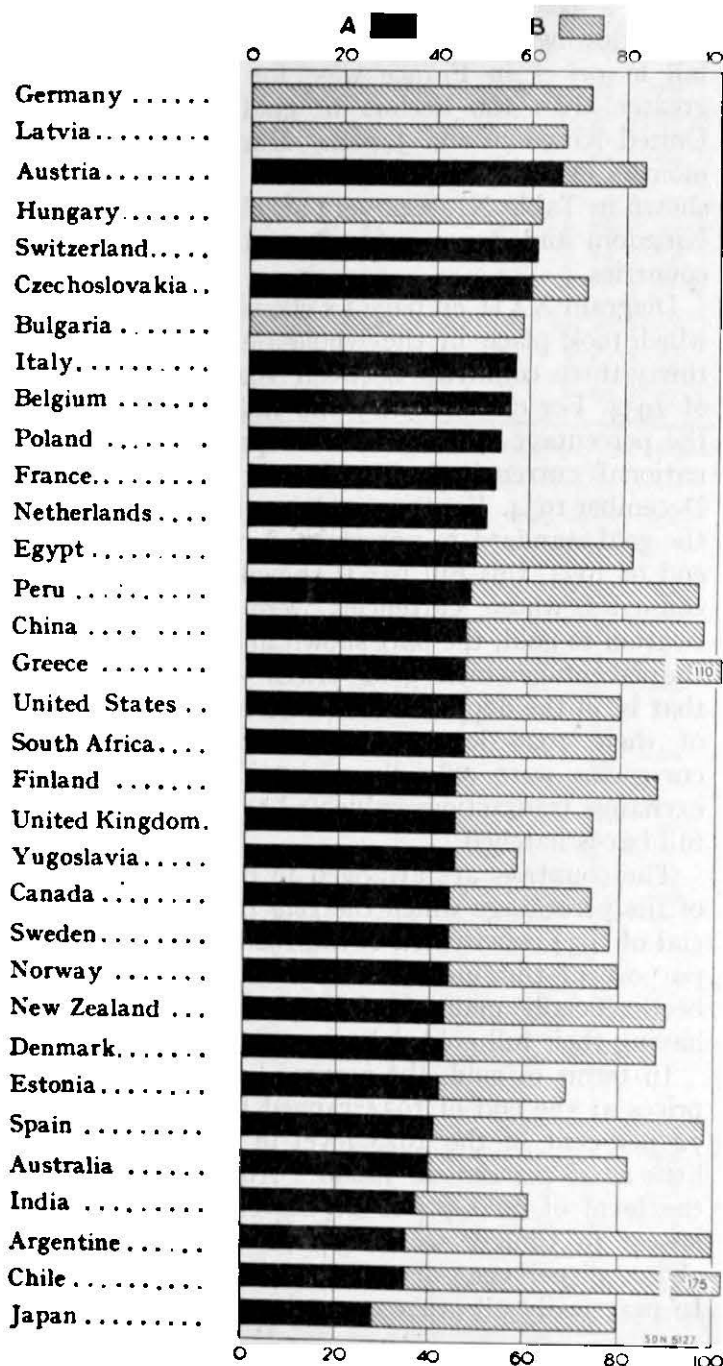
¹ On the basis of "free" rates of exchange.

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

Diagram XXII.

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

■ Gold. ■ National currency.



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

An examination of Table XIII on pages LVIII and LIX will show that, in terms of national currency, the decline in cost-of-living indices from the average 1928 level to the lowest point reached in the depression ranges from 2 per cent in the case of France¹ to 40 per cent in Yugoslavia. In most other countries, the cost of living was, at its lowest point, 15-25 per cent below 1928 ; in the United States and Japan, it was about 30 per cent lower. In terms of national currency, the cost of living fell by 35 per cent or more between 1928 and the lowest point of the depression in only four countries — namely, Yugoslavia, Poland, India and Bulgaria — in all of which the prices of food-stuffs are chiefly determined by world market conditions ; the wholesale price indices of fifteen countries fell by 35 per cent or more. In seventeen countries, the cost of living fell by 20 per cent or less ; in only six countries did wholesale prices fall so little.

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

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

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

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

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

^a To October 1934.

In terms of gold, the cost of living in the thirty-two countries included in Table XIII ranged, at the end of 1934, from only slightly more than

25 per cent of the 1928 level in Japan and Chile¹ to 97 per cent of that level in France. The cost of living in the great bulk of the countries with fluctuating currencies was, in terms of gold, between 45 and 55 per cent of the 1928 level. In the agricultural exporting countries of Central and South-Eastern Europe which adhered to the gold standard, the cost of living was 60 to 75 per cent of its 1928 level; while in the industrialised members of the gold *bloc* (and in Germany), where the cost of foodstuffs was generally maintained relatively high through agricultural protection, the net change in the cost of living from 1928 to the end of 1934 ranged from practically no decline in France to a fall of only 20 per cent in Switzerland.

X. Exchange Rates.

A cross-section picture of the currency situation of the world at the end of 1934 is given in Diagram XXIII, which shows the percentages which the gold values of the currencies of fifty countries were of their mint parities². The first six countries — France, Switzerland, the Netherlands, Belgium, Poland and Lithuania — maintained the gold standard in full and unrestricted operation at the date mentioned; their currencies could be freely negotiated in the money markets of the world at gold parity. To these might be added the Free City of Danzig, the Netherlands Indies and other colonies of countries remaining on gold. Another group of countries is shown in the diagram as having currencies equivalent in value — or very nearly so — to full gold parity — namely, Italy, Germany, Hungary, Latvia, Roumania, Turkey and Bulgaria. These are shown cross-hatched instead of in the black used for those previously mentioned, because transactions were at the end of 1934 subject to official control, and in certain cases the parity quotation was nominal.

The currencies of all other countries were more or less depreciated in relation to their gold parities at the end of 1934, but not all of them were completely "free" in the sense of there being no official regulation or control. In Czechoslovakia, most of the exchange restrictions imposed since September 1931 were maintained after the devaluation of the crown in February 1934. In Denmark, the exchange control instituted in October 1931 was still in force at the end of 1934, and in Japan some control continued to be exercised

through the Capital Flight Prevention Law, which came into operation in July 1932. In Austria, the relaxation of exchange control had been virtually completed as concerns merchandise transactions, but restrictions on capital movements remained. In Yugoslavia, most of the restrictions imposed in October 1931 were maintained after the depreciation of the currency had been officially recognised in October 1932. Exchange transactions in most South-American countries were subject to some restrictions at the end of 1934, although considerable progress had been made towards the relaxation of control during that year³.

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

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

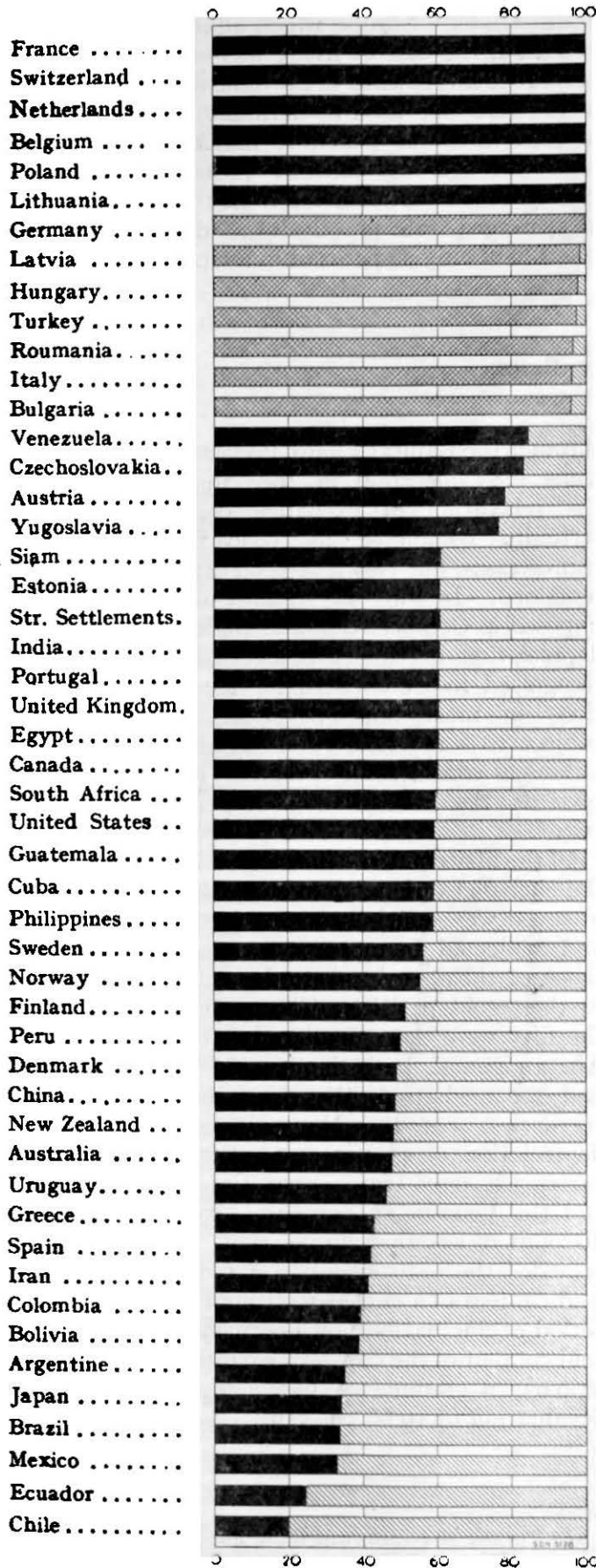
² The currencies of China, which was on a silver standard, and Turkey and Iran, which did not re-establish a mint parity after the war, are shown as percentages of their average 1929 gold values.

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

Diagram XXIII.

EXCHANGE RATES, DECEMBER 1934.

(Gold parity = 100.)



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

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

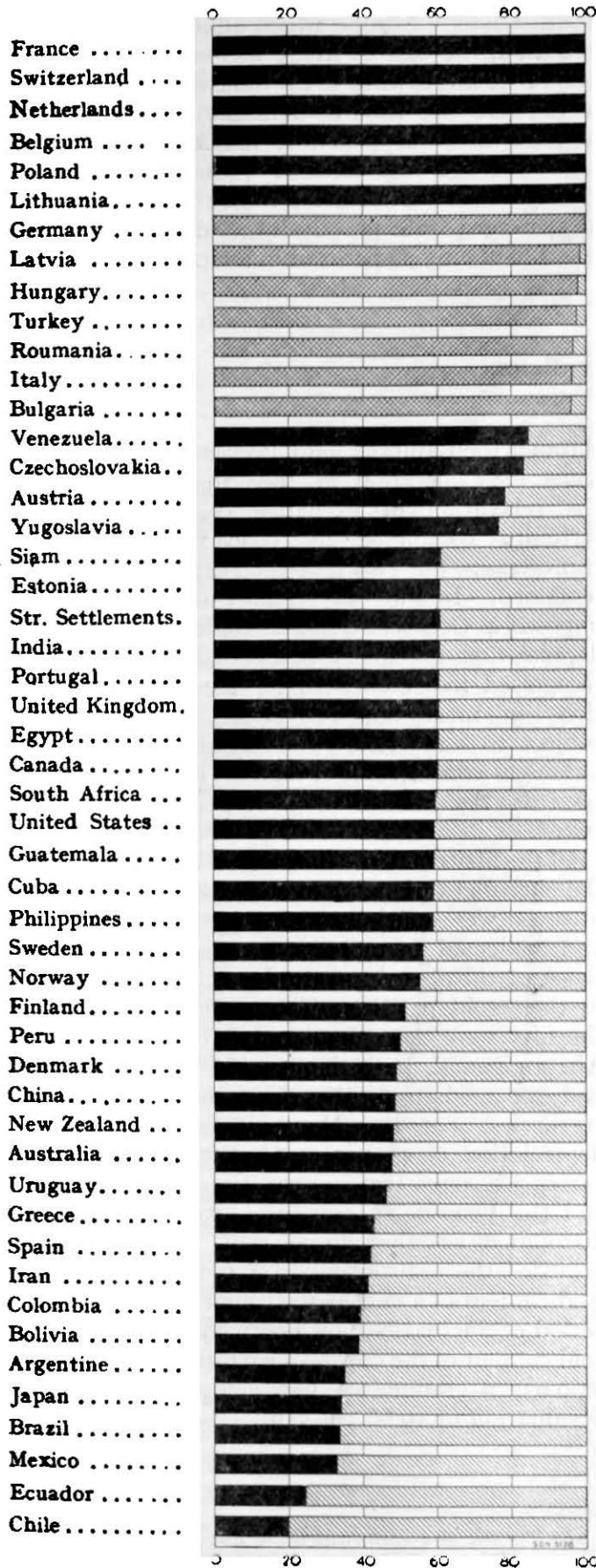
The remaining currencies were depreciated by 40 per cent or more at the end of 1934. Seventeen were depreciated between 40 and 50 per cent and sixteen by more than 50 per cent. The first group includes the pound sterling and most of the currencies directly or indirectly linked to it, and the American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

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

Diagram XXIII.

EXCHANGE RATES, DECEMBER 1934.

(Gold parity = 100.)



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

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

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

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

In Table XIV the value of each currency is shown as 100 for the last month in which its actual market quotation was within 3 per cent of gold parity, and quotations in subsequent months are shown as a percentage of the par rate. Consequently, the order of the countries across the page represents the chronological order of currency depreciation¹.

This order is illuminating. By the beginning of 1931, the currencies of seven countries — five South-American States and Australia and New Zealand — were quoted at substantial discounts below their gold parities. These countries are all producers and exporters of raw materials for whom the supply of foreign currencies to meet debt payments and import manufactured goods is chiefly dependent upon the prices obtained for crude products (wool and ox-hides in the case of Uruguay, wheat and maize for the Argentine, coffee for Brazil, tin for Bolivia, wool and wheat for Australia, meat, dairy products and wool for New Zealand and crude petroleum for Venezuela) in the markets of the world. In 1928, raw-material prices on world markets were weak coincidentally with the decline in capital exports from the creditor countries, and in 1929 and 1930 the weakness degenerated into collapse². The adverse effects on the balance of payments — which were aggravated by the complete stoppage and in certain cases reversal of the capital inflow — are reflected in the rapid depletion in the gold and currency reserves of these countries shown in Table II above.

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

exports. The importance of producers of raw materials as a market for British exports is illustrated in the following statement, which shows the percentage of the total exports of six major exporting countries which went to predominantly raw-material-exporting countries in 1929³:

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

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

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

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

*
*
*

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

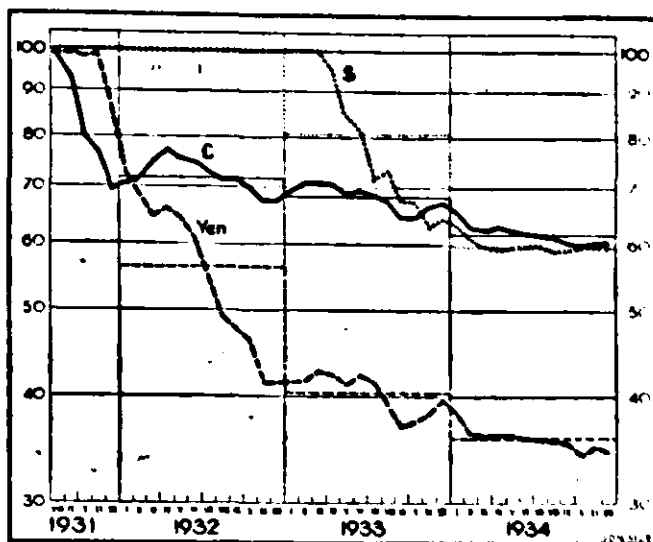
The staircases formed by the lines representing the annual averages illustrate the persistent tendency of fluctuating currencies to decline in gold value. The loss of 30 per cent in the gold value of the pound up to December 1931 would appear to have been principally due to the conversion into foreign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

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

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

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

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



drawn from other published data. The Account began operations late in June ; in this and the previous month, the Bank of England acquired gold to the extent of £12.5 million and sterling fell. The decline in sterling continued during the next two months, and further small additions were made to the gold reserves of the Bank. After remaining fairly stable in the summer of 1932, the pound again fell rather sharply in October and November ; the realisation of foreign balances would again appear to be responsible and, according to contemporary statements, the foreign currency reserves of the Account were practically exhausted. With the development of the American banking crisis in the first months of 1933 there was a fresh movement of funds into London and, in spite of the acquisition of dollars and gold by the Account¹, the sterling rate rose to about 70 per cent of its gold value in February and remained at that level in March and April. The fact that the Account prevented a further rise in sterling and acquired gold currencies in doing so is indicated in the rise in the Bank of England's gold holdings by £60 million (old mint parity) between January and April. In the six months after the depreciation of the dollar, the gold value of the pound fell from 70 to 65 per cent of parity, and the dollar rate rose from \$3.43 in March to \$4.66 in September. The continued activity of the Account is suggested by the fact that, in spite of the £30 million credit arranged in London for the French Government, the gold stocks of the Bank of England were £9 million higher in September than in April. In the last quarter of the year, however, an inflow of funds from France brought about a rise in the sterling rate and, at the end of 1933, the gold value of sterling was only slightly lower than at the end

of 1932. The gold value of sterling fell fairly continuously during the greater part of 1934, beginning the year with a franc rate of 85 to the pound and ending it with a rate of 75. The decline was sharpest in January and February, when the stabilisation of the dollar at a relatively low level resulted in a flow of funds to that country and the use of American and other foreign balances in London to buy gold to send to the United States. It would appear that the persistent tendency for the dollar to rise from the low level at which it was stabilised in January 1934 resulted in a general rise in the gold currencies which is reflected in a fall in the gold value of sterling. It is generally understood that, during 1934, the Account supported sterling by selling a large part of its foreign assets, particularly after the first quarter ; but, as stated above, no details regarding its operations are available.

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

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

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

value of gold calculated on the basis of the dollar-franc rate, and it was raised by stages from \$31.36 per fine ounce on October 25th to \$34.06 on December 1st. On January 31st, 1934, a free market in gold at the price of \$35 per fine ounce was established by the United States Treasury — that is, the dollar was devalued to 59.06 per cent of its old gold content. Part (\$2,000 million) of the profits on the revaluation of the national gold stocks was used to constitute an Exchange Stabilisation Fund¹. On the day of stabilisation, the dollar value of gold, on the basis of the franc rate, was \$33.05 per fine ounce and gold therefore flowed to the United States in large quantities. Throughout the year, the balance on income account continued favourable and there was a persistent tendency for the exchange value of the dollar to rise above gold import point, accompanied by continued large gold imports. Between the middle of January and the middle of February 1935, when the Supreme Court was considering its judgment in the cases regarding the constitutionality of the legislative abrogation of the validity of the gold clause in public and private contracts, the dollar was consistently quoted considerably above gold-import point, but relatively small gold imports took place, as it was feared by arbitrageurs that, in the event of a decision unfavourable to the Government, the dollar price of gold might be lowered. It was officially disclosed on February 10th, 1935, that the American Exchange Stabilisation Fund was used during this period to "manage the value of the dollar in terms of foreign currencies".

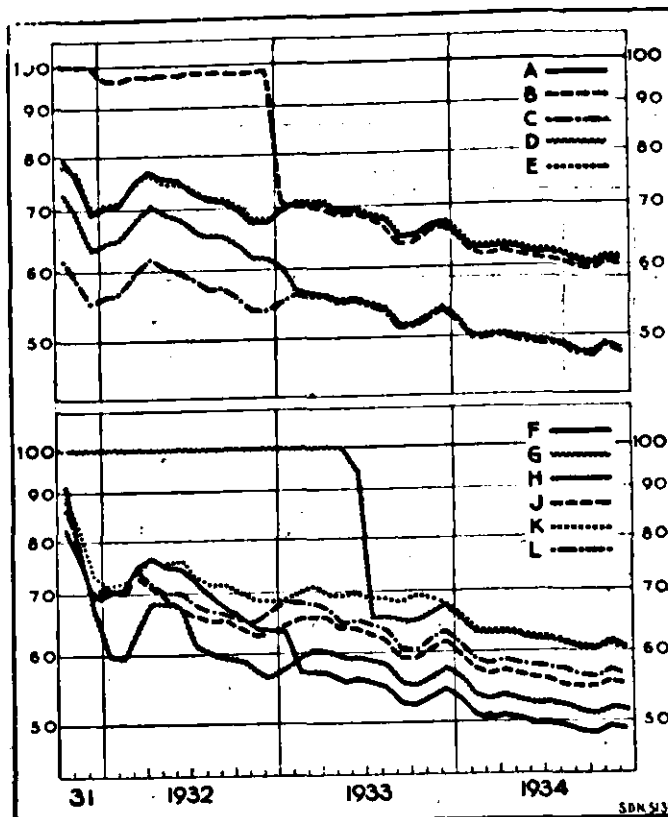
The exchange rates of a large number of countries fluctuate closely with sterling, as is shown in Diagram XXV opposite.

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

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

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

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

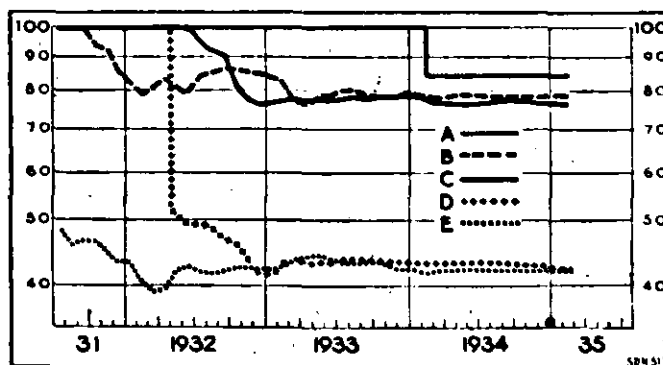


1933, it fell while sterling appreciated, and it followed the American dollar very closely after the United States left the gold standard.

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

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

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



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

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

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

Diagram XXVII.

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

A Bolivar. B Petroleum.

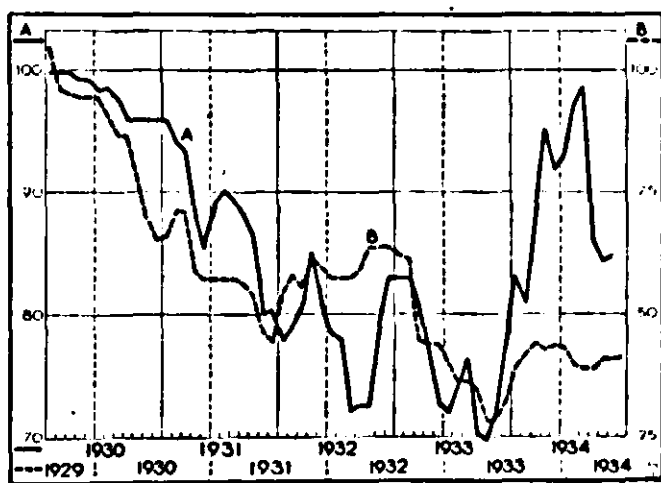


Diagram XXVIII opposite shows the monthly fluctuations of the principal Latin-American currencies since the middle of 1931.

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

The South-American countries, severely affected by the fall in raw material prices and by the drying-

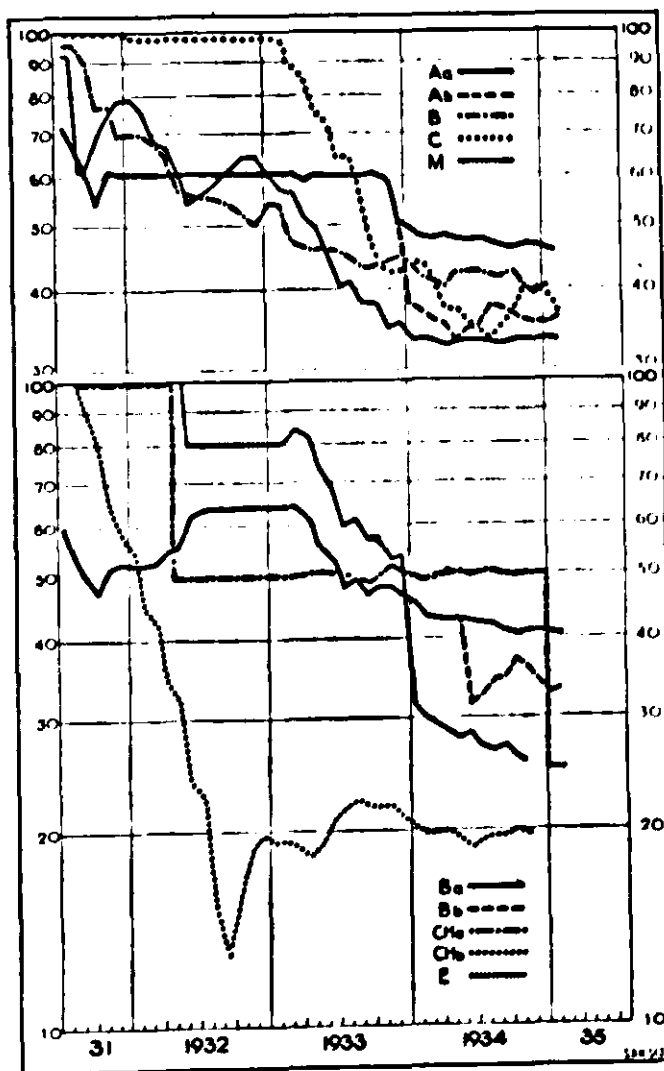
up of capital movements, were among the first to institute exchange control. Even after the suspension of the gold standard, exporters were required to deliver most or all their foreign exchange export proceeds to the central monetary authority at the official rate and the supply of foreign exchange to importers was severely rationed.

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

Diagram XXVIII.

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

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



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

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

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

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

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

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

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

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

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

* * *

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

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

¹ It had been fixed at 6d. in 1925.

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

	1931	1932		1933		1934	
	2nd half	1st half	2nd half	1st half	2nd half	1st half	2nd half
Spain	10.8	10.4	1.7	4.2	2.4	1.7	0.0
Austria	18.5	5.5	1.9	9.9	1.0	1.6	0.8
Greece	—	108.8	17.9	4.0	0.5	0.7	1.0
Mexico	63.8	46.1	16.2	23.6	17.8	6.7	1.2
Canada	20.6	5.6	5.3	10.4	8.5	5.9	1.3
U.S.A.	—	—	—	22.5	16.6	6.6	1.4
South Africa	—	—	—	4.1	6.1	6.2	2.5
Estonia	—	—	—	6.3	4.6	6.5	2.5
Finland	49.1	14.8	8.0	4.0	5.8	6.8	2.5
Norway	44.3	8.5	5.4	3.1	6.3	6.2	2.5
Sweden	43.3	6.2	4.6	6.1	6.1	6.4	2.5
Denmark	43.5	8.6	12.8	13.1	6.1	6.4	2.6
Siam	—	34.0	6.9	2.3	6.1	6.3	2.6
United Kingdom	44.0	9.4	8.3	2.3	6.2	6.3	2.7
New Zealand	44.0	9.3	8.3	9.1	6.0	6.3	2.9
Portugal	36.8	6.9	6.9	3.4	1.8	6.8	3.0
Australia	38.9	9.2	8.4	2.2	6.0	6.7	3.2
Japan	13.6	18.8	22.1	3.9	12.2	7.0	4.4

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

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

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

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

the absolute maximum attained during each year exceeded the absolute minimum.

Table XVI.

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

	1931	1932	1933	1934
Austria	21.8	18.2	14.8	8.8
Spain	38.6	11.9	4.8	3.4
U.S.A.	1.6	2.0	70.4	9.8
Denmark	58.4	26.3	28.0	12.8
Norway	43.0	20.3	16.1	13.0
United Kingdom	51.2	19.5	14.9	13.1
Sweden	51.3	19.1	17.8	13.1
Japan	42.7	24.8	24.4	17.0

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

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

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

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

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

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

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

	%
Registered marks	41
Credit marks	61
Security marks	69

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

XI. Prices and Exchange Rates.

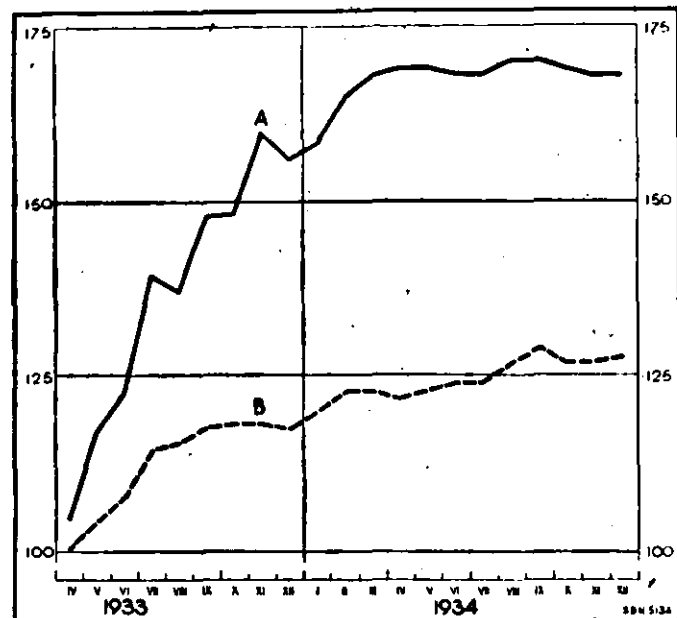
For the greater part, the divergences in the movements of prices in terms of gold revealed by Tables XI and XIII and Diagram XXII are to be attributed to the fact that, in countries whose currencies depreciated in terms of gold, prices failed to rise to the full extent of the depreciation and in certain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

Considering the period March 1933 to December 1934 as a whole, the price of gold currencies rose by nearly 70 per cent, while the price of commodities at wholesale rose by less than 30 per cent. It is, of course, not possible to say to what extent, if any, the commodity price rise is to be attributed to the depreciation of the dollar. Many other factors tending to raise prices have been at work, such, for example, as the various production restriction schemes of the Agricultural Adjustment Administration, the drought of 1934 and public works expenditure. The relative cheapening of American products in foreign markets would appear to have led to an increase in the surplus on current account in international transactions¹; but, as the import of gold resulting from this factor (as well as that resulting from the import of capital) went

Diagram XXIX.

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

A Cost of franc. B Wholesale prices.



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

The effectiveness of any automatic² tendency which currency depreciation may have to raise prices is dependent in the first instance upon the responsiveness of foreign demand to the automatic

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

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

cheapening of the depreciating country's products¹. The greater this responsiveness, the greater will be the rise in the value of export bills in terms of national currency sold to the central bank and the stronger in consequence will be the stimulating influence on prices in general. Or, looking at the question from another point of view, the removal of part of the supply of domestic goods by export tends, other things being equal, to bring about a rise in their price. But if foreign demand is completely inelastic and the value of export bills coming forward for sale to the central bank does not rise in terms of national currency and the supply of goods available for domestic consumption is not reduced, then the automatic effects of the depreciation upon the general level of prices are naturally much restricted.

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

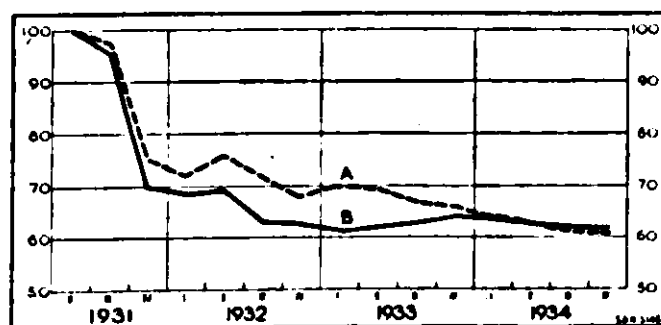
It is, of course, impossible to determine to what extent the deflation in the countries remaining on gold was intensified by currency depreciation abroad, but it is clear that the fall of sterling exercised an influence of particular importance in this connection. The deflationary influence of the depreciation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

Diagram XXX.

GOLD VALUE OF STERLING AND GOLD PRICES
OF RAW MATERIALS.

(Second quarter of 1931 = 100)

A Sterling. B Raw materials.



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

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

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

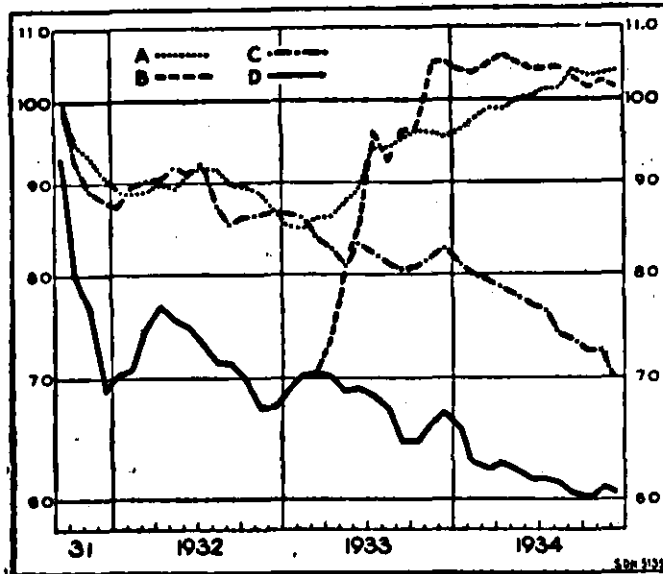
The broad swings of the movements of the gold value of the pound and the relationship of French to British prices are similar and (apart from the initial stages of the depreciation of the pound) there is, apparently, some tendency for changes in the gold value of the pound to lag two or more months behind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

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

Diagram XXXI.

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

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



United Kingdom) exceeded the simultaneous fall in the gold value of the pound¹. Consequently, the price and exchange curves were closer together at the end of that year than at any time since the depreciation of the pound.

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

The triangle may be completed by a brief reference to French and American price and exchange relationships. Wholesale price movements in the two countries were similar from September 1931 to March 1933 (declining by over 15 per cent in both countries), and from the latter month to the end of 1934 prices in the United States rose by nearly 30 per cent, while in France they fell by 15 per cent. Taking September 1931 as 100, the ratio of French to American prices in December 1934 was 67 per cent, while the dollar exchange was 60 per

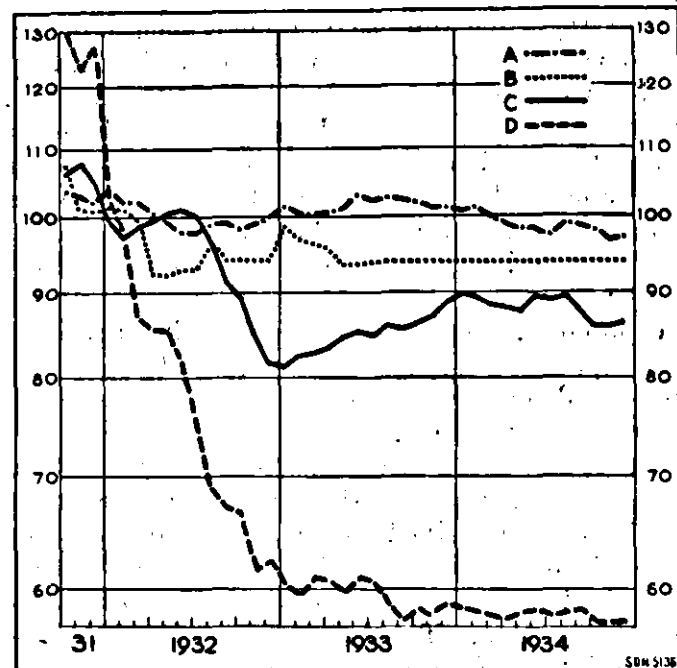
cent of its old gold parity. The price relationships, that is, corresponded (on the assumptions previously stated) to an exchange rate of about 17 francs to the dollar, while the actual exchange rate was about 15 francs to the dollar.

Diagram XXXII below shows the changes in the relationship between prices and exchange rates in Sweden and the United Kingdom and in Japan and the United Kingdom since September 1931 on the basis of September 1931 = 100 for prices and parity = 100 for exchange rates².

Diagram XXXII.

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

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



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

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

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

demand for timber and wood-pulp which accompanied the expansion of building activity in the United Kingdom and elsewhere, the value of Swedish exports rose by 130 million crowns in 1933 and 215 millions in 1934. Invisible exports also increased in value and, during 1933 and 1934, the gold and foreign assets reserves of the Riksbank increased by 396 and 88 million kronor respectively¹. But, as in the case of the United States, this increase in the central bank's gold and foreign assets reserves resulted in a reduction of commercial bank borrowing with it and in the accumulation of large excess cash reserves by the latter institutions. Consequently, the inflow of *Devisen* had only a very limited effect upon the general scale of values in the country.

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

The first two qualifications are principally of a statistical nature, and it is possible to circumvent to some degree the difficulties which they raise by making comparisons between more than one pair of price series and using more than one period as base². But the third qualification to which these price and exchange comparisons are subject is of an economic nature and is perhaps more serious than the others. The theory upon which the comparisons are based states or assumes that equilibrium of the exchanges requires that, over any given period of time, the relative variations in the internal purchasing power of the money of any two countries shall be the inverse of the relative variations of their exchange rates. But during a short period such as is being considered here, it is quite possible that basic economic conditions might change in a way which would alter the "equilibrium" exchange rates without at the same time altering relative price levels. This may be illustrated by two hypothetical

examples. If a country exporting capital on a large scale in the "base" period ceases to do so, and if prices and exchange rates ruling in the base period were in "equilibrium", then clearly the cessation of capital exports enables the country to support a higher exchange rate and/or a higher price level. The failure to export capital may not, during a short period, result in an increase in home investment and rise in the domestic price level. Therefore price and exchange comparisons which leave out of account the influence of this factor will suggest that the country's "equilibrium" exchange position is lower than is really the case. An exchange rate based on such comparisons will tend to lead to the accumulation of a current surplus in international transactions which is not invested abroad, and may therefore, from the international aspect, become a disturbing element. Or if, for example, a country at some time after the base period institutes a tariff, the effect on the exchange market is likely to be proportionately greater than the effect on the domestic price level, which will work itself out only slowly and imperfectly. In this case, too, price-exchange-rate comparisons will understate the true "equilibrium" exchange position.

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

Table XVII following shows, for a large number of countries, the cost of the French franc and the cost of sterling as a percentage of their "purchasing power parity" cost at the end of each year since 1931 on the basis 1929 = 100³. Where the figures are less than 100, it means that the cost of the franc and/or sterling is less than it should be on the basis of price relationships (assuming these to be in equilibrium in 1929) — in other words, that the

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

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

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

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

Table XVII.
COST OF FRENCH FRANC AND STERLING AS PERCENTAGE OF PURCHASING-POWER-PARITY COST.
 (1929=100.)

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

^a August.

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

In Austria, prices were stable in 1934 while they fell in France; consequently, the Schilling, which had previously fluctuated close to its "theoretical" level, appears over-valued in relation to the franc in December 1934. The fall in the French index in 1934 was greater even than that of Czechoslovakia

(in terms of gold), where the gold content of the currency was reduced by 16 $\frac{2}{3}$ per cent. Of the more important paper currencies, the American dollar was closest to its theoretical relationship with the franc at the end of 1934; the reduction in the apparent over-valuation of the franc in relation to the dollar in that year is very striking. There was a similar reduction in the under-valuation of most other currencies in relation to the franc in 1934. In December 1934, the franc was — on the basis of a presumed equilibrium in 1929 and subject to all the qualifications stated — 10 to 25 per cent over-valued in relation to the great majority of paper currencies; in December 1933, it had been 25 to 40 per cent over-valued in relation to this group. The yen was the most seriously under-valued currency, but prices in Chile¹, India, the Argentine¹; Australia and Spain had also failed to adapt themselves to the heavy fall in the external value of the currencies. It is significant that these

¹ On the basis of free rates.

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

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

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

(1926 = 100) and the price of silver in London from 1929 to 1934.

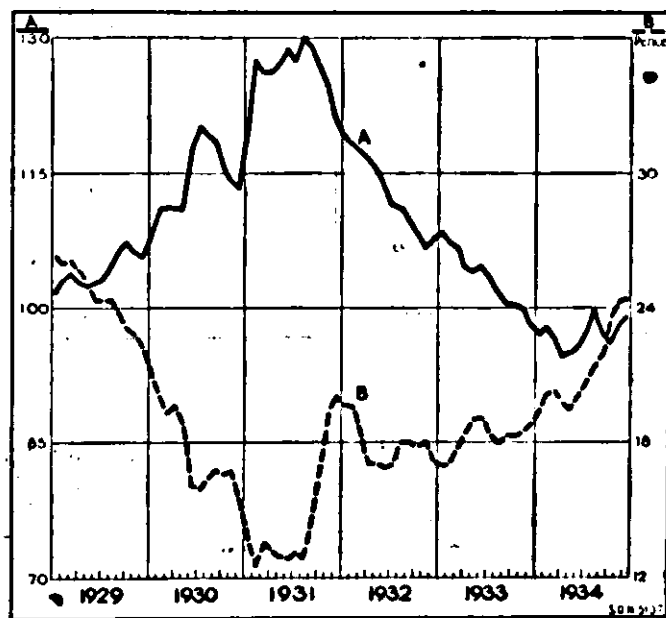
The sharp fall in silver prices in 1929 and 1930 was accompanied by a rise in wholesale prices in Shanghai, and it would appear that the depreciation of the Chinese exchange (the counterpart of the fall in the price of silver) acted as an effective buffer between prices in the rest of the world and in China. Prices in Shanghai reached their peak in September 1931. The sharp rise in the sterling price of silver which took place when the United Kingdom abandoned the gold standard in that month was immediately followed by a very drastic decline in prices in China which persisted throughout 1932 in spite of a weaker tendency in the price of silver. In the first six months of 1933, the price of silver rose sharply and the violent deflation in China continued. During the latter part of the year, and more particularly after the signing of the International Silver Agreement of July 22nd, 1933, entered into by the Governments of Australia, Canada, China, the United States, India, Mexico, Peru and Spain "with a view to mitigating fluctuations in the price of silver", world silver prices moved within a relatively narrow range. At the end of the year, however, prices stiffened as a result of the authorisation given the American Government by Congress to buy 24 million ounces of domestic silver (an amount approximately equal to American production during 1933) at 64½ cents an ounce. During 1934, the world silver market (and consequently the Chinese exchange situation) was very largely dominated by American legislation and legislative proposals. In the middle of February, the Secretary of the Treasury announced that the Government would take action within a month "aimed at the rehabilitation of silver". Silver prices strengthened, but they weakened again a month later, when it was announced that the Administration was opposed to further action for the time being. On the other hand, the passage of the Dies Bill (providing for the acceptance of silver by the United States at 25 per cent higher than world prices in payment of American exports of agricultural products) had a stimulating effect. The most important measure was, however, the Silver Purchase Act of 1934, proposed by the Administration on May 22nd and approved by the President on June 19th, 1934. This Act gave the Administration authority to purchase silver for monetary purposes until it constituted 25 per cent of American monetary stocks¹.

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

Diagram XXXIII.

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

A Shanghai prices. B Silver.



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

virtue of this permissive legislation¹, but exports of silver from the United Kingdom to the United States amounted to nearly 87 million ounces in 1934, compared with 23 million ounces in 1933. The price of silver in London rose steadily after August, when the United States Treasury is understood to have begun its heavy purchases. Between August 13th and October 15th, the London price increased from 21 $\frac{9}{16}$ d. to 24 $\frac{7}{8}$ d. per ounce. At the latter level, the price of silver (and, in consequence, the rate of exchange between China and London) was twice as high as in 1931. During these months, wholesale prices in Shanghai, which had been rising since April 1934, again fell sharply. Throughout the summer of 1934, the price of bar silver in London commanded a premium over the sterling parity of the silver equivalent of the

Shanghai tael, with the consequence that it was profitable to ship silver from China to London; in the course of 1934, visible stocks in Shanghai were reduced from 439 to 262 million ounces. In October 1934, the Chinese Government imposed an export duty of 10 per cent (less 2 $\frac{1}{2}$ per cent minting charges paid) on silver dollars and mint bars and 10 per cent (instead of 2 $\frac{1}{2}$ per cent) on other forms of silver and, in addition, imposed an equalisation charge "equal to the deficiency, if any, between the theoretical parity of London silver and a rate of exchange officially fixed by the Central Bank of China, after making allowance for the export duty". In the last months of 1934, wholesale prices in Shanghai — now divorced from the price of silver — went up slightly, while the price of silver in London continued to rise.

XII. Gold.

Table XVIII below shows, in millions of dollars of old gold content², the annual gold production areas since 1929:

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

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

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

* Approximate figures.

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

The large⁴ increase in the known gold output in

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

¹ It was disclosed in the message to Congress accompanying the Silver Purchase Act that the Exchange Stabilisation Fund had already been used to buy silver in London. See also footnote¹ on the preceding page.

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

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

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

increase which took place in 1932 (8.7 per cent) and the further increases in world production in 1933 and 1934 are partly to be attributed to the depreciation of the currencies of most producing countries. The sharp rise in the price of gold in terms of national currencies was not accompanied by a corresponding increase in costs¹, and in consequence it became profitable to exploit ores of lower gold content and to work existing mines more intensively.

Between 1929 and 1932, the British Empire increased its gold output at about the same pace as the rest of the world (accounting for slightly more than 75 per cent of total world production, excluding the U.S.S.R. and China, in both years), but, in 1933 and 1934, the gold output of the British Empire fell slightly, while in the rest of the world it continued to increase at an accelerated rate. The fall in production was especially marked in South Africa², the world's principal producer. In 1933 and 1934, the gold output of the U.S.S.R. appears to have risen rapidly; according to the estimates reproduced above, that country became the second most important producer of gold in 1934 — a position which Canada had taken from the United States in 1931.

The whole output of the mines has not always been added to central monetary reserves since 1929; it will be shown below that very large amounts of gold were hoarded in Western countries. On the other hand, the supplies currently becoming available have been increased by the release of gold from private hoards in the East, beginning in 1931, and later from private hoards in the West. India is the most important source of these additional supplies and the amounts dishoarded from that country since 1931 are estimated in the following table³:

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

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

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

³ Data of the *Federal Reserve Bulletin*.

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

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

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

Important releases from private gold stocks in China and the Straits Settlements also occurred. Net recorded⁴ exports of gold bullion and specie from China in the five years ended December 1934 amounted to \$70 million and, as the domestic output — shown in Table XVIII — is relatively unimportant, it is clear that the bulk of this gold was formerly held on private account. In the years 1929-1933, the Straits Settlements would appear to have exported some \$40 million of dishoarded gold.

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

In the United States, gold was hoarded in large quantities during the banking crisis of 1933. Under the Emergency Banking Act of March 9th the Secretary of the Treasury was authorised to require all persons to deliver to him all gold coin, gold bullion and gold certificates owned by them in exchange for an equivalent amount of legal tender money. The Federal Reserve banks were requested to prepare lists of gold hoarders who had not delivered up gold or gold certificates by a given date, which was later several times extended. On April 5th, 1933, an executive order was issued prohibiting the holding of gold coin, gold bullion and gold certificates in excess of \$100 and, on December 28th, the \$100 exemption was revoked. It is not known how much gold was dishoarded as a result of this legislation⁵; the effort to secure the return of all gold to central reserves revealed that

the greater part of the gold coin previously regarded as being in circulation had in fact passed out of monetary use. The recorded circulation of gold coin fell from \$571 million at the end of February 1933 to \$311 million at the end of 1933¹, when the recorded volume of gold coin in circulation was \$85 million less than at the end of 1928.

In the six-year period ended December 1934, aggregate world production of gold, excluding the U.S.S.R. — as shown in Table XVIII — slightly exceeded \$2,600 million. The net increase in aggregate world monetary stocks of gold, excluding the U.S.S.R.², during this period was — as shown in Table XIX on page LXXIX — slightly less than \$2,600 million. In other words, practically the whole of new production of gold went into central monetary reserves, while the “additional” supplies coming forward went into private hoards, industry, or Exchange Funds. From indications given above

regarding the releases from India and China, the melting-down of old coin and plate, etc., it would appear that the value of these “additional” supplies was between \$850 and \$1,000 million. It is not known how much gold, if any, was held by the British Exchange Equalisation Account, the American Exchange Stabilisation Fund, the Argentine Exchange Fund, etc., at the end of 1934 and excluded from the published central gold reserves of those countries, nor how much was absorbed by the arts during this six-year period, but there is little reason to doubt that the great bulk of “additional” supplies went into private hoards in Western countries.

The net annual changes since 1931 in the quantity of gold held in Western countries outside central monetary reserves are estimated below. Figures relating to the U.S.S.R. are, for the reasons given³, excluded throughout :

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

⁴ China and India only.

During these four years, the visible supplies of gold coming forward were nearly \$1,000 million greater than the net visible additions to central monetary reserves. Gold hoarding⁵ began in the latter half of 1931, when an absolute decline of \$72 million occurred in the central monetary gold reserves of the world. Hoarding appears to have declined somewhat in importance in 1932, but again became intense in 1933, with the American banking crisis and fresh monetary uncertainties. During 1934 there was a net dishoarding of gold in the West : central monetary gold reserves increased by almost \$300 million more than current production *plus* Eastern releases.

Part of this difference was due to the transfer to central monetary reserves of gold previously held in Exchange Funds⁶, but it would seem that the relative stability of currencies to which reference was made in an earlier section was to some extent responsible for private dishoarding.

A very large part of the privately owned gold in the West is held on deposit in London. The Bank for International Settlements estimated⁷ that, at the beginning of 1934, about a third of the 7,000 million Swiss francs (\$1,350 million) at which it placed private holdings were held in England by non-residents. A more recent estimate⁸ places

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

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

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

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

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

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

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

Table XIX below gives, in millions of dollars of old gold content, details regarding the central

monetary gold reserves of the world at the end of each year from 1928 to 1934. The countries are divided into eight different groups, and totals for each group, as well as for the individual countries holding the largest gold reserves, are shown¹.

Table XIX. — CENTRAL MONETARY GOLD RESERVES, 1928-1934.
(In millions of old U.S. gold dollars.)

	XII. 1928	XII. 1929	XII. 1930	VI. 1931	XII. 1931	XII. 1932	XII. 1933	XII. 1934
1. <i>Gold bloc</i>	2,060	2,513	3,023	3,182	4,270	4,019	4,648	4,705
France	1,247	1,631	2,000	2,211	2,683	3,257	3,015	3,218
Switzerland	103	115	138	162	453	477	386	368
Belgium	126	163	191	200	354	301	380	348
Netherlands	175	180	171	200	357	415	371	318
Italy	266	273	279	283	296	307	373	306
Poland	70	79	63	64	67	56	53	56
Other ^a	82	72	72	62	69	66	70	71
2. <i>U. S. A. and Philippines</i>	3,749	3,903	4,228	4,596	4,054	4,046	4,013	4,866
3. <i>European countries whose currency situation is characterised chiefly by exchange control</i>	817	714	709	516	428	391	297	242
Germany	666	560	544	354	251	200	109	36
Other ^b	151	154	165	162	177	184	188	206
4. <i>British Empire and sterling bloc</i>	1,437	1,344	1,380	1,418	1,223	1,216	1,584	1,610
United Kingdom ^c	746	711	722	800	590	587	933	938
British Dominions and Colonies ^d	506	444	469	449	430	402	398	419
Egypt and Siam	18	19	20	21	44	61	33	32
European countries with currencies linked to sterling ^e	167	170	169	168	159	166	220	221
5. <i>European countries with fluctuating currencies not included in 4^f</i>	525	527	508	504	472	465	487	488
6. <i>Latin America</i>	789	725	555	470	370	363	360	376
Argentina	473	405	411	349	252	248	238	238
Brazil	149	150	11	—	—	—	—	4
Other ^g	167	160	133	121	118	115	122	134
7. <i>Japan</i>	541	512	412	424	234	212	212	232
<i>World Total, excluding U. S. S. R.</i>	9,927	10,258	10,805	11,130	11,060	11,634	11,601	12,519
8. <i>U. S. S. R.</i>	92	147	249	261	328	...	416	...

^a Danzig, Lithuania, Albania, Algeria, Morocco, Belgian Congo, Netherlands Indies.

^b Czechoslovakia, Roumania, Hungary, Bulgaria, Latvia, Turkey and Yugoslavia.

^c Including Irish Free State.

^d India, Canada, South Africa, New Zealand, Australia, Straits Settlements.

^e Sweden, Norway, Denmark, Portugal, Finland, Estonia.

^f Spain, Austria, Greece.

^g Uruguay, Venezuela, Mexico, Colombia, Chile, Peru, Bolivia, Ecuador and other countries.

The broad changes in the distribution of monetary gold reserves among the central banks of the world fall conveniently into three periods — the first running from the end of 1928 to the middle of 1931, the second from the middle of 1931 to the end of 1932 and the third from the latter date to the end of 1934. The first period was characterised, on balance, chiefly by large and continuous additions to the gold reserves of the United States, France and most of the other Continental European States which still remained on an unrestricted gold standard at the end of 1934; by very heavy gold losses by Latin America, Japan and Germany; and by relative stability in the gold

reserves of the British Empire and sterling bloc with some tendency for those of the United Kingdom to increase after 1929. During the second period, all groups lost very large amounts of gold, on balance, to France and the other members of the gold bloc. The third period was characterised chiefly by a considerable increase in the monetary gold reserves of the United Kingdom and the European countries whose currencies were linked to sterling; by a very slight net decline in the reserves of the gold bloc; by a large increase in the American gold reserves; by a renewed decline in German reserves; and by very slight net increases in the reserves of other groups of countries.

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

Two principal¹ factors were operative in the first period in bringing about the changes observed in the distribution of gold stocks: the collapse of raw-material prices and the conversion of foreign assets into gold by the central banks of certain countries. The transfer of Reparations and War Debts was also a factor of appreciable importance.

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

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

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

During 1933, not only did none of the new gold produced nor any of the gold coming forward from private holdings in the East find its way into central monetary gold reserves, but there was also a net reduction in such reserves, owing to the hoarding to which reference was made above. For the first time since 1928, the gold *bloc* lost gold on balance, Belgium and Italy being the only countries of this group with important reserves to show a net increase.

In the case of Italy, the increase was partly due to the conversion of foreign assets. The British Empire and sterling *bloc* increased their gold reserves by \$368 million; the increase was particularly striking for the United Kingdom and Sweden. The German gold reserves fell and those of most other countries showed little net change.

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

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

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

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

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

Countries *	Percentage distribution, end of 1928	Net change, end of 1928 to end of 1934		Percentage distribution, end of 1934
		\$ (100,000's)	Per cent	
1. Gold bloc	20.8	+ 2,637	+ 127	37.6
2. U.S.A. and Philippines	37.8	+ 1,118	+ 30	38.0
3. European countries with exchange control	8.2	- 570	- 70	1.9
4. British Empire and sterling bloc	14.5	+ 175	+ 12	12.9
5. European countries with fluctuating exchanges not included in 3	5.3	- 37	- 7	3.0
6. Latin America	7.9	- 422	- 33	8.9
7. Japan	5.5	- 309	- 57	1.0
World (excluding U.S.S R.)	100.0	+ 2,586	+ 26	100.0

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

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

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

forty-three countries at the end of each year since 1929.

The table is self-explanatory and requires little comment. Its most striking features are the very sharp increase in the gold cover ratios¹ of the United States and the gold bloc and the decline in gold and foreign assets ratios of Germany, Japan and the South-American countries. The increase in the gold reserve ratio in Czechoslovakia and Austria in 1934 was largely due to the revaluation of the gold stocks to correspond to the reduced gold content of the respective currencies. In Bulgaria, Greece, Latvia and Roumania, the gold ratio was higher in 1934 than 1929, but the gold and foreign assets ratio was lower. The gold ratio of the Bank of England rose from 29 to 34 per cent and both the gold and the gold and foreign assets ratios of the central banks of Sweden, Estonia and Finland were considerably higher at the end of 1934 than at the end of 1929.

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

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

Table XXI. — GOLD AND FOREIGN ASSETS RESERVE RATIOS.

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

(a) Gold reserves
(b) Gold reserves and eligible foreign assets
(c) Gold reserves and all foreign assets

} at book value

} as per cent of total note circulation and Central Bank sight liabilities.

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

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

Country	1929	1930	1931	1932	1933	1934	OBSERVATIONS
EUROPE (continued):							
Portugal . . .	(a)	8.8	8.9	12.2	21.2	30.5	31.2
	(b)	11.3	12.0	33.6	37.8	33.8	...
	(c)	26.1	20.0	34.2	39.7	35.1	...
Roumania . . .	(a)	30.1	37.6	35.0	34.1	34.8	34.8
	(b)	52.2	44.7	36.0	35.8	35.7	35.1
	(c)	52.4	45.0	36.2	36.1	35.7	35.2
Spain	(a)	36.4	34.2	29.0	30.1	30.2	31.2
	(b)	37.9	35.4	32.5	34.0	33.9	35.1
	(c)	37.9	35.4	32.5	34.0	33.9	35.1
Sweden	(a)	29.0	27.2	27.2	25.7	33.1	31.3
	(b)	60.5	71.2	33.7	52.4	73.0	81.1
	(c)	60.5	71.2	33.7	52.4	73.0	81.1
Switzerland . . .	(a)	49.6	54.7	92.6	95.3	94.9	94.3
	(b)						
	(c)	79.0	88.2	96.7	98.9	93.7	94.9
United Kingdom . .	(a)	27.4	27.1	22.4	23.2	34.7	34.1
	(b)						
	(c)						
Yugoslavia . . .	(a)	14.8	17.8	31.5	32.2	33.5	34.0
	(b)	25.3	23.7	37.5	36.0	35.6	36.3
	(c)	34.9	28.7	39.1	36.0	36.6	38.3
NORTH AMERICA:							
Canada	(1)	(80.7)	(119.2)	(89.9)	(95.3)	(84.1)	(80.7)
	(2)	(39.8)	(60.0)	(45.5)	(43.2)	(43.5)	(36.5)
U.S.A.	(a)	64.0	68.2	61.8	57.8	53.2	92.6
	(b)						
	(c)						
LATIN AMERICA:							
Argentine	(a)	81.9	77.0	47.8	43.8	46.4	47.9
	(b)						
	(c)						
Bolivia	(a)	22.4	9.3	46.5	33.8	7.3	...
	(b)	66.7	66.5	61.5	33.8	7.3	...
	(c)	98.5	86.8	74.0	36.9	13.5	...
Brazil	(a)	37.0	4.5	0	0	0	3.0
	(b)	43.8	15.0	7.0	21.7	30.9	24.2
	(c)	43.8	15.0	7.0	21.7	30.9	24.2
Chile	(a)	13.2	15.8	24.4	10.4	11.0	16.3
	(b)	93.4	87.2	47.6	19.0	19.3	16.3
	(c)	93.4	87.2	47.6	19.0	19.3	16.3
Colombia	(a)	41.4	41.5	23.5	25.1	25.5	16.1
	(b)	69.9	65.2	35.5	35.1	27.6	18.7
	(c)	69.9	65.2	35.5	35.1	27.6	18.7
Ecuador	(a)	12.1	14.3	20.1	40.3	25.6	21.3
	(b)	76.0	73.0	55.4	49.2	32.7	35.3
	(c)	76.0	73.0	55.4	49.2	32.7	35.3
Mexico	(a)	36.2	27.7	12.9	7.7	12.2	...
	(b)	67.7	34.2	21.6	18.4	19.4	...
	(c)	67.7	34.2	21.6	18.4	19.4	...
Peru	(a)	100.0	89.2	69.2	71.4	48.0	38.0
	(b)	112.6	100.3	96.6	72.1	51.1	42.4
	(c)	112.6	100.3	96.6	72.1	51.1	42.4
Uruguay	(a)	58.0	51.3	45.0	40.1	44.1	...
	(b)						
	(c)	59.4	51.3	45.0	42.9	47.7	...
Venezuela	(a)	49.5	59.4	51.4	51.3	49.4	62.7
	(b)						
	(c)	64.7	63.0	53.6	52.1	49.8	66.2

(a) Including small proportion of subsidiary coin not shown separately from gold in the Banking Department of the Bank of England.

(b) (c) Foreign assets are not shown separately in the bank return.

(1) Ratio of total gold to net circulation of Chartered Bank and Dominion notes.

(2) Ratio of total gold to gross issue of Chartered Bank and Dominion notes, including latter of big denominations serving largely as cash reserves of the Chartered Banks in lieu of the sight balances held by the commercial banks in other countries with their respective central banks.

(a) Ratio of total gold reserves to total of all notes and gold certificates in circulation and sight liabilities of F.R. banks.

(a) Ratio of total gold (in *pesos puros* at legal gold rate) with *Caja de Conversión* and *Banco de la Nación* to total note issue. The *Caja de Conversión* has no sight liabilities in addition to notes, nor does it hold foreign assets in addition to gold.

Up to 1931 inclusive, three banks of issue; since 1932, Central Bank.

(a) Ratio of total gold with *Banco do Brasil* and *Caixa de Estabilização* to total notes only. In 1931-33 gold reserves were depleted.

(b) Ratio of total gold as above + foreign assets (net amounts) of *Banco do Brasil* to total notes only.

Banco de México and, up to 1932, those old banks of issue which still had notes in circulation but have subsequently been liquidated.

The figures for gold and foreign assets in 1929 and 1930 originally expressed in "libras" have been converted into soles at the rate fixed in May 1931.

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

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

Considerations relating to the adequacy of gold reserves must take into account their enhanced value when written up to correspond to the reduced gold content of currencies. The reserve ratios obtained in doing so are shown in Table XXII below. This table shows (1) the "corrected" gold

reserve ratios for the end of 1934 alongside the gold reserve ratios for the end of 1929 and (2) the "corrected" gold reserve and total foreign assets ratios for these two dates. In the latter case, only the gold reserves, of course, have been written up; foreign assets are taken at book value.

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

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

^a 1933.

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

them would have been higher than those shown in the table.

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

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

The evidence of Tables XXI and XXII is summarised in the following statement, which classifies thirty-one¹ central banks, Treasury departments, etc., whose reserve ratios are shown therein, into groups, according to the size of their gold reserve ratios in 1929 and (written-up) in 1934. The shift from lower to higher ratios is clearly illuminated.

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

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

In the light of the foregoing, it is clear that, at the end of 1934, the gold reserves of most central banks of the world, when written up to market value, constituted a higher proportion of note circulation and sight liabilities than was maintained in 1929, and a much higher proportion also than was recommended to central banks by the World Monetary and Economic Conference of 1933². A wide potential margin was accordingly available for any desirable expansion in central bank currency.

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

Chile, although the "corrected" gold and foreign assets reserve ratio of Denmark was also considerably lower at the end of 1934 than at the end of 1929.

The reduction of the relative importance of gold exchange in the cash reserves of the central banks of the world is one of the most striking currency phenomena of recent years; but it is still too early to evaluate its full significance. Some of the factors at work have already been mentioned—for example, the conversion of foreign assets³ into gold effected by the Banque de France after 1928. After 1930, the reduction in the foreign exchange holdings of central banks became general. This was due only in part to the conversion of foreign assets into gold. For the greater part, it was due to the utilisation of foreign exchange holdings by the central banks of raw-material-producing countries and those experiencing a withdrawal of funds to meet the deficiencies in their balance of payments. The suspension of gold payments by the United Kingdom in September 1931 gave rise to accelerated liquidation of the foreign assets reserves of central banks. A large part of these had been concentrated in London, and the losses suffered through the depreciation of the pound as well as the fears engendered with regard to the safety of other currencies hastened the conversion of foreign exchange into gold. This movement was especially marked in the first half of 1932 and during the American banking difficulties of the first quarter of 1933. The depreciation of the American dollar gave a further serious blow to the gold exchange standard and, by the end of 1933, gold exchange had been reduced to an insignificant portion of the total central monetary reserves of the world.

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

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

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

² See page V above.

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

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

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

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

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

Finland and Sweden show appreciable increases in the proportion of foreign exchange in total

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

The net result of the changes described in the preceding paragraphs can be briefly summarised: at the end of 1928, the aggregate foreign assets held by the central monetary authorities of forty-four countries¹ amounted² to over 3,000 million dollars of old gold content; at the end of 1934, they amounted to less than \$650 million. Of the latter amount, the central monetary authorities of South Africa, Australia, Egypt, India, the Irish Free State and New Zealand held \$375 million, or more than half the world total; these amounts were held practically entirely in sterling. In addition, the central banks of Sweden, Siam, Finland, Portugal and Norway (whose currencies are all linked to sterling) held a further \$150 million — of which the great bulk was in all probability in sterling. It is clear from these figures that, by the end of 1934, the gold exchange standard had lapsed into a state of complete desuetude and that the only foreign exchange standard in effective operation was the sterling exchange standard.

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

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

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

In the course of 1934, the world made substantial progress towards currency stability. No country left the gold standard during that year¹ and the United States provisionally fixed the gold value of the dollar, thus in effect returning to the international gold standard; the range of fluctuation of paper currencies was distinctly narrowed; and the exchange restrictions in force in most of the South-American republics were relaxed. The disturbance caused by the stabilisation of the dollar at a relatively low level and reflected in the movement of gold to that country was largely confined to the first half of 1934; in the latter half of the year, both the flow of gold to the United States and the downward pressure on sterling (which constituted the natural obverse of the persistent tendency of the dollar to rise in gold value) were diminished. The flow of gold to the United States, moreover, did not cause any corresponding depletion in the gold reserves of other countries, as world gold production was large and, in addition, relative stability of currencies caused private dishoarding of gold in Western countries, and large amounts continued to be released from India.

Behind this tendency towards exchange stability lay important price and cost adjustments in different countries. Of the gold *bloc* countries, France was the most successful in reducing the gap between the internal purchasing power of the currency and its high external purchasing power. The French wholesale price index fell by more than 15 per cent in the course of 1934; the American index rose by nearly 10 per cent and the new official British index was stable. On the basis of the price relationships prevailing in 1929, the over-valuation of the French franc against the dollar was reduced from about

36 to 14 per cent during 1934 and its over-valuation against sterling from about 28 to 19 per cent². During 1934, the dollar-pound rate fell from \$5.12 to \$4.95; prices, as shown above, rose considerably in the United States and the under-valuation of the dollar was progressively reduced in the course of the year. If the pound was 10 per cent over-valued in 1929, its over-valuation in relation to the dollar appears, on the basis of purchasing-power parities, to have been considerably less than that amount at the end of 1934.

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

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

(September 18th, 1931 = 100.)

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

The rise in prices generally in evidence in January halted in February and gave way to a decline in the first fortnight of March: the deflationary influence of the fall of sterling on price movements in the

"gold" countries is clear. The decline is especially marked in the dollar prices of primary products, but the complete indices for France and the United States also reflect it.

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

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

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

The difficulties which Belgium had been experiencing in maintaining the gold standard intact came to a head at the same time as the weakness of sterling. A heavy bear speculation against the belga resulted in large gold losses and in a discount on forward contracts which touched 25 per cent. The banks were subjected to heavy runs and were forced to have recourse to the central bank on a large scale: during the last two weeks of March, the bill portfolio¹ of the National Bank increased from 3,392 to 4,665 million francs and its advances on public securities from 1,120 to 1,629 millions. During this fortnight the note circulation — which had already increased by 550 million francs since the end of 1934 — rose by a further 625 millions. But, for the greater part, the withdrawals of deposits from the banks resulted, not in currency hoarding, but in purchases of foreign currencies. In the last three weeks of March, the Bank — which had already lost 1,000 million francs of gold in 1934 — saw its gold reserves reduced by a further 1,360 millions. On March 18th, a Decree was issued instituting official control of exchange and bullion operations², and on March 30th Belgium officially abandoned the gold standard, fixing the ultimate level of depreciation at 25 to 30 per cent. With part of the profits accruing to the State from the revaluation of the gold reserve of the National

Bank (on the basis of a 25 per cent depreciation) an Exchange Equalisation Fund was established and the belga provisionally stabilised at a level corresponding to a depreciation of 28 per cent in relation to gold. Subsequently most of the exchange restrictions were withdrawn.

The Belgian difficulties — like those experienced by certain other members of the gold *bloc* — were economic and not technical. The technical position was indeed very strong. At the end of March 1935, the National Bank held gold reserves of 11,293 million francs against a note circulation of 18,851 million and other sight liabilities of about 1,000 millions; that is, its gold reserve ratio was only slightly less than 60 per cent. Belgian trade, however, which is normally among the highest per head of population in Europe, had suffered an extremely sharp contraction in the course of the depression. In spite of the large cuts in wages and in prices, Belgium was unable to increase the volume of her trade; the depreciation of currencies, and tariffs and quotas were the factors mainly responsible. It is worth observing that her troubles sprang, not from any deterioration in the *balance* of trade, which was indeed less “unfavourable” in 1934 than in 1929 (the import surplus of the Belgium-Luxemburg Customs Union having been reduced from a monthly average of over 300 million francs in 1929 to 21 millions in 1934), but to the shrinkage in the absolute volume of trade. In 1934, industrial production again fell below the low level reached in 1932 and unemployment increased markedly. The stagnation of enterprise weakened the internal financial structure of the country; in the summer of 1934, it was necessary to take steps to mobilise the banks’ frozen industrial assets³. Some pressure for credit expansion seems to have been exerted in the latter part of the year. The decline in wholesale prices virtually ceased and the cost-of-living index rose quite perceptibly. The latent difficulties came to a head with the fresh fall in sterling.

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

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

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

³ See chapter on Belgium.

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

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

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

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

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

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

The flight from the currencies in question would appear to have taken the form, largely, of purchases of sterling: the French franc rate, which had been as low as 70⁹/₁₆ on March 6th, rose to 73³⁴/₃₂ during the following month and the Swiss franc rate from 14.33 to 15.03. There were also considerable purchases of belgas after the depreciation of that currency, partly no doubt in fulfilment of forward contracts entered into in previous weeks.

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

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

price of gold as laid down in the Gold Pengö Law of 1931¹.

On March 11th, 1935, new regulations regarding foreign exchange went into force in Roumania and modified the regime established in the autumn of 1934². The new regulations require exporters of petroleum to hand over to the National Bank only 60 per cent and other exporters only 40 per cent of their export proceeds in foreign exchange at the official rate; the remaining 40 and 60 per cent may be freely negotiated by exporters in accordance with rules laid down by the National Bank. The "free" exchange can be used in payment of current imports, to liquidate old commercial debts and to effect certain private payments abroad. Through these regulations, the existence of a "free" market in which foreign exchanges are negotiated at a premium over the official rate is officially recognised.

The system of exchange control, which still remains in force in Germany and a large part of South-Eastern and Eastern Europe, was recently examined and analysed by the Joint Committee for the Study of Clearing Agreements set up by the Economic and Financial Committees at the request of the Council of the League of Nations. In their report³, the Committee, while not wishing to "pass judgment on the policy which each country, in view of its special situation, wishes to apply in monetary matters", expresses the hope "that exchange control will be abolished, at any rate as regards commercial transactions, so that national currencies can once more perform their natural function, which is to be exchangeable without any limitation for all other currencies, and through them for goods". The Committee noted that the burden of debt of the chief debtor countries had been diminished to a considerable extent by the depreciation of the dollar and the pound and that a number

of special arrangements had been concluded, particularly as regards short-term debts, whose aggregate result was to reduce considerably the payments to be effected. Without desiring in any way to under-estimate the importance of the debt problem in relation to exchange control, the Committee expresses the opinion that "the present situation proves beyond all doubt that the control of debt settlement by exchange control does not achieve its object. Exports, and consequently the actual settlement of debts, are thereby made more difficult". The Committee states that the experience of countries which have abandoned exchange control in recent years proves that the risk of depreciation is not so great if the Government concerned avoids monetary inflation; and states that the experience of these countries also shows that the flight of capital which may occur when monetary depreciation begins is of a temporary nature and may be arrested by various means. The report goes on to say that "it would be futile — and indeed out of place — to advocate the abandonment of exchange control if the return by any country to free transactions were to mean that other States would refuse to accept its products on the pretext that their prices had thus been reduced".

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

Table XXIV. — CENTRAL MONETARY GOLD RESERVES, 1928-1934.⁴

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

On balance, the gold bloc lost about \$60 million of gold in the first quarter of 1935, reductions in the gold reserves of the central banks of Switzerland (\$38 million), Belgium (\$34 million) and the Netherlands (\$9 million) being partly compensated

by an increase in the gold reserve of the Bank of France (\$20 million). These losses, however, were insignificant compared with the tremendous additions to the gold reserves of these countries which had occurred in earlier years and, even after

¹ See *Commercial Banks, 1925-1933*, pages 45-46, 133-134.

² See chapter on Roumania.

³ Document C.153.M.83.1935.II.B.

⁴ For details regarding the countries included in the various groups, see Table XIX above.

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

In most countries which had abandoned the gold standard the gold reserve ratios of the central banks were lower. But, in the great majority of countries, the gold held by central banks is still accounted at the old standard price of gold. When this gold is written up to correspond to its real value in terms of national currency, the gold reserve ratios will automatically be raised; in all but a few exceptional cases they will be higher than the ratio maintained in 1929 and very much higher than the 25 per cent gold reserve ratio recommended by the World Monetary and Economic Conference of 1933¹. Moreover, the central banks of certain of these countries have substantially increased their foreign exchange holdings. In other words, stabilisation at existing levels of currencies would provide the central banks of most countries with substantial amounts of "free" gold and *Devisen* in excess of legal requirements; it would permit of a considerable expansion of central bank credit in most countries without endangering the legal minimum reserve ratios.

The chief exception is Germany: the gold reserves of the Reichsbank amounted at the end of March 1935 to no more than RM. 81 million against a note circulation of about RM. 3,664 million² and other sight liabilities of RM. 921 million. Of the other European countries whose currencies were officially maintained at par through exchange control, Bulgaria, Latvia and Roumania had, in the course of the depression, parted with foreign assets in preference to gold and their metallic reserves were higher at the end of March 1935 than in 1929. The recent Hungarian acquisitions of gold are referred to in an earlier paragraph.

Many South-American countries gradually increased their gold reserves in 1933 and 1934 and, when account is taken of the low level to which most of these currencies had fallen, the ratio of gold (when written-up) to note circulation and sight

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

In respect of the adequacy of world gold reserves, the position in March 1935 differed substantially from the position in 1924 or 1925, prior to the post-war re-establishment of the international gold standard. In spite of the *de facto* decay of the gold exchange standard, the cover reserves of central banks, when written up to market value, were generally sufficient³ in March 1935 to permit of a larger expansion of central bank credit than was the case in the earlier period. The adjustment of prices to exchange rates was incomplete in 1935, as a decade earlier. But prices in general were very much lower in terms of gold in 1935 than in 1925, and so far, at any rate, as the technical monetary and banking position is concerned, it would not appear unlikely that, in the event of currency stabilisation and a revival of international commerce, the necessary adjustments would be secured by a more rapid upward movement of prices in the countries whose currencies were relatively under-valued than in the rest of the world, and not — as in the earlier period — by a painful downward pressure on prices in the countries whose currencies were relatively overvalued.

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

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

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

AUSTRIA.

Introductory Note.

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

The reorganisation of the Bankverein and the Escompte-Gesellschaft in 1933 had proved inadequate; the Creditanstalt, on the other hand, gradually attained a relatively strong and liquid position¹ after its thoroughgoing reconstruction in 1932, in consequence of which the State guarantee for the liabilities of the Creditanstalt was terminated in July 1934. It was therefore natural that the Creditanstalt should form the nucleus of the banking merger in Austria.

The main provisions of the arrangement were as follows: The Creditanstalt (which is henceforth to be known as "Oesterreichische Creditanstalt-Wiener Bankverein") took over all liabilities and — after appropriate revaluation — all assets of the Bankverein. The revaluation of the Bankverein's assets revealed new losses of 46 million schillings, of which 30 millions were covered by the entire application of the Bankverein's reserves of 1 million schillings and by virtual cancellation of 29 million schillings of share capital, of which 10 million schillings was held by a consortium of Austrian banks led by the National Bank, 13 millions by a foreign group led by the Société générale de Belgique, and 6 millions by the National Bank and the Government through the Revisionsgesellschaft. (Only about 500,000 schillings of share capital was held by the public, and these shares were exchanged for Creditanstalt shares at the ratio of two to one.) The remaining loss was covered by a contribution of 16 millions from the National Bank to the Creditanstalt. This payment, together with an issue of 25 million schillings of new Creditanstalt shares to the National Bank² (thus raising the share capital of the former from 142 to 167 millions), was applied towards the reduction of the rediscount liabilities of the Bankverein to the National Bank, which amounted to about 60 million schillings in

April 1934. It is understood that the rest of the Bankverein's rediscount indebtedness was subsequently redeemed by the Creditanstalt. It may be mentioned in this connection that the arrangement outlined in the last edition of this *Memorandum*, whereby the Revisionsgesellschaft took over a certain amount of frozen assets at their book value from the Bankverein in exchange for rediscount facilities, was terminated, and the Revisionsgesellschaft handed back the assets in question to the Bankverein.

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

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

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

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

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

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

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

In this way it is expected to carry out the banking

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

Balance-Sheet Summary.

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

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

Care should also be taken in drawing conclusions from the composition of the summary balance-sheets, as the banks do not apply uniform principles in drawing up their accounts, and these accounts

contain relatively little detail. This question is dealt with further below. Since its reconstruction, the Creditanstalt has changed its methods of showing various items, and it is stated in its report for 1931-32 that exact comparison with previous years is impossible.

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

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

I. Cash.

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

AUSTRIA.

COMMERCIAL BANKS

Table 1 (a).

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

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

* Excluding the Zentraleuropäische Länderbank (see Balance-Sheet Summary).

^b Including 0.1 million schillings in contributions to Provident Funds.

3. Discounts.

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

6 and 7. Correspondent Accounts and Loans and Advances.

No distinction is made between these two items by the Escompte-Gesellschaft nor by the

Creditanstalt before 1932. For the other banks, the following figures are available :

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

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

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

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

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

9. Sundry Assets.

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

12 and 13. Capital and Reserves.

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

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

16 and 17. Correspondent Accounts and Deposits.

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

sheets, the Creditanstalt shows "Creditors" totalling 328 and 253 million schillings respectively, of which balances expressed in foreign currencies amounted to 55 million in the former and 36 million in the latter year.

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

18. Rediscounts.

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

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

* October 15th, 1932.

20. Sundry Liabilities.

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

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

22. Guarantees.

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

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

23. Other Contingent Liabilities.

The figures shown for 1932 and 1933 represent

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

Summary of Profit-and-Loss Accounts.

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

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

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

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

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

BELGIUM.

Introductory Note.

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

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

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

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

Société Générale and 37 per cent of the assets of the Banque de Bruxelles. The percentage distribution of securities and participations was as follows:

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

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

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

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

BELGIUM.

COMMERCIAL BANKS

Table 2 (a).

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

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

The Société nationale de crédit à l'industrie, formerly a semi-public mortgage bank, is authorised to take over such existing long-term industrial, commercial and agricultural loans¹ and participations as the joint-stock banks may wish to transfer to it and which the administration of the Société nationale considers sound. It is to pay for these with 3 per cent Government guaranteed debentures which it is authorised to issue up to the amount of 2,000 million francs. These debentures will be accepted by the National Bank of Belgium as security for advances. The loans so transferred are extended over a period of twenty years, and are to pay only 4½ per cent interest. The banks guarantee both interest and capital on loans transferred to the Société nationale. With the difference of 1½ per cent between the interest on its debentures and the interest paid on loans, the Société nationale is to constitute a reserve fund against eventual losses arising out of the failure of such banks as had transferred to it their long-term obligations.

The fourth decree (No. 7 of August 22nd, 1934) aims at inducing a revision of contracts by permitting private borrowers, until the end of 1935,

to reimburse capital loans before the due date at three months' notice.

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

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

Balance-sheet Summary.

3. Bills discounted and bought.

The sums shown represent net amounts excluding rediscounts.

4 and 5. Securities and Participations.

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

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

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

14. Profit-and-Loss Accounts.

The figures shown in the summary table represent

aggregate net profit balances less net losses, as follows:

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

15-20. Correspondents, Deposits and Other Liabilities.

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

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

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

BULGARIA.

Introductory Note.

The outstanding developments in Bulgarian banking in the course of 1933-34 have been the continued contraction of commercial bank credit and the reorganisation of the joint-stock banks and of two public credit institutions. After falling by over 2,200 million leva during 1931, commercial bank deposits continued to decline at the rate of about 500 million leva per year until the end of 1933. This contraction in deposits was accompanied, as the following summary¹ of the principal accounts of the private banks shows, by a further diminution of principal assets, and, in particular, of cash resources :

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

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

position of the banks in the first half of 1934 ; cash assets were maintained at a high level despite the usual seasonal reduction and the decline of some 50 millions in rediscounts, and deposits remained fairly stable.

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

Leva (000,000's)	Capital, re- serves, etc.	Depo- sits	Dis- counts and ad- vances	Total bal- ance- sheet	Per- cent- age of bal- ance- sheet total of all joint- stock banks
Four foreign banks	1929 295 1933 402	3,389 1,557	3,264 1,377	3,758 2,238	45 39
Two large Bulga- rian banks.	1929 194 1933 210	1,641 814	1,563 649	1,944 1,418	23 24
Other joint-stock banks.	1929 669 1933 665	1,929 839	2,167 778	2,740 922	32 37

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

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

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

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

BULGARIA.

COMMERCIAL BANKS

Table 3 (a).

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

balance-sheet of these eight institutions¹ amounted to 200 and 1,019 million leva respectively, and, after an evaluation of the accounts by a Special Committee, these two items were accepted at 82 and 945 million leva respectively. The Government contributes 50 million leva to the capital of the new bank, and the National Bank is authorised to grant it an extraordinary loan of 100 million leva. A plan for the amalgamation of the remaining private banks, some 120 in number, is under consideration. Soon after the creation of the *Crédit Bulgare*, the Government proceeded to the

amalgamation of two public credit institutions, the Agricultural Bank and the Central Co-operative Bank,² under the name of "*Banque agricole et coopérative de Bulgarie*". At the end of 1933, the deposits of these two institutions totalled 5,287 and 740 million leva respectively, and their balance-sheet total amounted to 8,177 and 1,337 million leva respectively. The amalgamation does not involve any revaluation of assets, but merely combines the accounts of the two institutions. The new bank has been given very extensive powers with regard to the extension of credit and the control of co-operative and people's banks.³

Balance-sheet Summary.

9. Sundry Assets.

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

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

14. Profit-and-Loss Account, etc.

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

following aggregate amounts :

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

17. Deposits.

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

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

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

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

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

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

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

CZECHOSLOVAKIA. ¹

Introductory Note.

The commercial banks of Czechoslovakia were in a less exposed position during the international financial crisis of 1931 than those of neighbouring countries. In the course of 1930, as a result largely of the recession of business activity and the consequent fall in the demand for credit, the banks converted a net balance of foreign indebtedness of 748 million Kč. into a credit balance of 176 million Kč. Though their foreign position on short-term account was favourable, they did experience considerable embarrassment in the summer of 1931, when substantial withdrawals of foreign credits from Czechoslovak banks and industries took place and a high proportion of short-term claims abroad was immobilised through exchange restrictions, standstill arrangements, etc. The foreign exchange reserves of the National Bank declined from 2,447 to 1,060 million Kč. (not including losses on sterling and other depreciated currencies) in the

course of 1931, over half the loss occurring in the third quarter of that year. The banks could not call in domestic credits rapidly enough to meet the withdrawals of foreign funds, which were covered partly by disposal of foreign assets² and particularly by recourse to the National Bank, whose bill portfolio soared from 479 to 2,159 millions in the second half of 1931. A system of exchange restrictions was introduced in October 1931.

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

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

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

The Banking Law of April 1932, the main provisions of which were described in the last issue

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

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

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

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

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

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

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

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

Balance-sheet Summary.

I. Cash.

The figures given are composed as follows :

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

The figures shown for 1931 and 1932 include sight balances with other banks, part of which were previously shown separately under group 2 and

foreign notes, also formerly shown in that group. No distinction is made among these items.

2. Other Items of a Cash Nature.

The figures given are composed as follows :

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

See note to group 1 above.

[Continued on page 16.]

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

CZECHOSLOVAKIA.

COMMERCIAL BANKS

Table 4 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :			
	1929	1930	1931	1932
Number of Banks	22	23	23	22
ASSETS.				
	Korony (ooo,ooo's omitted)			
1. Cash	2,010	1,836		
(a) Gold, silver and small coins	—	—		
(b) Inland notes and balances with Central Bank	—	—	1,933	2,607
2. Other Items of a Cash Nature	1,044	1,323		
3. Bills discounted and bought	2,728	2,818	2,157	1,917
(a) Treasury bills	—	—	—	—
(b) Commercial bills, Inland.	2,728	2,818	2,157	1,917
(c) Commercial bills, Foreign	—	—	—	—
4. Investments and Securities.	2,725	3,044	3,419	2,631
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations	1,054	1,100	821	801
6. Due from Banks (Correspondents).	—	—	—	—
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
7. Loans and Advances	20,643	20,548	17,242	14,639
(a) On current account	—	—	—	—
(b) Other	—	—	—	—
8. Cover for Acceptances.	—	—	—	—
9. Premises, etc.	385	415	531	516
10. Sundry Assets	756	868	853	527
11. Total Assets	31,345	31,952	26,956	23,728
LIABILITIES.				
12. Capital paid up.	1,845	1,852	1,533	1,284
13. Reserve Funds	1,382	1,431	1,011	904
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	253	205	66	65
15. Cheques and Drafts, etc., in circulation	—	—	—	—
16. Due to Banks (Correspondents)	7,787	7,038	5,542	4,154
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
17. Deposits	18,630	19,871	17,382	16,337
(a) Current accounts and sight deposits	9,703	9,972	8,285	7,741
(b) Savings accounts	8,927	9,899	9,097	8,596
(c) Time or fixed deposits	—	—	—	—
(d) Other deposits	—	—	—	—
18. Rediscounts and other Borrowings	—	—	—	—
19. Acceptances and Endorsements.	—	—	—	—
20. Sundry Liabilities.	1,448	1,555	1,422	984
21. Total Liabilities.	31,345	31,952	26,956	23,728
22. Value of currency in Swiss francs at the end of each year	0.15	0.15	0.15	0.15

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

3. Discounts.

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

6. Due from Banks.

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

7. Loans and Advances.

The sums in this group of the table are shown in the Czechoslovak banking statistics under the

general heading "Debtors", and are composed as follows :

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

The third item above represents credits granted

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

8. Cover for Acceptances.

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

10. Sundry Assets.

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

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

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

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

14. Profit-and-Loss Accounts, etc.

The sums given represent net profits of the year.

16. Due to Banks (Correspondents).

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

Summary of Profit-and-Loss Accounts.

1. Gross Profits.

The figures given are composed as follows :

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

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

17. Deposits.

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

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

Kč. (000,000's)	1929	1930	1931	1932
Deposits on savings account	7,865	8,306	7,877	7,491
"Cash certificates"	1,062	1,503	1,220	1,105
Total	8,927	9,899	9,097	8,596

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

20. Sundry Liabilities.

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

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

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

method has been followed in calculating the sundry profits.

2. Expenses.

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

3. Reserved for Pension Funds, etc.

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

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

FREE CITY OF DANZIG.

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

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

The Danzig currency remained linked to sterling until the United Kingdom abandoned the gold standard in September 1931; it was then decided to tie the Danzig florin directly to gold, and it was declared convertible into 0.292895 gramme of fine gold (*i.e.*, one twenty-fifth of the gold content of the pound sterling at the old parity). The reserve requirements were extended to include the demand liabilities of the Bank of Danzig in addition to its note circulation; and the minimum cover was raised to 40 per cent to be held in gold or gold exchange, while the direct limitation on the note issue was abolished. The liquidation of the sterling balances of the Bank of Danzig and their conversion into gold and dollars were partly effected before the suspension of gold payments by the United

Kingdom, but the loss on the remaining sterling assets severely affected the Bank's profit-and-loss account for 1931. Since September 1931, the convertibility of the florin into gold has been maintained by Danzig without any restrictions.

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

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

Gulden (000,000's)	Commercial banks		Savings banks	
	Deposits	Of which in foreign currency	Deposits	Of which in foreign currency and current accounts
End of				
1925	73.5	...	40.1	23.8
1929	154.1	43.3	89.1	33.7
1930	150.5	46.0	95.4	37.6
1931	197.5	...	75.6	29.5
1932	96.7	...	73.4	26.0

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

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

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

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

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

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

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

The German credit crisis of the summer of 1931 caused a run on the commercial banks in Danzig, the more important of which are branches or affiliates of large German banking institutions.

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

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

DENMARK.¹

Introductory Note.

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

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

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

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

months of 1931), which naturally tended to withdraw notes from circulation and thus to counteract the effects of increased borrowing by the commercial banks.

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

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

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

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

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

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

Further measures were taken to reduce the long-term interest rate and to alleviate the burden of fixed indebtedness — especially in agriculture — by facilitating conversion operations. Among these may be mentioned a Law of May 1st, 1933, which attempted to limit the competition for deposits by requiring both commercial and savings banks to reduce interest allowances to a maximum of 3 per cent on deposits at less than three months' notice and 3½ per cent on deposits at three months' notice and over. Fears of deposit withdrawals as a result of this measure proved unfounded. There is, however, some evidence to suggest that a greater part of the savings of the public henceforth found their way directly into the security market, without the mediation of the banking system. By another

Law of May 1st, 1933, the Government established a Special Fund (Krisefonden) to make advances to savings and commercial banks whose position was endangered by withdrawals of deposits. The fund was financed through the issue of Treasury bonds. No serious runs took place, however, and the fund was used only to a small extent in 1933. Nevertheless, its original resources of 100 million kroner had been exhausted by the middle of 1934, when the Treasury was authorised to borrow an additional 60 millions on its behalf. The increase in note circulation — 43 million kroner — which occurred during 1933 does not reflect currency hoarding, but rather an incipient revival of business activity and a rise in the level of prices; it was largely concentrated in the last four months of the year.

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

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

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

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

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

DENMARK.

COMMERCIAL BANKS

Table 5 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1930	1931	1932	1933
Number of : Banks	180	180	179	175	174
Branches and Sub-Branches	550	575	582	590	603
ASSETS.					
	Kroner (ooo,ooo's omitted)				
1. Cash.	77.2	92.4	76.6	140.7	102.7
(a) Gold, silver and small coins.	2.5	2.7	2.9	2.6	2.8
(b) Inland notes and balances with Central Bank	74.7	89.7	73.7	138.1	99.9
2. Other Items of a Cash Nature	24.6	28.5	26.6	31.7	97.1
3. Bills discounted and bought	403.2	428.3	428.8	351.3	347.8
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland.	386.1	416.7	424.4	346.1	341.6
(c) Commercial bills, Foreign	17.1	11.6	4.4	5.2	6.2
4. Investments and Securities.	583.0	655.4	577.3	577.3	630.6
(a) Government	102.8	99.2	79.2	89.2	116.2
(b) Other	480.2	556.2	498.1	488.1	514.4
5. Participations.	—	—	—	—	—
6. Due from Banks (Correspondents)	216.9	194.9	120.1	147.3	186.9
(a) At home.	79.3	77.3	77.6	90.5	102.6
(b) Abroad	137.6	117.6	42.5	56.8	84.3
7. Loans and Advances.	1,454.6	1,446.8	1,423.0	1,281.7	1,301.0
(a) On current account	1,160.2	1,137.0	1,100.1	984.1	994.3
(b) Other	294.4	309.8	322.9	297.6	306.7
8. Cover for Acceptances.	2.5	2.7	4.1	0.9	0.8
9. Premises, etc.	79.7	79.7	84.7	84.9	81.1
10. Sundry Assets	71.9	107.6	119.8	86.8	86.2
11. Total Assets	2,913.6	3,036.3	2,861.0	2,702.6	2,834.2
LIABILITIES.					
12. Capital paid up.	279.4	282.3	280.3	281.4	282.5
13. Reserve Funds	138.9	143.2	126.2	141.6	158.3
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	38.6	34.2	23.3	20.9	23.0
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	383.4	354.9	353.5	297.8	307.9
(a) At home.	265.1	234.2	285.7	219.9	237.3
(b) Abroad	118.3	120.7	67.8	77.9	70.6
17. Deposits	1,992.1	2,110.0	1,959.7	1,888.9	1,990.5
(a) Current accounts and sight deposits	550.6	614.2	544.9	533.2	569.1
(b) Savings accounts	543.3	575.7	535.8	476.2	521.0
(c) Time or fixed deposits	898.2	920.1	879.0	879.5	900.4
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	19.9	21.6	20.8	27.7	20.2
19. Acceptances and Endorsements.	2.5	2.7	4.1	0.9	0.8
20. Sundry Liabilities.	58.8	87.3	93.1	43.4	51.0
21. Total Liabilities.	2,913.6	3,036.3	2,861.0	2,702.6	2,834.2
22. Value of currency in Swiss francs at the end of each year	1.39	1.39	0.95	0.88	0.75

DENMARK.

COMMERCIAL BANKS

Table 5 (b).

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

Balance-sheet Summary.

1. Cash.

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

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

3. Discounts.

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

4 and 5. Investments and Securities; Participations.

Details are shown below :

Kroner (000,000's)	1920	1930	1931	1932	1933
Government bonds	84.3	99.2	79.2	89.2	116.2
Municipal bonds	18.5	32.1	29.3	47.2	53.3
Bonds of credit associations, etc.	196.9	238.5	170.0	148.1	184.1
Mortgage bonds (<i>Pante-obligationer</i>)	153.0	157.1	168.8	169.9	167.0
Other Danish bonds	54.1	47.9	53.4	47.9	46.6
Shares	71.0	72.2	71.7	70.7	59.2
Foreign bonds and shares	5.2	8.4	4.9	4.3	4.2
Total	583.0	655.4	577.3	577.3	630.6

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

6. Due from Banks (Correspondents).

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

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

7. Loans and Advances.

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

Summary of Profit-and-Loss Accounts.

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

I. Gross Profits.

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

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

8. Cover for Acceptances.

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

10. Sundry Assets.

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

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

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

16. Due to Banks (Correspondents).

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

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

17. Deposits.

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

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

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

ESTONIA.

Introductory Note.

No remarkable changes took place in the Estonian banking situation during 1933. The banks were at first but little affected by the depreciation of the Estonian crown after June 28th, 1933 ; in comparison with the severe credit-contraction of the two preceding years, however, the stability shown by the principal balance-sheet items in 1933 represents a decided improvement.¹ In 1934, on the other hand, a substantial revival of banking activity took place in conjunction with the general business recovery of the country.

The attached Summary Table relates to the position on December 1st of each year ; it is based on figures published in the Monthly Bulletin of the Central Bureau of Statistics for all the years under review.

The figures given in the Monthly Report of the Bank of Estonia, which are less detailed but fully comparable with the data for December 1st, show that the volume of deposits on December 31st, 1933, was the same — namely, 51 million kroons — as on December 31st, 1932. The shares of the joint-stock and the twenty-six co-operative banks in this total also remained unchanged at 29 and 22 million kroons respectively. But the composition of the total deposits of the joint-stock banks altered, a decline of about 2 millions in fixed and other deposits being compensated by an equivalent increase of current accounts. This shift was much more pronounced in the first half of 1934, thus reflecting the improvement in Estonian economic conditions. Between the end of June 1933 and the end of June 1934, aggregate deposits rose from 49 to 60 million kroons, or by more than 20 per cent, sight deposits accounting for the whole of that increase.

On the other hand, the aggregate of domestic discounts, loans and advances remained practically constant at a level of 70 million kroons between

the middle of 1933 and the middle of 1934. The banks' cash reserves increased from 4.6 to 8.3 million kroons in the same period.

The net indebtedness of the Estonian banks to foreign correspondents was further reduced during 1933. Their holdings of foreign bills, on the other hand, increased quite markedly with the revival in the country's foreign trade ; they rose from 3.6 to 7.4 million kroons during the first quarter of 1934. The gold and foreign exchange reserves of the Bank of Estonia increased from 19.6 to 31.3 millions between the middle of 1933 and the end of September 1934.

The incipient recovery of domestic business activity is also indicated by the expansion which has recently taken place in the clearing turnover at the Bank of Estonia. The value of cheques cleared in the first half of 1934 was 47.9 million kroons as compared with 39.7 million in the corresponding period of the previous year. A small increase in the note circulation (from 31.4 to 33.7 million kroons between the end of September 1933 and the end of September 1934) points in the same direction.

As from November 1st, 1933, the maximum rates of interest on deposits and on loans were reduced by law to 5 per cent and 7 per cent respectively for all Estonian banking institutions.

In July 1934, a reconstruction of the largest joint-stock bank (the Krediidipank) was carried out. That bank had received extensive support from the Government through the National Mortgage Bank in 1931 and 1932. It now wrote off four-fifths (1.12 million kroons) of its share capital, and handed over an equal amount of new shares to the State in return for the cancellation of part of its debt, thus bringing up its share capital to the previous level of 1.4 million kroons. The remainder (7.27 millions) of the bank's indebtedness to the State is to be gradually redeemed in the course of fifty years.

¹ The fall in the balance-sheet total which appears from the Summary Table covering all the joint-stock banks and twenty-six of the larger co-operative banks is mainly due to the fact that an item representing contingent liabilities of the members of co-operative banking associations (and previously included in the Summary Table under sundry assets and liabilities), which amounted in 1932 to 6 million kroons, was omitted from the official statistics for 1933.

ACCOUNTS	SUMMARY OF POSITION ON DECEMBER 1st:				
	1929	1930	1931	1932	1933
Number of Banks	40	40	41	41	41
ASSETS.					
	Ekr. (ooo,ooo's omitted)				
1. Cash	3.0	2.9	2.7	2.0	2.4
(a) Gold, silver and small coins	—	—	—	—	—
(b) Bank notes, State notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	2.1	3.0	2.8	2.7	3.0
3. Bills discounted and bought	46.9	42.8	35.8	32.3	32.2
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	37.6	34.3	32.4	29.2	28.4
(c) Commercial bills, Foreign	9.3	8.5	3.4	3.1	3.8
4. Investments and Securities	1.4	2.0	1.7	1.9	2.4
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	5.2	4.8	4.0	2.6	2.3
(a) At home	3.7	3.4	2.1	1.8	1.4
(b) Abroad	1.5	1.4	1.9	0.8	0.9
7. Loans and Advances	54.4	62.5	53.4	46.7	42.0
(a) On current account	46.3	54.6	46.1	41.1	36.6
(b) Other	8.1	7.9	7.3	5.6	5.4
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	7.2	7.7	7.2	7.6	9.2
10. Sundry Assets	12.0	14.0	16.0	14.5	8.1
11. Total Assets	132.2	139.7	123.6	110.3	101.6
LIABILITIES.					
12. Capital paid up	8.6	8.7	7.5	7.9	8.0
13. Reserve Funds	2.2	2.5	2.5	2.7	2.7
14. Profit-and-Loss Accounts, Undivided Profits, etc.	1.0	1.4	1.1	0.8	0.3
15. Cheques and Drafts, etc., in Circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	12.4	15.0	15.3	16.7	14.1
(a) At home	4.0	3.3	8.5	9.5	9.8
(b) Abroad	8.4	11.7	6.8	7.2	4.3
17. Deposits	63.0	69.1	60.7	50.8	49.6
(a) Current accounts	39.8	42.8	36.8	34.5	34.6
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	20.4	23.0	21.3	14.9	13.4
(d) Other deposits	2.8	3.3	2.6	1.4	1.6
18. Rediscounts and Borrowings	27.2	24.2	16.8	15.1	16.6
19. Acceptances and Endorsements	0.2	0.2	0.4	0.1	0.1
20. Sundry Liabilities	17.6	18.6	19.3	16.2	10.2
21. Total Liabilities	132.2	139.7	123.6	110.3	101.6
22. Guarantees	16.7	13.5	6.6	5.3	5.1
23. Value of currency in Swiss francs at the end of each year	1.39	1.39	1.39	1.39	0.94

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

ESTONIA.

JOINT-STOCK BANKS

Table 6 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS OF THE JOINT-STOCK BANKS:				
	1929	1930	1931	1932	1933
Number of Banks	19	16	16	15	14
	Ekr. (000,000's omitted)				
Capital paid up	6.92	6.81	5.47	5.78	5.93
Reserves and Undivided Profits	1.72	1.83	1.79	1.89	1.92
1. Gross Profits	4.3	3.5	3.2	2.5	2.5
<i>To be deducted:</i>					
2. Expenses	2.4	1.9	1.8	1.6	1.4
(a) Salaries, etc.	1.4	1.2	1.2	0.8	0.9
(b) Other working expenses	0.7	0.6	0.5	0.6	0.3
(c) Taxes, etc.	0.3	0.2	0.2	0.2	0.2
3. Reserve for Pensions Fund, etc.	—	—	—	—	—
4. Written off on (Depreciation Accounts).	1.2	1.2	1.1	1.0	0.9
(a) Premises, etc.	0.1	0.1	0.1	0.1	0.1
(b) Investments and securities.	1.1	1.1	1.0	0.9	0.8
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit (+) or Loss (—)	+0.7	+0.4	+0.3	-0.1	+0.2
6. Carried forward from Preceding Year	—	—	—	—	—
7. Taken from Reserves or Capital.	0.4	0.1	—	0.3	0.1
8. Total Amount disposed of for Dividends, etc.	1.1	0.5	0.3	0.2	0.3
14. Value of currency in Swiss francs at the end of each year	1.39	1.39	1.39	1.39	0.94

Balance-sheet Summary.

1. Cash.

Coins and notes are not shown separately in the official statistics. Balances with the Central Bank are given separately for the joint-stock banks as follows :

	Ekr. (000,000's)
1929	0.8
1930	0.9
1931	0.6
1932	0.8
1933	0.7

2. Other Items of a Cash Nature.

Under this head are included foreign bank-notes and sight claims on credit institutions other than the Eesti Pank.

3. Bills discounted and bought.

Treasury bills do not play a rôle in the Estonian credit system, as the Government can borrow directly from the bank of issue within certain

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

Ekr. (000,000's)	1929	1930	1931	1932	1933
<i>Inland bills :</i>					
Discounted	37.6	34.3	32.4	29.2	28.4
Rediscounted	6.9	5.2	4.0	4.4	4.8
Net balance	30.7	29.1	28.4	24.8	23.6
<i>Bills payable abroad :</i>					
Discounted	9.3	8.5	3.4	3.1	3.8
Rediscounted	9.5	8.5	2.8	3.0	3.6
Net balance	-0.2	0.0	0.6	0.1	0.2
<i>All bills :</i>					
Discounted	46.9	42.8	35.8	32.3	32.2
Rediscounted	16.4	13.7	6.8	7.4	8.4
Net balance	30.5	29.1	29.0	24.9	23.8

It will be noted that, as a rule, practically the whole portfolio of bills payable abroad is rediscounted. The statistics do not indicate to what extent, if any, these bills are rediscounted directly with foreign banks.

7. Loans and Advances.

The current account advances given in the Summary Table represent almost entirely the current account advances of the joint-stock banks ; and the sums given for " other loans and credits " represent in the main the longer term advances of the co-operative banks.

10. Sundry Assets.

The composition of the aggregates given in the Summary Table is shown below :

Ekr. (000,000's)	1929	1930	1931	1932	1933
Protested bills	0.8	0.9	1.1	0.9	0.8
Current expenses, interest and commissions paid	6.3	6.5	5.6	4.1	3.4
Transitory accounts	1.1	1.2	1.2	0.9	1.2
Other accounts	3.6	5.4	8.1	8.6	2.7
Total	12.0	14.0	16.0	14.5	8.1

Summary of Profit-and-Loss Accounts.

1. Gross Profits.

The sums shown under this heading represent the difference between (A) total receipts from interest and commissions, foreign exchange, real estate and security transactions, etc., and (B) interest and commissions paid, which items are all given in detail in the official statistics.

11 and 21. Total Assets and Liabilities.

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

14. Profit-and-Loss Accounts, etc.

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

18. Rediscounts and Borrowings.

The official statistics distinguish between rediscounts and borrowings. (For a comparison of discounts and rediscounts of inland bills and of bills payable abroad, see note to item 3 of the Summary Table.) The difference between total creditors and creditors at home of the joint-stock banks as shown in the official statistics has been taken to represent borrowings abroad by these banks. The co-operative banks do not borrow abroad to any significant extent. The detailed composition of the aggregates given in the Summary Table is shown below :

Ekr. (000,000's)	1929	1930	1931	1932	1933
<i>Rediscounts :</i>					
Inland bills	6.9	5.2	4.0	4.4	4.8
Bills payable abroad	9.5	8.6	2.8	3.0	3.6
Total	16.4	13.8	6.8	7.4	8.4
<i>Borrowings :</i>					
At home	8.6	8.4	8.1	7.7	8.2
Abroad	2.2	2.0	1.7	0.1	—
Total	10.8	10.4	9.8	7.8	8.2
Grand total	27.2	24.2	16.6	15.2	16.6

20. Sundry Liabilities.

The composition of the sums given are detailed below :

Ekr. (000,000's)	1929	1930	1931	1932	1933
Interest and commissions received	10.3	10.2	8.8	5.6	6.0
Transitory accounts	2.0	1.2	1.2	1.0	1.0
Other liabilities, including net balance of inter-branch accounts	5.3	7.2	9.3	9.6	3.2
Total	17.6	18.6	19.3	16.2	10.2

2. Expenses.

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

FINLAND.¹

Introductory Note.

Banking conditions in Finland, unlike most other countries, became stringent in 1928, the peak of industrial and general economic activity having been passed in that year. During the first half of 1929, the volume of commercial bank deposits, particularly time deposits, rose ; but current accounts fell sharply in the latter half-year, which more than offset a continued increase in time accounts. The aggregate of loans and discounts also declined steadily in the latter part of the year.

Amounts written off assets totalled 70 million markkaa, as compared with 40 millions in 1928 ; and rediscounts at the Bank of Finland averaged 595 millions in 1929 as against 238 million markkaa in the preceding year.

The following table, which summarises some of the principal accounts of the commercial banks and the Bank of Finland, shows that, although economic conditions deteriorated further in 1930, there was some relaxation in the commercial banking position.

Markkaa (000,000 s omitted) — End of	Commercial banks			Markkaa (000,000's omitted) — End of	Bank of Finland		Bank of Finland and commercial banks : net foreign assets
	Domestic discounts, loans and advances	Deposits	Rediscounts with Bank of Finland		Current account liabilities ^a	Note circulation	
1929. . .	9,510	7,481	490	1929. . .	48	1,361	433
1930. . .	9,167	7,498	147	1930. . .	23	1,279	799
1931. . .	8,696	7,378	461	1931. . .	51	1,292	590
1932. . .	8,195	7,155	296	1932. . .	63	1,085	541
1933. . .	7,528	7,498	—	1933. . .	327	1,184	1,466

^a To others than the Treasury.

Aggregate deposits rose slightly on balance during the year, while the demand for banking accommodation fell off. The easier position of the banks is reflected in a drop of about 350 million markkaa in their rediscount indebtedness to the Bank of Finland ; there was also a considerable reduction in their liabilities to foreign correspondents and, in consequence, an increase in the net foreign assets of the Finnish banking system.

In 1931, however, the situation became strained. The volume of deposits, well maintained at first, fell by over 500 million markkaa in the second half of the year (which considerably exceeds the usual seasonal reduction). Loans and domestic discounts declined by about 230 millions till the end of August, but — due to the increase in frozen positions and the difficulty of reducing new loans correspondingly — took an upward turn in the following months, thus accentuating the embarrassment caused to the banks by the withdrawals of deposits. The sharp reduction of nearly 400 millions, which is shown by the available monthly figures to have taken place in commercial bank loans and discounts in December, was chiefly due to the writing off, in closing the year's accounts, of bad assets. The freezing of credit in 1931 is strikingly brought out by the figures for the total turnover of commercial banks in 1930 (550,204 million markkaa) and in 1931 (455,081 million markkaa), which show a fall of over 17 per cent, as compared

with a reduction of only 2 per cent in the end-of-year balance-sheet total.

In addition to the loss of deposits at home, the banks also had to meet substantial withdrawals of foreign short-term funds, particularly after the suspension of the gold standard by the United Kingdom. Their cash reserves were replenished through recourse to the Central Bank ; rediscounts with the Bank of Finland shot up from 38.8 million markkaa in July 1931 to 482.8 million markkaa at the end of the year. The Bank of Finland's "loans on security", mainly representing credit granted to banks and other financial institutions, rose from about 25 million markkaa in the first half of the year to 136.4 in the middle of December. Moreover, deposits (excluding Government balances) with the Bank of Finland, which stood at nearly 200 million markkaa in January, had been entirely withdrawn by the end of September. There was, however, no appreciable rise in the note circulation (except for a temporary expansion in October, due to a short-lived run on the joint-stock banks), since withdrawals of foreign short-term balances, repurchases of Finnish bonds issued abroad, accelerated repayments of foreign credits for fear of currency depreciation, in addition to some flight of domestic capital, which all led to heavy demands upon the foreign exchange reserves of the Central Bank, had the reverse effect of withdrawing currency from circulation. Between

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

the end of June and the middle of December, the foreign balances of the Bank of Finland dropped from 882 to 303 million markkaa. After substantial losses of foreign exchange, the gold standard was suspended on October 12th.

The volume of commercial bank deposits continued to decline in 1932, the net decrease for that year amounting to 223 million markkaa. The fall in the total of loans and discounts was more than twice as great. The banks considerably increased their holdings of securities and redeemed part of their rediscount indebtedness to the Central Bank. The latter fell from 461 millions at the beginning of the year to 129 millions at the end of July. But, as the decline of deposits was concentrated in the second half of the year, rediscounts again took an upward turn, reaching a figure of 300 millions in December. In spite of this, the note circulation showed a falling tendency, even in the latter part of the year, and for 1932 as a whole the average volume of notes outstanding was nearly 100 million markkaa below the corresponding amount for the preceding year. The various forms of capital export continued to cause serious difficulty to the Central Bank, especially in the summer of 1932, when there occurred a temporary but sharp decline of confidence in the Finnish mark, so that the Bank of Finland found it necessary to strengthen its exchange reserve by taking up a foreign short-term credit of £1 million.

In 1933, aggregate deposits in the commercial banks showed a small increase, which was proportionately greater for current accounts than for time deposits. At the same time, there was a further sharp decline in the aggregate of loans and discounts. The reduction in the volume of outstanding loans is, however, not to be interpreted as reflecting exclusively a further fall in the demand for credit. It was primarily due to the fact that the banks now found themselves in a sufficiently liquid position to write off on an adequate scale doubtful assets and losses which had occurred in the course of the depression. Moreover, the partial recovery of industrial activity enabled the banks gradually to liquidate some of their frozen assets; and, finally, the stock-exchange revival permitted several industrial companies to pay off bank debts by marketing long-term capital issues.

As a result of these developments, the banks attained an extraordinary degree of liquidity in 1933. Their cash reserves were more than doubled in the course of the year. Their rediscount indebtedness to the Central Bank was rapidly reduced, until in October that item disappeared

completely from the statement of the Bank of Finland. The current account liabilities* of the Bank of Finland (to "others than the Treasury" — *i.e.*, representing chiefly bankers' balances) rose from 63 million markkaa at the end of 1932 to 327 millions at the end of 1933.

The Bank of Finland reduced its discount rate in four stages in the course of 1933 from 6½ to 4½ per cent. As a result partly of the return of confidence in the currency and partly of the favourable foreign trade position, the net exchange holdings of the Bank of Finland showed a remarkable increase from 543 to 1,322 million markkaa during the year. The note issue of the Bank of Finland was slightly higher at the end of 1933 than a year earlier, though the average volume of notes in circulation during the year was still slightly below the level of 1932.

A notable effect of the depression in Finland has been to reduce the number of banks — by mergers and liquidations — from seventeen to eleven. Of the eleven commercial banks in existence at the end of 1933, two were in process of liquidation, and one, though transacting commercial banking business, operates mainly as the Central Bank of the 481 savings banks. The continued concentration of banking resources during the depression is illustrated by the fact that the three largest banks controlled 86 per cent of the combined balance-sheet total of all commercial banks at the end of 1933, as compared with 63 per cent at the end of 1930.

A new Banking Law came into force on April 1st, 1933, replacing a Law of 1886, which has hitherto formed the legal basis of commercial banking in Finland. The new law¹ sets up more stringent conditions for the establishment of new banks and for the opening of branch offices. The minimum share capital of any bank is fixed at 100 million markkaa, and a certain proportion of net profits must be set aside each year to reserves. The new law reinforces the principle of strictly commercial banking by prohibiting the banks from participating directly or indirectly in commercial or industrial enterprises, or investing more than 10 per cent of their own funds (*i.e.*, share capital and reserves) in shares; the law also imposes severe restrictions on investments in real estate. The banks are required, under the new law, to maintain a cash reserve of at least 20 per cent of total sight liabilities; this reserve may include balances at the Bank of Finland, net claims on domestic or foreign banks payable on demand, foreign commercial bills, bonds quoted on foreign stock exchanges, and Finnish State bonds, in addition to cash in hand.

¹ Its detailed provisions are described in the *Monthly Bulletin of the Bank of Finland*, March 1933.

FINLAND.

COMMERCIAL BANKS

Table 7 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of : Banks	17	17	14	12	11
Branches and Sub-Branches.	611	606	566	499	489
ASSETS.					
	Markkaa (ooo,ooo's omitted)				
I. Cash	238.4	223.1	231.8	213.4	533.9
(a) Gold, silver and small coins	—	—	—	—	0.2
(b) Inland notes and balances with Central Bank	238.4	223.1	231.8	213.4	533.7
2. Other Items of a Cash Nature	67.5	52.1	43.3	32.3	46.6
3. Bills discounted and bought.	3,356.4	2,756.9	2,395.1	1,853.3	1,435.5
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland	3,297.3	2,696.3	2,273.1	1,828.5	1,355.3
(c) Commercial bills, Foreign	59.1	60.6	122.0	24.8	80.2
4. Investments and Securities.	266.1	318.6	339.9	415.7	485.8
(a) Government	31.7	34.1	39.2	40.6	84.1
(b) Other	234.4	284.5	300.7	375.1	401.7
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	236.0	210.2	192.7	137.4	371.9
(a) At home.	61.2	46.8	16.8	32.4	124.7
(b) Abroad	174.8	163.4	175.9	105.0	247.2
7. Loans and Advances.	6,222.8	6,471.2	6,422.9	6,366.8	6,173.4
(a) On current account	3,586.8	3,588.9	3,394.9	3,140.4	2,952.4
(b) Other	2,636.0	2,882.3	3,028.0	3,226.4	3,221.0
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	262.5	286.2	286.4	287.6	262.9
10. Sundry Assets	243.9	222.5	407.3	203.1	294.3
11. Total Assets	10,893.6	10,540.8	10,319.4	9,509.6	9,604.3
LIABILITIES.					
12. Capital paid up.	1,115.0	1,115.0	1,115.5	928.5	914.0
13. Reserve Funds	568.1	596.3	584.0	546.2	531.2
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	240.4	198.4	186.8	141.1	127.8
15. Cheques and Drafts, etc., in circulation	169.1	160.8	151.3	116.2	131.5
16. Due to Banks (Correspondents)	482.4	358.2	196.2	132.3	184.1
(a) At home.	—	—	—	—	—
(b) Abroad	482.4	358.2	196.2	132.3	184.1
17. Deposits	7,481.3	7,697.8	7,378.5	7,154.7	7,498.0
(a) Current accounts and sight deposits	1,486.1	1,555.5	1,635.0	1,607.2	1,765.8
(b) Savings accounts	766.7	828.8	793.0	786.4	837.8
(c) Time or fixed deposits	5,228.5	5,313.5	4,950.5	4,761.1	4,894.4
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	530.3	161.7	487.5	314.4	30.0
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities.	307.0	252.6	219.6	176.2	187.7
21. Total Liabilities	10,893.6	10,540.8	10,319.4	9,509.6	9,604.3
22. Contingent Liabilities	1,078.9	1,001.4	988.9	846.3	1,015.8
23. Value of currency in Swiss francs at the end of each year	0.131	0.131	0.087	0.075	0.075

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks	17	17	14	12	11
	Markkaa (000,000's omitted)				
Capital paid up	1,115.0	1,115.0	1,115.5	928.5	914.0
Reserves and Undivided Profits	606.0	639.5	633.9	589.0	572.1
1. Gross Profits	498.1	463.1	431.1	355.2	317.9
<i>To be deducted</i>					
2. Expenses	241.6	236.7	211.5	185.4	170.2
(a) Salaries, etc.	123.6	121.3	111.3	99.8	98.3
(b) Other working expenses	48.0	46.6	43.0	37.0	32.5
(c) Taxes, etc.	70.0	68.8	57.2	48.6	39.4
3. Reserved for Pension Funds, etc.	1.2	1.1	2.1	—	—
4. Written off on (Depreciation Accounts for)	69.6	74.4	305.2	97.5	151.5
(a) Premises, etc.	6.6	1.0	0.3	0.2	6.9
(b) Investments and securities	10.2	3.8	8.1	3.4	5.5
(c) Other assets	52.8	69.6	296.8	93.9	139.1
5. Remaining Net Profit or Loss (—)	185.7	150.9	— 87.7	72.3	— 3.8
6. Carried forward from Preceding Year	37.9	43.2	55.4	42.8	40.9
7. Taken from Reserves or Capital	14.8	1.9	205.3	22.3	86.6
8. Total Amount disposed of for Dividends, etc	238.4	196.0	173.0	137.4	123.7
9. Carried to Reserves	30.5	4.1	9.4	1.0	2.2
10. Dividends	159.2	141.2	119.7	94.8	91.5
11. Directors' Fees, etc.	0.8	0.5	0.6	0.3	—
12. Other Purposes	4.7	0.8	0.6	0.4	—
13. Carried forward to Following Year	43.2	49.4	42.7	40.9	30.0
14. Total as above	238.4	196.0	173.0	137.4	123.7
15. Value of currency in Swiss francs at the end of each year	0.131	0.131	0.087	0.075	0.075

Balance-sheet Summary.

1. Cash.

The composition of the figures given under (b) is shown below :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Notes and small coins	219.4	204.1	180.1	165.8	214.5
Sight balances with Bank of Finland and other banks	19.0	19.0	51.7	47.6	319.2
Total	238.4	223.1	231.8	213.4	533.7

2. Other Items of a Cash Nature.

The figures given are made up as follows :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Foreign banknotes	9.1	9.0	7.2	6.1	3.6
Post bills of the Bank of Finland	0.7	0.9	0.5	0.4	0.9
Post bills of private banks	56.6	41.0	34.8	24.9	41.3
Miscellaneous	1.1	1.2	0.8	0.9	0.8
Total	67.5	52.1	43.3	32.3	46.6

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

The composition of group 4 (b) is given below :

Markkaa (000,000's)	1929	1930	1931	1932	1933
<i>Bonds:</i>					
In foreign currency.	33.2	48.8	54.0	56.6	30.2
Of municipalities.	23.1	32.1	27.2	27.3	27.9
Of bank and mortgage institutions	16.6	35.8	35.3	45.0	62.8
Other.	70.6	66.1	69.0	69.3	87.5
Total bonds	143.5	182.8	185.5	198.2	208.4
<i>Shares:</i>					
In credit and insurance institutions	66.4	65.2	61.9	56.2	56.1
Other.	24.5	36.5	53.3	120.7	137.2
Total shares	90.9	101.7	115.2	176.9	193.3
Total "Other securities".	234.4	284.5	300.7	375.1	401.7

6. *Due from Banks (Correspondents).*

The balance-sheets, as summarised in the official banking statistics, contain an item, "Inland Correspondents", which, however, represents almost entirely ordinary current accounts of private clients of the bank. These accounts, which are shown separately in a special statement, have been included under "Loans and Advances" in the present Summary Table (see note 7 below). The sums shown in group 6 (a) of the table represent the remainder of the item "Inland Correspondents", plus a small item, "Deposit Certificates of Other Banks", shown separately in the official statistics.

7. *Loans and Advances.*

The sums given under (a) consist of "Cash Credits", other current accounts and "Personal Accounts", and represent amounts actually drawn. In the statement below, the unutilised balances and the total amount of credits opened are shown, in addition to the amounts drawn.

Markkaa (000,000's)	1929	1930	1931	1932	1933
<i>I. Amounts drawn:</i>					
Cash credit	1,411.5	1,307.9	1,149.0	1,032.7	887.8
Current and personal accounts.	2,175.3	2,281.0	2,245.9	2,107.7	2,064.6
Total drawn	3,586.8	3,588.9	3,394.9	3,140.4	2,952.4
<i>II. Balances:</i>					
Cash credit	172.1	186.4	182.5	126.8	136.8
Current and personal accounts.	906.8	815.0	806.4	719.5	879.0
Total unutilised	1,078.9	1,001.4	988.9	846.3	1,015.8
Total credits opened (I and II)	4,665.7	4,590.3	4,383.8	3,986.7	3,968.2

Unutilised balances of credits granted are shown under the heading "Contingent Liabilities" at the bottom of the Summary Table.

The sums shown under 7 (b) in the Summary Table represent loans. The composition of total loans and advances according to the character of the cover is shown below :

Markkaa (000,000's)	1929	1930	1931	1932	1933
<i>Loans and advances against:</i>					
Mortgages	1,937.7	2,148.0	2,379.4	2,270.6	2,390.4
Bonds and bank deposit certificates	85.8	98.1	90.5	65.3	112.9
Shares	1,108.5	1,043.2	930.5	770.3	699.7
Goods	10.8	17.5	20.2	16.2	17.3
Guarantee	1,886.2	1,774.3	1,532.6	1,314.3	1,084.5
Single signature	2,272.6	2,391.5	2,458.6	2,776.4	2,884.4
Total	7,301.6	7,472.6	7,411.8	7,213.1	7,189.2

10. *Sundry Assets.*

The figures given are made up as follows :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Mortgage loans, etc.	5.3	4.9	2.6	1.0	1.8
Interest receivable	92.9	94.9	95.9	77.1	66.2
Sundries	145.7	122.7	308.8	125.0	226.3
Total	243.9	222.5	407.3	203.1	294.3

15. *Cheques and Drafts in Circulation.*

The figures shown represent bank-post bills issued.

16. *Due to Banks (Correspondents).*

The figures given under (b) are shown in the official statistics under the heading "Foreign correspondents" and represent in the main banks and bankers. The item "Inland correspondents" of the Finnish banking statistics, however, consists almost exclusively of current accounts of private clients of the banks. As the sums due to banks at home are not shown separately anywhere in these statistics, the whole of the item "Inland correspondents" has been included in the current accounts in the Summary Table (see note to group 17 below).

17. *Deposits.*

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

Markkaa (000,000's)	1929	1930	1931	1932	1933
Deposits in current account	724.0	669.8	667.1	626.0	756.4
Inland correspondents	762.1	885.7	967.9	981.2	1,009.4
Total (item 17 (a))	1,486.1	1,555.5	1,635.0	1,607.2	1,765.8
Unutilised balances of credits opened	1,078.9	1,001.4	988.9	846.3	1,015.8
Total (including credit balances)	2,565.0	2,556.9	2,623.9	2,453.5	2,781.6

18. Re-discounts and Other Borrowings by the Banks.

The sums shown under this heading in the Summary Table are composed as follows :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Bills re-discounted	490.5	147.2	461.3	296.2	—
Borrowings against security of premises	4.2	4.1	3.5	3.3	0.6
Other borrowings	35.6	10.4	22.7	14.9	29.4
Total	530.3	161.7	487.5	314.4	30.0

Summary of Profit-and-Loss Accounts.

I. Gross Profits.

The figures given in the Summary Table are composed as follows :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Net interest and commissions from discounts, loans and advances	424.2	395.6	328.4	269.8	231.5
Profit on securities and exchange	46.5	42.0	65.5	62.1	60.6
Recovered from assets written off	1.8	3.0	4.2	2.3	4.0
Sundry profits	25.6	22.5	33.0	21.0	21.8
Total	498.1	463.1	431.1	355.2	317.9

In conformity with the banking practice in most countries, net figures for interest earned are given

20. Sundry Liabilities.

The figures given in the Summary Table are made up as follows :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Pension funds	52.3	54.9	57.1	53.5	54.2
Unpaid dividends	2.2	2.2	2.2	2.6	1.8
Interest payable	84.3	68.4	56.4	44.7	34.1
Bills collected for third parties	21.7	17.2	12.7	7.7	7.0
Sundry accounts	146.5	109.9	91.2	67.7	90.6
Total	307.0	252.6	219.6	176.2	187.7

It will be noticed that the third item, "Interest payable", is largely counterbalanced by the interest receivable included in "Sundry assets" and shown separately in the note to group 10 of the Summary Table.

22. Contingent Liabilities.

The sums shown under this heading consist of unutilised balances of credits opened.

above. These figures have been calculated by deducting interest paid shown under expenses in the official Finnish banking statistics from the total of the interest earned as given in these statistics.

4. Depreciation Accounts.

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

Markkaa (000,000's)	1929	1930	1931	1932	1933
Written off on :					
Discounts, loans and advances	51.9	68.3	285.1	90.2	135.0
Foreign exchange	—	—	—	—	—
Assets not specified	0.9	1.3	11.7	3.7	4.1
Total	52.8	69.6	296.8	93.9	139.1

FRANCE.

Introductory Note.

The principal changes which occurred in the structure of the French deposit banking system during 1933 and 1934 were the failure of the Société Centrale des Banques de Province — mentioned in the previous edition of this volume — and the regrouping and capital reconstruction of certain other provincial institutions. The Société Nancéenne de Crédit was severely affected by the stagnation of the textile industry, and in May 1934 its capital of 100 million francs was reduced to 40 millions to cover losses, and subsequently raised to 60 millions through the assistance of the Crédit Industriel et Commercial. The Banque Générale du Nord also suffered serious losses on certain of its assets, and it was further embarrassed by the fact that the Société Générale de Belgique, which had hitherto lent it important support, now tended to concentrate its resources on the domestic market. At the end of April 1934, the Banque Générale du Nord was absorbed by the Crédit du Nord, one of the largest regional banks. The capital of the latter was raised from 150 to 167½ million francs and the shares of the Banque Générale exchanged at 3 to 1 for shares in the Crédit du Nord.

The following table shows the movements of the principal accounts of the four big deposit banks — Crédit Lyonnais, Comptoir National d'Escompte, Société Générale and Crédit Industriel et Commercial — during 1933 and 1934 :

Francs (000,000's)	End of month :			
	Dec. 1932	June 1933	Dec. 1933	June 1934
1. Cash in hand, etc.	9,945	9,116	6,514	6,118
2. Commercial portfolio and national defence bonds	21,932	19,818	19,698	18,420
3. Correspondents and debtors on current account	8,011	8,405	7,381	7,082
4. Advances.	1,044	1,174	1,250	1,354
5. Deposit accounts.	16,581	15,570	14,689	14,108
6. Current accounts.	21,178	19,725	17,946	16,711
7. Acceptances.	295	372	273	208

The most striking feature in the recent banking development in France is the very large contraction in deposits. During the year 1933, aggregate deposits (items 5 and 6) in the four large *établissements de crédit* fell by 5.2 milliard francs, and, during the first half of 1934, by a further 1.8 milliard ;

aggregate deposits were nearly 20 per cent lower at the middle of 1934 than at the end of 1932.

This contraction in deposits is to be ascribed to three principal factors — domestic hoarding, the withdrawal of foreign balances, and the recourse to accumulated savings of sections of the population severely affected by the continued deterioration of economic conditions. Already at the end of 1932 large quantities of notes and gold were hoarded in France¹ ; it would appear that during 1933 and 1934 hoarding took the form chiefly of gold. The note circulation of the Banque de France fell, on balance, by over 2 milliard francs during 1933 (of which 250 millions were due to notes of 1,000 francs — i.e., the denomination which is most frequently used for hoarding purposes) and by a further 450 millions during the first half of 1934. On the other hand, during 1933, the net import of gold into France amounted — according to the trade returns — to 6.2 milliard francs, while at the same time the gold reserves of the Banque de France fell by 6 milliards. It would, of course, be wrong to conclude that this 12.2 milliard francs represents net new hoarding of gold in France during 1933. The reduction in the gold reserve of the Banque de France is partly due to earmarking for foreign account, including the British Exchange Equalisation Fund, which shifted part of its gold holdings from New York to Paris after the American abandonment of the gold standard ; and it is, moreover, possible that the Central Banks of certain other countries adhering to the gold standard centralised part of their gold reserves in Paris after the Monetary and Economic Conference in 1933. It has been estimated² that, when allowance is made for these factors, the amount of new gold hoarding in France during 1933 was about 4.5 milliard francs. The same authority estimates that the aggregate hoards of gold in France at the end of 1933 amounted to some 15 milliard francs.

Although, as mentioned above, there does not appear to have been any net new hoarding of notes during 1933 and the first half of 1934, currency hoarding on a considerable scale took place during the political troubles of February and March 1934. In the course of these two months, the note circulation of the Banque de France rose by 3.4 milliard francs and the deposits of the four large credit establishments fell by 2.5 milliards. In the subsequent months, however, the decline in deposits stopped, and the note circulation tended to contract.

¹ See *Commercial Banks, 1925-1933*, pages 100 and 101.

² Pierre MEYNIAL : " La Balance des Comptes ", in *Revue d'Economie politique*, May-June 1934.

The second principal factor which explains the decline in deposits during 1933 and 1934 is the withdrawal of foreign short-term balances from France. These withdrawals were concentrated in the last months of 1933 and the first months of 1934. During the American banking difficulties, and more particularly after the suspension of the gold standard, there was a very large movement of capital from the United States to France; this is reflected in an increase in deposits with French banks from May to July, in spite of domestic withdrawals during those months. It is estimated¹ that, at the end of August 1933, foreign deposits at the principal French banks amounted to about 7.5 milliard francs, as compared with a "normal" figure of some 4 milliards. The efflux of capital during the last quarter of 1933 was partly due to the economic revival elsewhere, partly to internal political difficulties which gave rise to apprehensions regarding the budgetary position and the future of the franc. In February and March 1934, after the enactment of the American Gold Reserve Act, foreign balances in Paris were used to buy gold from the Banque de France to ship to the United States. This movement came to an end in March 1934. It is estimated² that, by that month, the foreign funds with French banks had been reduced by 3.5 milliard francs.

During the first half of 1933, the important deposit banks used the influx of foreign funds to maintain their cash reserves at a very high level. They met the withdrawal of domestic deposits chiefly by a sharp contraction of the bill portfolio, and the ratio of cash to all deposits remained unchanged at over 26 per cent. But, in the second half-year, the banks met the entire withdrawals — 2.6 milliard francs — by allowing a corresponding depletion of their cash reserves to take place, and the cash ratio fell to 20 per cent at the end of the year. During the month of February 1934, cash holdings fell by a further 1.6 milliard francs (deposits by 2.1 milliards), and the cash ratio was reduced to 17 $\frac{1}{2}$ per cent. During the next months, there was a slight but continuous increase in the banks' cash reserves.

The deposit banks' portfolio of commercial and Treasury bills was 3.5 milliard francs lower at the middle of 1934 than at the end of 1932. From such indications as are available, it would appear that this contraction was entirely confined to commercial bills and that Treasury bills underwent but little net fluctuation. Commercial bills, on this basis, would appear to have declined from 9 to 5.5 milliard francs, or by nearly 40 per cent. The increase in the discount portfolio of the Banque de France during 1933 (900 million francs) and the first quarter of 1934 (1.6 milliards) suggests that

the contraction in the deposit banks' commercial portfolio was not fundamentally due to any reduced demand for commercial credit, but rather to the inability of the banks to meet both large withdrawals of deposits and State credit requirements. During the second quarter of 1934, political uncertainties ceased to exercise an important influence on French banking; the decline in deposits stopped, the deposit banks' discount portfolio tended to rise, the Banque de France's discount portfolio fell and its gold reserve rose by over 4 milliards.

Correspondents and debtors on current account rose during the first quarter of 1933, but since then they have fallen continuously, in line with the progressive deterioration of the economic situation. Advances, on the other hand, have shown a fairly continuous though moderate increase since the beginning of 1933; this may be partly due to the slightly higher level of stock-exchange activity, but would appear to be chiefly due to increased security loans. Acceptances, which had already fallen very sharply in preceding years, continued to decline on balance, and at the middle of 1934 they were only one-sixth of their 1929 level.

The decline in deposits in commercial banks was not compensated, as in 1932, by an increase in deposits in savings banks. On the contrary, in the course of 1933 withdrawals from savings banks exceeded deposits for the first time since 1916. The excess, however, was small and was exceeded by interest payments, so that the amount to the credit of depositors in savings banks was 59.5 milliard francs at the end of 1933, as compared with 57.8 milliards a year earlier. Of the former amount, the *Caisses ordinaires* account for 35.4 and the *Caisse nationale* for 24.1 milliard francs. The failure of deposits to increase during 1933 is partly explained by the higher interest rates available on national defence bonds at certain periods of the year, and partly by hoarding. By Decrees of October 31st, 1933, the rate of interest to be paid on deposits in the *Caisse nationale* was raised from 2 $\frac{3}{4}$ to 3 per cent and on deposits in the *Caisses ordinaires* from 3 or 3 $\frac{1}{4}$ to 4 per cent. This decision was put into effect at the beginning of 1934; it may be observed that, during the first six months of 1934, savings bank deposits fell by over 1 milliard francs.

The factors enumerated above as characteristic of 1933 and the first months of 1934 — political troubles, budgetary disequilibrium leading to increased issues of Treasury bills, reduction of commercial and savings bank deposits, gold hoarding and the repatriation by foreigners of balances previously held in France — could not fail to exercise an unfavourable influence on the level

¹ Pierre DIETERLIN: "Les Banques", in *Revue d'Economie politique*, May-June 1934, page 593.

² *Ibid.*, page 594.

of money and interest rates. This is shown in the following table :

	Jan. 1933	Mar. 1933	July 1933	Sept. 1933	Mar. 1934	July 1934
Bank rate	2½%	2½%	2½%	2½%	3%	2½%
Treasury bill discount rate	1.50	2.16	1.38	1.23	3.17	1.88
Private discount rate (fine bills)	1.34	2.13	1.69	1.38	2.88	1.78
Yield of 3% <i>rentes</i>	3.93	4.31	4.49	4.44	4.60	4.08

The hardening of money rates during the first quarter of 1933 was partly due to large-scale purchases of sterling. The Exchange Equalisation Account purchased francs, which it presented for redemption in gold at the Banque de France, whose gold reserves fell by 1½ milliard francs. The French position was eased in the spring as a result of the credit of £30 million given the Treasury by a group of English banks ; consequently, money rates tended downwards. *Rentes*, however, continued to decline — a reflection of the internal budgetary disequilibrium as distinct from the international movement of capital. During the summer, when the American dollar underwent its severe depreciation, there was a large flow of capital to France, and money rates continued to fall. But the internal situation continued to be strained and the domestic demand for gold for hoarding persisted. The situation began to come to a head in October ; the withdrawal of foreign funds, the failure to renew the Treasury bonds placed in London in the spring, the flight of domestic capital into gold and foreign currencies, all contracted the supply of available capital, while Treasury requirements remained at a high level. Money rates rose in consequence, but did not reach their peak until March 1934 ; the gold shipments consequent upon the establishment of a free market for gold at \$35 per ounce in the United States coincided in point of time with serious political troubles in France. During recent months the tendency of money and interest rates has again been downward. The Banque de France reduced its discount rate, which had been raised to 3 per cent in February, back to 2½ per cent at the end of May. It may be observed, however, that, even by July 1934, the general level of money rates had not fallen to the level of January 1933.

Except for the Crédit Industriel et Commercial, all the large deposit banks disclosed much the same net profits and paid the same dividends in 1933 as in 1932. For reasons given in preceding editions, however, the figures disclosed for net profits are to be treated with caution, as certain of the banks still have important hidden reserves out of which they can amortise assets. During 1933, a

larger proportion of the earnings of the deposit banks was derived from commissions on the issue of public and semi-public obligations than hitherto. The fall in the volume of banking resources was compensated, at least in part, by the rise in the level of money rates illustrated in the foregoing table.

* * *

The principal accounts of the two important *banques d'affaires* — the Banque de Paris et des Pays-Bas and the Banque de l'Union Parisienne — at the end of 1932 and 1933 are shown below :

Francs (000,000's)	Banque de Paris et des Pays Bas		Banque de l'Union Parisienne		Total	
	1932	1933	1932	1933	1932	1933
1. Cash in hand and with Banque de France	514	484	88	60	602	545
2. Due from banks and correspondents, etc. . . .	350	259	48	34	407	293
3. Bill portfolio, including National Defence Bonds	1,292	843	319	237	1,611	1,080
4. Investments and participations	549	518	482	428	1,031	946
5. Loans and advances	579	779	324	250	947	1,054
6. Deposits	2,582	2,269	890	754	3,472	3,023
Whereof :						
Current accounts	1,727	1,249	721	498	2,448	1,747
Time deposits	807	965	169	255	976	1,221

The hoarding tendencies of 1933 affected the *banques d'affaires* as well as the *banques de dépôts* and the contraction in deposits was about the same, in relation to total deposits, for the two groups of institutions. The fall in the case of the former was entirely confined to current accounts ; time deposits, which always constitute a higher proportion of the total deposit liabilities of the *banques d'affaires* than of the deposit banks, rose perceptibly.

The aggravation of the economic depression during 1933 — when the French investment banks were affected, not only by the continuance of the restrictions placed upon the realisation of their foreign assets, but also by the fall in domestic security and property values — led the Banque de l'Union Parisienne to undertake a general revision of the value of all its assets and a corresponding reduction of its own capital structure. Certain amortisations had already been made in 1932¹, when it was assisted by a syndicate headed by its

¹ See *Commercial Banks, 1925-1933*, page 99.

largest shareholder, the Société Générale de Belgique, but these were now found to be insufficient. It was decided that, of the aggregate reserve funds and balance of profit-and-loss accounts of the Banque de l'Union Parisienne, amounting to 135 million francs, 130 millions should be used to write off loans, etc., and premises. The remaining 5 million francs was used to write down the bank's investment portfolio, which amounted — after this amortisation — to 321 million francs; participations were entered at 107 millions. These figures were, however, still far above the market or realisation value of the securities held. The 427 million francs of securities and participations entered in the balance-sheet at the end of 1933 were composed as follows :

	Francs (000,000's)
French securities	227
Colonial securities	63
Foreign securities	138

It was estimated that the amortisation required on the French securities was 32 per cent (72 million francs), on the colonial securities 65 per cent (40 million francs), and on the foreign securities 42 per cent (58 million francs). In order to write down the securities to this extent, it was necessary to proceed to a drastic capital reorganisation of the bank. This was effected in May 1934. The capital was reduced from 300 to 100 million francs. Of this 200 million francs, 170 millions were used to offset the writing-down of the investment and participation portfolio from 428 to 257 million francs. Of the remaining 30 million francs, 4.2 millions were used to relieve shareholders of the obligation to pay certain arrears of taxes, and

25.8 millions to create a special reserve fund. Shareholders exchanged three old shares for one new share. Additional capital of 100 million francs was raised through the issue of new shares to a group headed by MM. de Lubersac et C^{ie}.

It will be observed from the above table that the Banque de Paris et des Pays-Bas keeps a high proportion of its assets in liquid form — cash, bank deposits and commercial paper. The fall in deposits during 1933 was met chiefly by a contraction of the bill portfolio; moreover, a very limited volume of commercial paper was available during the year. The bank's aggregate loans and advances rose by 200 million francs during 1933. To the extent of 35 millions, this was due to contango loans to finance stock-exchange transactions; the remainder represents chiefly bookkeeping changes.

The stagnation of the private capital market reduced the scope of the investment banks' activity during 1932; but this was partly compensated by the important issues of Treasury bonds and obligations, lottery certificates, railway, municipal and Colonial Government bonds in which they participated. The Banque de l'Union Parisienne showed a net operating loss of over 1 million francs during 1933, while the Banque de Paris et des Pays-Bas disclosed a net profit of 25 million francs and distributed 30 million francs in dividends, drawing on the carry-over for the difference. It may be observed that the Banque de Paris et des Pays-Bas has made comparatively small disclosed amortisations during the past few years (less than 40 million francs from 1929 to 1933 inclusive), but it is generally believed that substantial amortisation of assets has been made out of hidden reserves.

Balance-sheet Summary.

1 and 2. *Cash Assets, etc.*

In the common Summary Table, as well as in that for the deposit banks alone, joint figures are given for the first two asset groups for 1929 and 1930, as one of the most important banks (the Crédit Lyonnais) did not show its sight balances with other banks separately from cash in hand and with the Bank of France before 1931.

The amounts given under item 2 for deposit banks in 1931-1933 and for investment banks throughout consist chiefly of balances with banks and sums due from correspondents; they also include small amounts of coupons due for payment.

3. *Bills discounted and bought.*

The sums in this group of the Summary Tables include Treasury bills (*Bons de la Défense nationale*), which are seldom shown separately by any of the banks under review, and also a small amount of bills for collection and foreign bills.

4 and 5. *Investments: Participations.*

The security holdings of both the deposit and the investment banks include shares and bonds of private undertakings in addition to *rentes* and other Government securities; as a rule, the banks do not show the composition of their investment portfolios in detail.

6. *Due from Banks (Correspondents).*

The correspondent accounts, apart from the sight claims (mainly bank cheques and clearing balances) included in the cash reserve, are not, as a rule, shown separately, but are included in the ordinary current accounts (group loans and advances).

7. *Loans and Advances.*

As mentioned in the preceding note, current accounts include correspondents. In the case of banks which do not show cover for acceptances as a separate item, an amount equivalent to their acceptances has been deducted from current

[Continued on page 42.]

FRANCE.

PRINCIPAL DEPOSIT BANKS

Table 8 (a) 1.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :					
	1929	1930	1931	1932	1933	
Number of : Banks	6	6	6	6	6	
Branches and Sub-Branches	2,069	2,166	2,202	2,161	2,127	
ASSETS.		Francs (ooo,ooo's omitted)				
1. Cash			11,759	9,666	6,387	
(a) Gold, silver and small coins			—	—	—	
(b) Inland notes and balances with Central Bank	6,422	7,900	—	—	—	
2. Other Items of a Cash Nature			1,584	1,527	1,463	
3. Bills discounted and bought	25,907	24,555	20,911	25,425	22,957	
(a) Treasury bills	—	—	—	—	—	
(b) Commercial bills, Inland	—	—	—	—	—	
(c) Commercial bills, Foreign	—	—	—	—	—	
4. Investments and Securities	135	160	182	126	134	
(a) Government	—	—	—	—	—	
(b) Other	—	—	—	—	—	
5. Participations	138	159	177	150	151	
6. Due from Banks (Correspondents)	—	—	—	—	—	
(a) At home	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
7. Loans and Advances	13,966	16,032	13,473	10,206	10,890	
(a) On current account	10,833	13,065	11,811	8,664	9,110	
(b) Other	3,133	2,967	1,662	1,542	1,780	
8. Cover for Acceptances	1,742	1,242	718	357	350	
9. Premises, etc.	260	280	297	187	202	
10. Sundry Assets	189	184	159	132	143	
11. Total Assets	48,759	50,512	49,260	47,776	42,677	
LIABILITIES.						
12. Capital paid up	1,643	1,701	1,383	1,490	1,491	
13. Reserve Funds	1,897	2,038	1,884	1,897	1,905	
14. Profit-and-Loss Accounts, Undivided Profits, etc.	379	390	305	295	292	
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—	
16. Due to Banks (Correspondents)	—	—	—	—	—	
(a) At home	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
17. Deposits	42,608	44,749	44,568	43,385	38,310	
(a) Current accounts and sight deposits	39,502	41,279	41,800	40,886	36,340	
(b) Savings accounts	—	—	—	—	—	
(c) Time or fixed deposits	2,890	3,219	2,500	2,292	1,780	
(d) Other deposits	216	251	268	207	190	
18. Rediscounts and Other Borrowings	—	—	—	—	—	
19. Acceptances and Endorsements	1,742	1,242	718	357	350	
20. Sundry Liabilities	490	392	402	352	329	
21. Total Liabilities	48,759	50,512	49,260	47,776	42,677	
22. Value of currency in Swiss francs at the end of each year	0.203	0.203	0.203	0.203	0.203	

FRANCE.

PRINCIPAL INVESTMENT BANKS

Table 8 (a) II.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of Banks	3	3	3	2	2
ASSETS.					
Francs (000,000's omitted)					
1. Cash	414	425	543	602	545
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	660	985	420	364	268
3. Bills discounted and bought	1,678	1,624	1,383	1,611	1,080
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	601	697	793	761	702
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	297	285	269	270	244
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	2,855	2,217	1,310	947	1,141
(a) On current account	2,683	2,050	1,291	939	1,097
(b) Other	172	167	19	8	44
8. Cover for Acceptances	217	217	207	92	60
9. Premises, etc.	67	73	72	79	79
10. Sundry Assets	75	80	92	105	112
11. Total Assets	6,864	6,603	5,089	4,831	4,231
LIABILITIES.					
12. Capital paid up	600	600	600	600	600
13. Reserve Funds	421	428	433	418	292
14. Profit-and-Loss Accounts, Undivided Profits, etc.	158	158	110	50	36
15. Cheques and Drafts, etc., in circulation	397	264	206	100	112
16. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	4,917	4,813	3,442	3,472	3,023
(a) Current accounts and sight deposits	2,823	3,079	2,228	2,448	1,747
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	2,029	1,661	1,164	976	1,221
(d) Other deposits	65	73	50	48	55
18. Rediscounts and Other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements	217	217	207	92	60
20. Sundry Liabilities	154	123	91	99	108
21. Total Liabilities	6,864	6,603	5,089	4,831	4,231
22. Value of currency in Swiss francs at the end of each year	0.203	0.203	0.203	0.203	0.203

FRANCE.

PRINCIPAL COMMERCIAL BANKS

Table 8 (a) III.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :					
	1929	1930	1931	1932	1933	
Number of : Banks	9	9	9	8	8	
Branches and Sub-Branches	2,069	2,166	2,202	2,161	2,127	
ASSETS.		Francs (ooo,ooo's omitted)				
1. Cash			12,302	10,268	6,932	
(a) Gold, silver and small coins			—	—	—	
(b) Inland notes and balances with Central Bank	7,496	9,310	—	—	—	
2. Other Items of a Cash Nature			2,004	1,891	1,731	
3. Bills discounted and bought	27,585	26,179	22,294	27,036	24,037	
(a) Treasury bills	—	—	—	—	—	
(b) Commercial bills, Inland	—	—	—	—	—	
(c) Commercial bills, Foreign	—	—	—	—	—	
4. Investments and Securities	736	857	975	887	836	
(a) Government	—	—	—	—	—	
(b) Other	—	—	—	—	—	
5. Participations	435	444	446	420	395	
6. Due from Banks (Correspondents)	—	—	—	—	—	
(a) At home	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
7. Loans and Advances	16,821	18,249	14,783	11,153	12,031	
(a) On current account	13,516	15,115	13,102	9,603	10,207	
(b) Other	3,305	3,134	1,681	1,550	1,824	
8. Cover for Acceptances	1,959	1,459	925	449	410	
9. Premises, etc.	327	353	369	266	281	
10. Sundry Assets	264	264	251	237	255	
11. Total Assets	55,623	57,115	54,349	52,607	46,908	
LIABILITIES.						
12. Capital paid up	2,243	2,301	1,983	2,090	2,091	
13. Reserve Funds	2,318	2,466	2,317	2,315	2,197	
14. Profit-and-Loss Accounts, Undivided Profits, etc.	537	548	415	345	328	
15. Cheques and Drafts, etc., in circulation	397	264	206	100	112	
16. Due to Banks (Correspondents)	—	—	—	—	—	
(a) At home	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
17. Deposits	47,525	49,562	48,010	46,857	41,333	
(a) Current accounts and sight deposits	42,325	44,358	44,028	43,334	38,087	
(b) Savings accounts	—	—	—	—	—	
(c) Time or fixed deposits	4,919	4,880	3,664	3,268	3,001	
(d) Other deposits	281	324	318	255	245	
18. Rediscounts and Other Borrowings	—	—	—	—	—	
19. Acceptances and Endorsements	1,959	1,459	925	449	410	
20. Sundry Liabilities	644	515	493	451	437	
21. Total Liabilities	55,623	57,115	54,349	52,607	46,908	
22. Value of currency in Swiss francs at the end of each year	0.203	0.203	0.203	0.203	0.203	

FRANCE.

PRINCIPAL DEPOSIT BANKS

Table 8 (b) I.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks	6	6	6	5	6
	Francs (ooo,ooo's omitted)				
Capital paid up.	1,643	1,701	1,702	1,490	1,491
Reserves and Undivided Profits	1,949	2,099	2,113	1,969	1,972
I. Gross Profits					
<i>To be deducted :</i>					
2. Expenses.					
(a) Salaries, etc.					
(b) Other working expenses					
(c) Taxes, etc.					
3. Reserved for Pension Funds, etc.					
4. Written off on (Depreciation Accounts for)					
(a) Premises, etc.					
(b) Investments and securities					
(c) Other assets					
5. Remaining Net Profit or Loss	316.4	320.7	— 266.7	216.9	217.7
6. Carried forward from preceding year.	51.6	61.1	69.2	69.9	66.3
7. Taken from Reserves or Capital.	—	—	494.7	—	—
8. Total Amount disposed of for Dividends, etc.	368.0	381.8	297.2	286.8	284.0
9. Carried to Reserves	22.1	21.8	13.8	9.4	4.7
10. Dividends	271.6	277.5	206.0	204.8	203.7
11. Directors' Fees, etc.	13.2	13.3	7.5	6.3	5.9
12. Carried forward to following year	61.1	69.2	69.9	66.3	69.7
13. Total as above	368.0	381.8	297.2	286.8	284.0
14. Value of currency in Swiss francs at the end of each year.	0.203	0.203	0.203	0.203	0.203

accounts and carried to group 8 of the Summary Table.

The other loans and advances (7b) consist of guaranteed advances (*avances sur garanties*) and contangos (*reports*).

8. *Cover for Acceptances* (see preceding note).

11 and 21. *Total Assets and Liabilities.*

The 1931 figures given in Summary Tables 8(a)I and 8(a)III do not include reported losses of the Banque nationale de Crédit, equal in amount (507 million francs) to the bank's total capital, reserves and profit balance, which are likewise excluded from items 12, 13 and 14.

15. *Drafts and Cheques in Circulation.*

These items are not shown separately in the balance-sheets of the deposit banks. The figures shown in the Summary Table of the investment banks (and in the combined summary table) represent "bills and cheques payable".

17. *Deposits.*

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

FRANCE.

PRINCIPAL INVESTMENT BANKS

Table 8 (b) II.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks.	3	3	(*)	2	2
	Francs (ooo,ooo's omitted)				
Capital paid up.	600	600	.	600	600
Reserves and Undivided Profits	465	477	.	437	437
I. Gross Profits	246.0	251.2	.	146.6	128.8
<i>To be deducted :</i>					
2. Expenses	117.0	125.0	.	102.1	93.9
(a) Salaries, etc.	92.2	94.4	.	85.2	78.9
(b) Other working expenses	24.8	28.6	.	16.9	15.0
(c) Taxes, etc	2.6	4.8	.	4.9	4.3
3. Reserved for Pension Funds, etc.	10.5	11.3	.	8.1	141.5
4. Written off on (Depreciation Accounts for)	—	—	.	—	—
(a) Premises, etc.	—	—	.	—	—
(b) Investments and securities	—	—	.	—	—
(c) Other assets	—	—	.	—	—
5. Remaining Net Profit or Loss	115.9	110.1	.	31.5	-110.9
6. Carried forward from preceding year.	44.1	49.1	.	18.5	18.4
7. Taken from Reserves or Capital.	—	—	.	—	128.6
8. Total Amount disposed of for Dividends, etc.	160.0	159.2	.	50.0	36.1
9. Carried to Reserves	8.1	8.3	.	1.6	0.8
10. Dividends	96.0	95.0	.	30.0	30.0
11. Directors' Fees, etc.	6.8	6.3	.	—	—
12. Carried forward to following year	49.1	49.6	.	18.4	5.3
13. Total as above	160.0	159.2	.	50.0	36.1
14. Value of currency in Swiss francs at the end of each year	0.203	0.203	0.203	0.203	0.203

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

Summary of Profit-and-Loss Accounts.

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

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

1 and 2. Gross Profits and Expenditure.

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

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS				
	1929	1930	1931	1932	1933
Number of Banks.	9	9	9	7	8
	Francs (000,000's omitted)				
Capital paid up.	2,244	2,301	2,302	2,090	2,091
Reserves and Undivided Profits	2,414	2,576	2,592	2,406	2,409
1. Gross Profits.					
<i>To be deducted:</i>					
2. Expenses					
(a) Salaries, etc.					
(b) Other working expenses					
(c) Taxes, etc.					
3. Reserved for Pension Funds, etc.					
4. Written off on (Depreciation Accounts for)					
(a) Premises, etc.					
(b) Investments and securities					
(c) Other assets					
5. Remaining Net Profit or Loss	432.3	430.8	— 259.8	248.4	106.8
6. Carried forward from preceding year	95.7	110.2	114.8	88.4	84.7
7. Taken from Reserves or Capital.	—	—	562.9	—	128.6
8. Total Amount disposed of for Dividends, etc.	528.0	541.0	417.9	336.8	320.1
9. Carried to Reserves.	30.2	30.1	80.0	11.0	5.5
10. Dividends	367.6	372.5	242.0	234.8	233.7
11. Directors' Fees, etc.	20.0	19.6	7.5	6.3	5.9
12. Carried forward to following year.	110.2	118.8	88.4	84.7	75.0
13. Total as above	528.0	541.0	417.9	336.8	320.1
14. Value of currency in Swiss francs at the end of each year.	0.203	0.203	0.203	0.203	0.203

3. Reserved for Pension Funds, etc.

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

4. Depreciation.

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

5. Net Profit or Loss.

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

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

10. Dividends.

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

11. Directors' Fees, etc.

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

GERMANY.

Introductory Note.

The development of commercial banking in Germany during 1933 and 1934 may be judged on the basis of the following table, which shows the principal accounts of the five big Berlin banks¹:

RM. (000,000's)	Dec. 1932	Dec. 1933	June 1934
ASSETS.			
1. Cash and balances with Reichsbank, etc.	254	254	210
2. Bill portfolio :			
(a) Treasury bills	497	548	459
(b) Commercial bills	1,221	1,200	1,370
3. Sight claims on other banks.	249	189	147
4. Securities :			
(a) Government.	475	386	401
(b) Other.	147	135	268
5. Participations :			
(a) Syndicate.	169	171	175
(b) Bank.	145	121	104
6. Loans on current account :			
(a) To banks	340	290	276
(b) Other.	3,275	3,009	2,865
7. Other loans and advances :			
(a) Reimbursement credits, etc.	963	583	536
(b) Contangos and lombards	32	24	221
LIABILITIES.			
8. Capital and reserves	542	508	508
9. Deposits, etc.	4,945	4,582	4,722
10. "Loro" correspondents.	1,095	637	565
11. Due to German credit institutions	1,286	1,289	1,133
12. Acceptances.	769	765	732
13. Rediscounts, etc.	843	914	817
14. Guarantees	448	395	392
15. Total balance-sheet	8,803	7,917	7,795

In the course of 1933, the total balance-sheet of the big Berlin banks fell by nearly RM. 900 million, or 10 per cent. This decline is chiefly due to the repayment of foreign credits under standstill agreement and to the reduced Reichsmark value of dollar and pound deposits consequent upon the fall in the gold value of those currencies in the course of the year. The item "loro" correspondents in the above table — which consists of credits taken by the banks on behalf of third parties and has its counterpart in reimbursement credits (item 7 (a)) under assets — fell by RM. 450 million during 1933², while deposits fell by over RM. 350 million. It may be observed that, as men-

tioned in the last edition of this volume³, it has been officially estimated that, between February 1933 and February 1934, standstill credits in Germany were reduced by RM. 1,250 million, of which 500 millions were stated to be due to conversion into registered marks used for long-term investments or to finance "additional exports", etc., and 475 millions were stated to be due to the depreciation of foreign currencies. In the light of these figures, it is improbable that a contraction in domestic deposits took place during 1933.

On the assets side of the big Berlin banks' balance-sheets, the principal change — apart from the reduction of RM. 380 million in reimbursement credits referred to in the preceding paragraph — is a fall of RM. 270 million in "other" loans on current account (item 6 (b)). This latter item is net of cover for acceptances drawn by clients. The decline in this item, which represents the bulk of the banks' industrial credits, would appear to be due to a variety of factors. Part is evidently due to the amortisation of bad assets. Part is no doubt due to the repayment of credits made possible by the issue of Treasury certificates and other forms of paper to finance the Government's work-creation programme. All of the big Berlin banks lay stress in their annual reports for 1933 on the co-operation which they have offered in the granting of credits to ensure the success of this programme. Thus, the Deutsche Bank states that, during 1933, it granted new credits to the amount of RM. 707 million — or 35 per cent of its current-account credits outstanding at the beginning of the year — and refused applications for credits only to the amount of RM. 35 million. The Dresdner Bank reports that new credits granted during 1933 amounted to RM. 742 million, of which RM. 256 million were destined directly for *Arbeitsbeschaffungsmassnahmen*. The Commerz- und Privat-Bank granted new credits of RM. 284 million. All these banks emphasise the fact that most of the new credits granted were of relatively small amounts; in the case of the Deutsche Bank, 113,000 of the 118,000 new credits were for amounts less than RM. 20,001 (these accounted for RM. 235 million of the RM. 707 million); for the Dresdner Bank, 7,100 of the 9,370 new credits fell within this group; and for the Commerz- und Privat-Bank, 12,000 of the 13,500 new credits. It may be observed that, of the total

¹ The banks included (*Grossbanken*) are the Deutsche Bank und Disconto-Gesellschaft, Dresdner Bank, Commerz- und Privat-Bank, Reichs-Kredit-Gesellschaft and Berliner Handels-Gesellschaft.

² At the end of 1930, this item amounted to about RM. 2,000 million for the big Berlin banks.

³ *Commercial Banks, 1925-1933*, page 20.

current-account credits of the big Berlin banks outstanding at the end of 1933 (including loans to banks, etc.), 15 per cent were covered by securities quoted on the stock exchange, 61 per cent by other collateral, and 24 per cent were uncovered.

A further reason which may explain the contraction in current-account credits shown by the big Berlin banks in the face of this extensive granting of new credits (amounting in the course of 1933 to RM. 1,750 million for the three banks mentioned, or over 45 per cent of their aggregate current account credits outstanding at the beginning of the year) is the conversion of certain credits formerly granted on current account into commercial bills, and their consequent classification under item 2 (b). It will be observed that this item remained practically stationary during 1933, or, if the gross portfolio — *i.e.*, including rediscounts — be considered, even showed a net increase of RM. 65 million. Finally, the decline in current-account creditors is no doubt due in part to the consolidation of a large part of the floating debt of the municipalities during 1933; credit extended in this way by the banks and formerly included in their current account advances was now shown as securities. The decline in security holdings is, in turn, largely to be attributed to a writing-down in book values.

The only asset item of the big Berlin banks to show an increase during 1933 was their holding of Treasury bills, which rose by RM. 50 million. This increase is to be attributed to the banks' participation in the Government's public works programme, and may be conveniently considered in connection with the subsequent discussion of the banking repercussions of this programme. The fall in Government securities (item 4 (a)) is entirely due to the repayment by the Dresdner Bank of RM. 100 million of the RM. 400 million of Government bonds granted it by the State in connection with its capital reconstruction in 1932¹; Government securities held by all other banks rose during 1933.

Reference has already been made to the fact that the net bill portfolio of the big Berlin banks, exclusive of Treasury bills, showed but little movement in 1933. The figures shown in the above table include holdings of *Arbeitsbeschaffungswechsel*, but, unfortunately, separate figures are not available. It is known that the banks bought considerable quantities of this paper, but it would appear that a large proportion of their purchases were subsequently rediscounted at the Reichsbank, or that the funds for their purchase were acquired by the banks through the rediscount of their own acceptances. During the year 1932, the big banks' liability on account of own acceptances outstanding was reduced by nearly 10 per cent; in 1933, it

remained practically unchanged. Moreover, their rediscounts, which had fallen by nearly RM. 600 million, or 40 per cent, in 1932, rose by RM. 70 million in 1933.

Some important participations held by the big Berlin banks were terminated during 1933. Among these, mention may be made of the participation of the Berliner Handels-Gesellschaft in the Niederösterreichische Escomptegesellschaft and of the Deutsche Bank in the Banque Ephrussi and Co., in Vienna; the Deutsche Bank, however, retained its participation in the Wiener Bank Verein², as did the Dresdner Bank in the Merkur Bank in Vienna. Certain current-account industrial credits were converted into participations in the course of the year.

In accordance with the Reichsbank's request for a reduction of the banking structure, the Dresdner Bank, Deutsche Bank and Commerz- und Privat-Bank closed, by joint agreement, twenty-one branch establishments during 1933. In spite of this reduction, and of the fall in total volume of business transacted by the banks, they all enlarged their personnel in the course of that year. The Deutsche Bank, for example, reports that, in its efforts to combat unemployment, it engaged 1,000 persons during 1933; over 400 former collaborators were pensioned off and 200 resigned. In the case of the Dresdner Bank, 313 old employed left the service and 436 new ones were engaged.

The only important change in the capital structure of the big banks in 1933 was the reduction from RM. 144 to RM. 130 million in the capital stock of the Deutsche Bank. This was accomplished by the sale to the State of the old Darmstädter und Nationalbank building for a certain amount of Treasury bills *plus* RM. 14 million of shares in the Deutsche Bank previously held by the Golddiskontbank, thus reducing the participation of the latter in the Deutsche Bank to RM. 36 million. The building had previously been carried at nominal value and the sum mentioned was used by the Deutsche Bank to constitute inner reserves.

Certain of the German banks were active during 1933 in repurchasing their own dollar bonds. Thus, the Deutsche Bank bought \$2 million of its bonds in the course of the year, leaving \$8.5 million of the original issue of \$25 million still outstanding, and the Commerz- und Privat-Bank bought \$8 million of its bonds, leaving \$12 million still in circulation.

During the first half of 1934, the deposits of the big Berlin banks rose slightly, but "loro" correspondents and amounts due to German credit institutions fell. Reimbursement credits continued to decline, though at a much slower rate than during 1933. Loans on current account were also lower, but the net commercial bill portfolio held

¹ See *Commercial Banks, 1925-1933*, page 117.

² See chapter on Austria for details regarding the amalgamation of this bank with the Austrian Creditanstalt in May 1934.

by the banks rose by RM. 170 million. It would appear that this increase was entirely due to purchases of *Arbeitsbeschaffungswchsel*. Securities other than Government also increased considerably; Government securities were slightly higher, while Treasury bills were reduced by RM. 90 million.

Some special reference must now be made to the effects of the Government's work-creation policy of 1933 and 1934 on the German banking structure. This policy involved, notably, the financing of an extensive programme of public works through the issue of *Arbeitsbeschaffungswchsel* and the attempt to stimulate private business through the issue of *Steuer Gutscheine*. The *Arbeitsbeschaffungswchsel* are bills drawn by *entrepreneurs* on Länder and municipalities to pay for the cost of public works undertaken according to an agreed programme. They are presented for acceptance to the Deutsche Gesellschaft für öffentliche Arbeiten, the Bau- und Bodenbank, the Rentenbank-Kreditanstalt, the Siedlungsbank, the Verkehrskreditbank or the Reichsbahn-Beschaffungs-G.m.b.H., and may then be discounted at the credit or savings banks or sold to the money market. As these bills are rediscountable at the Reichsbank, they are regarded by the banks as a liquid asset; they are, moreover, guaranteed by the Reich. Their original currency is three months, but they may be extended up to fifty-four months. Exact data regarding the amount of such bills issued and outstanding are not readily available, but, at the end of 1933, it has been estimated that RM. 1,200 million were outstanding, and by the first quarter of 1934 this total is said to have risen to RM. 2,000 million¹.

The *Steuer Gutscheine* are Advance Tax Certificates issued gratis by the State in return for the prompt payment of certain taxes. They bear interest at

4 per cent. They are negotiable on the Stock Exchange and may be used as collateral for bank advances, or for advance payment of taxes. From official sources it appears that the circulation of these tax vouchers amounted to RM. 1,215 million at the end of 1933 and RM. 1,363 million at the end of March 1934. These figures do not include RM. 600 million deposited with the Reichsbank as security for *Arbeitsbeschaffungswchsel* discounted by it.

In addition to these two forms of paper, mention might also be made of the *Zinsvergütungsscheine* and the *Bedarfsdeckungsscheine* issued by the State for various purposes: as the *Arbeitsbeschaffungswchsel* and *Steuer Gutscheine* constitute, however, the bulk of the new paper put into circulation during the past two years, attention will be concentrated in the following paragraphs upon their effects on the banking situation.

It has already been observed that the gross bill portfolio of the big Berlin banks, excluding Treasury bills, rose during 1933 and the first half of 1934. Although no separate figures of these banks' holdings of *Arbeitsbeschaffungswchsel* are available, it is likely that the increase in their portfolio, particularly during 1934, was entirely due to these bills and that their discounts of genuine commercial bills were lower. It would appear, however, that at least half of the credit created through the *Arbeitsbeschaffungswchsel* originated directly in the Reichsbank. Part of it flowed to the private banks and was used to liquidate old current-account advances. The bulk, however, flowed to the savings banks and Girozentralen and was used to increase their liquidity. The principal accounts of the savings banks and Girozentralen and Landesbanken are shown in the following statement:

RM. (000,000's)	Savings Banks			Staats- and Landesbanken and Girozentralen		
	December 1932	December 1933	June 1934	November 1932	November 1933	June 1934
1. Cash and bank balances	1,166	1,682	1,840	29	30	39
2. Bill portfolio :						
(a) Treasury bills	55 ^a	89 ^a	160 ^a	431	570	855
(b) Other bills	95	104	121	441	712	825
3. Loans and advances :						
(a) Current account	2,196 ^b	2,102 ^b	1,987 ^b	2,655	2,466	1,549
(b) Long term	5,472 ^c	5,555 ^c	5,914 ^c	3,910	3,789	3,852
4. Securities	3,230 ^d	3,344 ^d	3,774 ^d	350	295	1,037
5. Deposits	10,978	12,055	13,024	3,908	4,744	5,148
6. Rediscount and other borrowings	910	488	383	2,171	1,150	1,073
7. Total balance-sheet	13,885	14,528	14,218	8,565	9,239	9,577

^a Including bills of municipalities.

^b Including short-term loans to municipalities.

^c Mortgage loans.

^d Including bonds of municipalities.

Deposits in the German savings banks—including the small amount of transfer accounts as well as savings deposits—rose by over RM. 1 milliard in the course of 1933 and by nearly as much again in

the first half of 1934. During 1933, the whole of this increase, and the increase, as well, in their own funds was used by the banks to improve their liquidity. This is particularly reflected in the rise

¹ E. WILDERMUTH, in *Deutscher Volkswirt*, June 15th, 1934.

of RM. 500 million in their holdings of cash and balances with the *Girozentralen* and other banks, and in the decline of over RM. 400 million in their rediscounts and other borrowings. As the whole of the increase in savings-bank deposits may be attributed to the public works expenditure, it may be stated that a secondary repercussion of the financing of these expenditures through the method of *Arbeitsbeschaffungswechsel* described above was to increase the liquidity of the savings banks.

The increase in the liquidity of the savings banks has its counterpart in a rise in the deposit liabilities of the public banks and a reduction in their rediscounts and other borrowings. It will be observed that the public banks' holdings of Treasury bills and other bills rose very sharply during 1933 and 1934. The rise in Treasury bills is evidently due chiefly to purchases of *Steuer-gutscheine*, while the rise in "other" bills must — in the absence of any increase in the volume of commercial paper outstanding — be attributed chiefly to discounts of public-work bills.

The ordinary commercial operations of the savings banks and the public banks show but little variation in 1933. The sharp fall in the current account advances of the public banks and the concomitant rise in their security holdings during the first half of 1934 are to be attributed to the conversion operations effected by the German municipalities; floating indebtedness was converted into long-term issues¹, which are included in the above statement under securities. Part of the increase in this last item during 1934 is also due to *Steuer-gutscheine* of long maturity, which are entered under "securities" in the banks' balance-sheets. In the first half of 1934, the savings banks increased considerably their long-term mortgage loans and their holdings of securities other than municipal bonds; they also bought Treasury bills. The decline in their current-account loans and advances was entirely due to short-term communal credits; "Debitoren" rose slightly.

It is not possible to tell exactly what amounts of *Arbeitsbeschaffungswechsel* and *Steuer-gutscheine* are held by the Reichsbank. In the course of 1933, the domestic bill portfolio of the Reichsbank rose by RM. 260 million. As shown above, however, the public banks greatly reduced their rediscount liabilities in the course of that year, and must have withdrawn commercial bills from the Reichsbank in doing so. The Reichsbank's holdings of public works bills at the end of 1933 must therefore have been considerably in excess of RM. 260 million.

According to the annual report of the Reichsbank for 1933, the bank held less than RM. 500 million of such bills, or about one-third of the total amount in circulation at the end of 1933; the other two-thirds are stated to be held by banks. On the other hand, the *Statistisches Reichsamt* states² that the greater part of the *Arbeitsbeschaffungswechsel* issued during 1933 were taken up by the Reichsbank and estimates the amount of such paper held by it at RM. 1,200 million towards the middle of 1934³. This last figure may be compared with an estimated⁴ circulation of public works bills of RM. 2.2 2.4 milliard at the same date.

In addition to *Arbeitsbeschaffungswechsel*, the Reichsbank also holds considerable quantities of *Steuer-gutscheine*. These appear to have been acquired chiefly through open-market operations carried out in virtue of the Law of October 27th, 1933, authorising the Reichsbank to include certain types of Government paper in the legal cover held against the note circulation. At the end of 1933, the amount of *deckungsfähige Wertpapiere* held by the Reichsbank was RM. 259 million. As RM. 200 million of *Steuer-gutscheine* were taken over from a banking syndicate in the middle of November, this account must consist almost entirely of tax vouchers. By June 1934, the Reichsbank held over RM. 350 million of *deckungsfähige Wertpapiere*; it is clear, then, that the Reichsbank gave important indirect as well as direct assistance to work-creating schemes.

A further secondary consequence of the work-creation policy characteristic of 1933 and 1934 was a reduction in the German export surplus. This was in part directly due to the purchase abroad of certain materials used in the various public-work schemes: in part it was indirectly due to the fact that the expenditure of large sums for the purposes outlined tended to raise prices in Germany: between February 1933 and September 1934, the wholesale-price index increased by over 10 per cent, while it fell in most other countries adhering to the gold standard⁵. The result of these and other factors was that the German export surplus, amounting to over RM. 1 milliard in 1932, dropped to RM. 667 million in 1933, and gave way to an import surplus of RM. 268 million in the first nine months of 1934.

In view of the foregoing, comparatively little progress was made during 1933 towards the restoration of greater fluidity in the German money market. Such liquid resources as came forward in the course of that year were almost completely

¹ The total issue of 4 per cent bonds of German municipalities increased from RM. 234 million at the end of 1933 to RM. 1,642 million at the end of April 1934.

² See *Wirtschaft und Statistik*, Nr. 12, 1934, page 366.

³ During the first half of 1934, the total bill portfolio of the Reichsbank rose by a further RM. 150 million.

⁴ See *Reichs-Kredit-Gesellschaft*: "Germany's Economic Development during the First Half of the Year 1934", page 54.

⁵ See League of Nations, *World Production and Prices, 1925-1933*, pages 90 and 91.

absorbed by the banks in building up cash reserves, reducing rediscount indebtedness and buying tax vouchers and, to a more limited extent, public works bills. These bills bear interest at 4-4½ per cent, they are guaranteed by the Reich and rediscountable at the Reichsbank and are, consequently, a good short-term investment. The following table shows the development of German money rates during the past few years.

Monthly average	Reichsbank rediscount rate	Call money	Thirty day money	Bank-bills
	%	%	%	%
December 1929 .	7	8.27	9.35	6.98
December 1930 .	5	5.66	7.36	4.83
December 1931 .	7	8.45	9.59	7.32
December 1932 .	4	5.04	5.79	3.88
December 1933 .	4	5.14	5.69	3.88
June 1934 . . .	4	4.56	5.06	3.76

Unlike the development in other countries, rates during 1933 showed no tendency to fall, but remained at a relatively high level. During the first half of 1934, however, there are signs of an easing of the money-market position and reduction in rates. It would seem that this is largely to be explained by the cessation of issues of *Steuergutscheine* and the reduction in the volume outstanding through their use in the payment of taxes. (The amount outstanding is officially estimated to have been reduced from RM. 1,363 million at the end of March to RM. 1,215 million at the end of May.) The fresh funds flowing to the banks were consequently employed to an increasing extent in the private discount market, and the banks, as shown above, discounted themselves increasing quantities of *Arbeitsbeschaffungswchsel*.

Some particular reference should be made to the recent activities of three banks whose special part during the German credit crisis was related in the last edition of this volume. The name of the Akzept- und Garantie-Bank, which was established during the banking crisis of 1931 in order to provide the necessary third signature to enable private and particularly savings banks to borrow at the Reichsbank, was shortened to Akzeptbank in 1933. In 1932, the Akzeptbank made certain direct advances to industries in conjunction with other banks, and it also granted rediscount and lombard credits to private bankers. It took part¹, along with the Deutsche Golddiskontbank, the Bank für Deutsche Industrieobligationen and certain directors of the Reichsbank, in the foundation of the Deutsche Finanzierungs-Institut A.G. (Finag) at the end of 1932. In 1933, the business of the Akzeptbank was considerably reduced, as the

improved liquidity of the savings banks resulted in the retirement of a large part of their acceptances drawn on this institution. The contingent liability of the Akzeptbank on account of acceptances, which had reached its highest level of RM. 1.6 milliard at the end of 1931, was reduced to RM. 975 million by the middle of 1933 and RM. 500 million by the middle of 1934. The Dresdner Bank, whose liability to the Akzeptbank at one time amounted to RM. 400 million, is still in debt to that institution to the extent of RM. 150 million. During 1933, the Akzeptbank ceased to grant credits directly to industry and private banks and it is understood that the bank is arranging for the liquidation or transfer to other institutions of such credits as still remain outstanding.

The Bank für Deutsche Industrieobligationen (Industriebank) was founded in 1924, and during the first five years of its existence was chiefly concerned with matters arising out of reparations. More recently, the bank has specialised in the provision of long-term credits to medium-sized industrial firms which show adequate profit-making capacity. At the end of March 1934, the bank's industrial credits outstanding amounted to RM. 102 million, representing an increase of nearly RM. 60 million in the previous twelve-month period. The bank has also made important advances in connection with the agricultural relief measures in Eastern Prussia.

The part played by the Golddiskontbank in connection with the credit crisis of 1931 and the subsequent banking reorganisation was outlined in the previous edition. During 1933, its activities were largely the normal ones of financing the export trade, and its statements reveal the extent to which the balance-sheets of all credit institutions must have tended to contract as a result of this particular factor. The direct export credits of the Golddiskontbank outstanding fell from RM. 212 to RM. 126 million in the course of 1933, while its holdings of bills of exchange fell from RM. 268 to RM. 195 million.

* * *

In the previous edition of this volume, the various arrangements made with regard to the repayment of German short-term credits from the first standstill agreement of September 1931 to the agreement of February 1934 (expiring in February 1935) were outlined. The information there given may be supplemented by a brief account of the arrangements entered into and action taken with regard to long-term debt. It may be recalled that the long-term creditors were, in general, receiving full service on their lendings until the middle of 1933. At that time, the General Council of the Reichsbank, having regard to the depletion of

¹ See *Commercial Banks, 1925-1933*, page 121.

gold and foreign currency reserves (which was accentuated by the repayment before the due date of \$70 million to the Bank for International Settlements), issued an order limiting the transfer to foreign creditors. In the second half of 1933, the whole of the interest and sinking fund on the Dawes Loan was transferred, interest but not sinking fund on the Young Loan, and half interest and no sinking fund on other long-term loans of all categories. The other half of interest on "other" loans was paid in scrip — *i.e.*, claims on the newly established *Konversionskasse* — which could be sold for the lender's currency at an indeterminate rate of discount. In fact, the discount was 50 per cent, so, during this period, the lender obtained 75 per cent of interest due in his own currency.

At the end of 1933, the Reichsbank announced that, during the first half of 1934, it proposed to maintain the existing arrangements for the Dawes and Young Loans, but that, with regard to the other loans, it proposed to pay in "cash" — *i.e.*, foreign currency — only 30 per cent of interest due, and the remainder in scrip. This meant a total payment in foreign currency of 65 per cent of the interest due. The Swiss and Dutch creditors claimed special treatment in view of the large surplus of German exports to these countries, and the Reichsbank thereupon convoked the representatives of all middle- and long-term creditors to a special meeting in Berlin.

At this meeting, which was held late in January 1934, the Reichsbank agreed to convert the scrip paid into the accounts of "other" bondholders at the *Konversionskasse* at the rate of 67 instead of 50 per cent, with the result that some 77 per cent of interest due was to be transferred. Further discussions were held in April, the foreign creditors first meeting at Basle and then, with representatives of the Reichsbank and Treasury, in Berlin. With regard to holders of bonds other than the Young and Dawes Loans, the Reichsbank made the following offer to cover the second half of 1934 : coupons due for payment might either be held by the bondholder pending a future settlement, or exchanged for 3 per cent German State bonds expressed in the currency of the original bond, the interest on these bonds to be transferred at some indeterminate future date ; or exchanged against an undertaking on the part of the Reichsbank to transfer, in six months' time, some 40 per cent of interest due, provided the Reichsbank was in a position to make such transfer, the remainder to be paid in "scrip". The Reichsbank intimated its intention to treat holders of Dawes and Young Loans in the same way, and the British and French Governments intervened to demand special treatment for the holders of these bonds. Finally, the British, French and Swedish representatives agreed to accept the Reichsbank offer in so far as it affected "other" bondholders, and the American, Swiss and Dutch representatives rejected the offer.

On June 14th, the Reichsbank announced a complete transfer moratorium on all external-debt service, including that of the Dawes and Young Loans, for the second half of 1934. The British Government thereupon announced its intention of imposing exchange clearing to ensure that the service of these debts would be met out of the sterling proceeds of German exports to the United Kingdom. Early in July, an arrangement was reached whereby the Reichsbank undertook, during the second half of 1934, to transfer the interest on the Dawes and Young Loans, and at the beginning of August the two countries entered into a clearing agreement by which the Bank of England was to open a special account at the Reichsbank into which German importers were to pay Reichsmarks (*Sondermarks*), which the Bank of England would attempt to sell to British importers. Clearing or transfer agreements were also arranged between Germany, on the one hand, and France, Switzerland and Sweden on the other, providing for full service of the loans in question, and, under certain conditions, for some service of other debts.

The Anglo-German Exchange Agreement broke down as a result of accumulation of large balances of unsold *Sondermarks* in the account of the Bank of England. A new agreement was signed on November 1st, 1934. Under it, Germany agreed to set aside 55 per cent of the value of her exports to the United Kingdom for payment of British exports to Germany. Interest payments on the Dawes and Young Loans are to be continued after the end of 1934, and the 40 per cent cash offer on "other" bonds made in May 1934 (see above) was repeated. On November 4th, however, the Reichsbank announced the withdrawal of this cash offer, which had been conditional upon the availability of the necessary *devisen*.

* * *

Late in November 1934, the report of the Commission set up in September 1933 to enquire into the German banking position was published. The report does not recommend any radical changes in the structure of the German credit system ; its chief proposals relate to the control and supervision of existing institutions. The report begins with an analysis of the defects of the German credit system which led to the crisis of 1931. Particular stress is laid upon the taking up of excessive foreign short-term credits on the part of German banks, the granting of too large credits to individual concerns, and the physical over-expansion of the credit system. The principal recommendations are the following : (1) Government should exercise supervision and control over all credit institutions ; (2) the establishment of any credit institution or branch thereof should be conditional upon

Government permission, which should be given only if certain material and personal conditions are fulfilled ; (3) adequate liquidity should be ensured through the fixing of both minimum ratios for the most liquid and maximum ratios for the least liquid assets ; the determination of what constitutes a liquid asset should take into account the capacity of the Reichsbank (through the Law of October 27th, 1933) to buy certain securities in the open market ; (4) the money market should be sharply distinguished from the capital market ; ordinary banks which accept savings deposits should account them separately from other deposits and invest them only in a form which corresponds to their long-term character ; (5) the development of cheque payments should be controlled by the Reichsbank ; (6) the decentralisation of the credit system should be encouraged through the development of regional banks where these are *viable* and measures should be taken for the restoration of private banks ; the nationalisation of credit is rejected ; (7) the ratio of the banks' own funds to their outside liabilities should be raised, but deflationary results should be avoided in this connection ; (8) credits should

be granted in as broad a circle as possible and maximum limits should be fixed on the credit which may be granted to any individual firm, which should not be exceeded except upon the personal responsibility of the bank directors ; uncovered credits over a certain maximum limit should be granted only upon examination of the balance-sheet of the applicant ; (9) provision should be made for greater publicity regarding bank balance-sheets ; (10) a supervisory office to ensure the application of these provisions should be established under the chairmanship of the President of the Reichsbank.

On December 4th, 1934, the Cabinet passed a law putting into force the Commission's recommendations. Commercial banks' cash reserves are to be built up, over a period of time, to 10 per cent of deposit liabilities. A further reserve of 30 per cent in short-term trading bills or discountable securities is to be held. Own capital resources must be at least 20 per cent of outside liabilities for the commercial banks. Investments in real estate and permanent participations are together limited to the amount of own capital.

Balance-sheet Summary.

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

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

1 and 2. Cash and Cash Assets.

The detailed composition of this item is as follows :

RM. (000,000's)	<i>Kreditbanken</i>					Big Berlin banks				
	No- vember 1929	No- vember 1930	No- vember 1931	No- vember 1932	No- vember 1933	1929	1930	1931	1932	1933
Cash, foreign money and coupons .	133	126	101	92	96	166	170	128	111	119
Balances with banks of issue . .	91	109	116	81	63	252	253	264	143	135
Balances with clearing institutions.	34	28	20	14	25					
Not specified.	—	—	—	—	—	8	8	8	—	—
Total	258	263	237	187	184	426	431	400	254	254

[Continued on page 54.]

GERMANY. PRINCIPAL COMMERCIAL BANKS (BERLINER GROSSBANKEN) Table 9 (a) II.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of Banks.	6	6	5	5	5
ASSETS.					
RM. (ooo,ooo's omitted)					
I. Cash.					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	426	431	400	254	254
2. Other Items of a Cash Nature					
3. Bills discounted and bought	3,038	2,573	1,478	1,718	1,748
(a) Treasury bills	380	549	374	497	548
(b) Commercial bills, Inland.					
(c) Commercial bills, Foreign	2,658	2,024	1,104	1,221	1,200
4. Investments and Securities.	211	173	170	213	206
(a) Government	15	19	56	66	78
(b) Other	196	154	114	147	128
5. Participations	279	280	289	313	293
6. Due from Banks (Correspondents).	1,674	1,479	664	586	479
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances.	7,407	7,128	4,788	4,270	3,615
(a) On current account	4,769	4,554	3,518	3,275	3,009
(b) Other	2,638	2,574	1,270	995	606
8. Cover for Acceptances.	513	701	919	770	765
9. Premises, etc.	213	207	208	235	215
10. Sundry Assets	4	4	321	444	340
11. Total Assets	13,765	12,976	9,237	8,803	7,915
LIABILITIES.					
12. Capital paid up.	588	553	420	442	426
13. Reserve Funds	330	330	115	100	80
14. Profit-and-Loss Accounts.	79	51	7	7	9
15. Cheques and Drafts in circulation].	—	—	—	—	—
16. Due to Banks (Correspondents)	2,809	3,137	2,161	2,380	1,926
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	9,228	7,993	5,398	4,946	4,581
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	189	189	189	128	86
19. Acceptances and Endorsements.	513	701	919	770	765
20. Sundry Liabilities.	30	22	19	30	42
21. Total Liabilities.	13,765	12,976	9,237	8,803	7,915
22. Guarantees (<i>Avale und Bürgschaften</i>).	676	642	528	448	395
23. Value of currency in Swiss francs at the end of each year	1.23	1.23	1.23	1.23	1.23

GERMANY. PRINCIPAL COMMERCIAL BANKS (BERLINER GROSSBANKEN) Table 9 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1929	1930	1931	1932	1933
Number of Banks.	6	6	5	5	5
	RM. (ooo,ooo's omitted)				
Capital paid up.	588	553	429	442	426
Reserves and Undivided Profits	338	340	125	104	83
1. Gross Profits	480	450	368	320	300
<i>To be deducted :</i>					
2. Expenses.	394	350	300	255	229
(a) Salaries, etc.	340	310	270	231	212
(b) Other working expenses	54	40	30	24	17
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pensions Funds, etc..	19	17	16	16	17
4. Written off on (Depreciation Accounts for	2	43	706	131	69
(a) Premises, etc.	2	1	—	1	1
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	42	706	130	68
5. Remaining Net Profit or Loss	+ 65	+ 40	-654	- 82	- 15
6. Carried forward from Preceding Year	9	10	10	4	3
7. Taken from Reserves or Capital.	—	—	651	85	20
8. Total Amount disposed of for Dividends, etc..	74	50	7	7	8
9. Carried to Reserves	—	—	—	—	—
10. Dividends	61	38	3	4	3
11. Directors' Fees, etc.	3	2	—	—	—
12. Other Purposes.	—	—	—	—	—
13. Carried forward to Following Year	10	10	4	3	5
14. Total as above	74	50	7	7	8
15. Value of currency in Swiss francs at the end of each year.	1.23	1.23	1.23	1.23	1.23

3. Discounts.

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

RM. (ooo,ooo's)	x1/ 1929	x1/ 1930	x1/ 1931	x1/ 1932	x1/ 1933
Treasury bills :					
Rediscountable at					
Reichsbank	245	73	134	110	120
Other.	246	478	236	390	460
Total 3 (a)	491	551	370	500	580

RM. (ooo,ooo's)	x1/ 1929	x1/ 1930	x1/ 1931	x1/ 1932	x1/ 1933
Commercial bills :					
Cheques and bills (ordinary discounts)	2,863	2,288	1,299	1,327	1,369
Own acceptances.	5	2	2	15	8
Own drawings.	3	1	3	3	2
Promissory notes drawn by customers to bank's order.	1	5	4	20	11
Total 3 (b)	2,872	2,296	1,308	1,865	1,390
Grand total	3,363	2,847	1,678	1,865	1,970

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

4. Investments and Securities.

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

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

RM. (000,000's)	Kreditbanken					Big Berlin banks				
	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933	1929	1930	1931	1932	1933
Pledgeable at Reichsbank and other central banks.	57	69	33	26	30	12	12	9	7	8
Other quoted securities	273	226	226	157	162	152	120	80	99	69
Sundry securities.	71	75	65	63	88	32	22	25	41	51
Total	401	370	324	246	280	196	154	114	147	128

5. Participations.

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

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

RM. (000,000's)	Kreditbanken					Big Berlin banks				
	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933	1929	1930	1931	1932	1933
Bank participations.	187	181	200	187	190	111	114	127	144	121
Syndicate participations.	221	212	231	221	186	168	166	162	169	172
Total	408	393	431	408	376	279	280	289	313	293

6. Due from Banks (Correspondents).

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

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

RM. (000,000's)	Kreditbanken					Big Berlin banks				
	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933	1929	1930	1931	1932	1933
"Nostro" balances.	1,507	1,290	484	354	282	1,305	1,011	373	249	189
Advances to credit institutions.	441	463	491	358	314	369	468	291	337	290
Total	1,948	1,753	975	712	596	1,674	1,479	664	586	479

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

7. Loans and Advances.

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

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

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

RM. (000,000's)	Kreditbanken					Big Berlin banks				
	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933	1929	1930	1931	1932	1933
<i>Debtors in current account:</i>										
1. Covered by:										
Stock-Exchange security	1,587	1,536	989	744	689	1,363	1,298	721	618	610
Other security	3,993	4,437	4,015	3,624	3,309	2,863	3,095	2,775	2,753	2,463
2. Uncovered	1,927	1,861	1,784	1,212	1,026	1,425	1,330	1,232	1,011	992
3. Total	7,507	7,834	6,788	5,580	5,024	5,651	5,723	4,728	4,382	4,065
<i>Less:</i>										
Advances to credit institutions	441	463	491	358	314	369	468	291	337	291
Cover for acceptances	624	808	1,039	859	850	513	701	919	770	765
4. Total 7 (a)	6,442	6,563	5,258	4,363	3,860	4,769	4,554	3,518	3,275	3,009
<i>Other loans and advances:</i>										
5. Advances on Stock-Exchange securities:										
Contangos	318	196	58	1	1	298	166	60	1	—
Lombards	284	227	124	40	32	264	187	69	31	24
Total	602	423	182	41	33	562	353	129	32	24
6. Reimbursement credits:										
Secured by shipping or warehouse warrants	238	182	99	130	64	211	189	75	89	70
Otherwise secured	859	967	679	543	329	791	955	568	486	279
Unsecured	966	1,000	540	407	226	799	821	427	326	192
Total	2,063	2,149	1,318	1,080	619	1,801	1,965	1,070	901	541
7. Other short-term credits on pledge of marketable goods	185	170	75	65	95	171	152	71	62	42
8. Total short-term loans and advances (5+6+7)	2,850	2,742	1,575	1,186	747	2,534	2,470	1,270	995	606
9. Long-term loans	960	1,108	1,208	1,213	1,240	104	104	—	—	—
10. Total 7 (b)	3,810	3,850	2,783	2,399	1,987	2,638	2,574	1,270	995	606
Grand total (4+10)	10,252	10,413	8,041	6,762	5,847	7,407	7,128	4,788	4,270	3,615

8. *Cover for Acceptances.*

See note to previous group.

10. *Sundry Assets.*

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

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

The capital account involves double counting in

respect of the bank participations included under assets.

16. *Due to Banks (Correspondents).*

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

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

RM. (000,000's)	Kreditbanken					Big Berlin banks				
	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933	1929	1930	1931	1932	1933
Credits obtained with other banks for the account of customers	2,122	2,297	1,531	1,223	709	1,872	2,114	1,223	1,095	637
Due to German banks, banking firms, etc.	1,148	1,394	844	1,283	1,373	937	1,023	938	1,285	1,289
Total	3,270	3,691	2,375	2,506	2,082	2,809	3,137	2,161	2,380	1,926

17. *Deposits.*

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

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

RM. (000,000's)	<i>Kreditbanken</i>					Big Berlin banks				
	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933	1929	1930	1931	1932	1933
Deposits.	10,965	9,814	6,802	6,159	5,642	9,228	7,993	5,398	4,946	4,581
Due to German banks.	1,148	1,394	844	1,283	1,373	937	1,023	938	1,285	1,289
Total.	12,113	11,208	7,646	7,442	7,015	10,165	9,016	6,336	6,231	5,870
<i>Thereof:</i>										
Payable within seven days. . .	4,490	4,565	3,870	3,494	3,155	4,247	4,128	3,316	3,002	2,779
Payable after seven days and up to three months.	6,679	5,827	3,119	2,948	3,041	5,419	4,538	2,535	2,621	2,516
Payable after three months . .	944	816	657	1,000	819	499	350	485	608	575
Total, as above	12,113	11,208	7,646	7,442	7,015	10,165	9,016	6,336	6,231	5,870

18. *Borrowings.*

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

RM. (000,000's)	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933
Mortgage and municipal bond issues. . .	861	1,045	1,141	1,086	1,059
Other long-term borrowings.	298	296	268	246	302
Total.	1,159	1,341	1,409	1,332	1,361

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

22 and 23. *Guarantees and Rediscounts.*

These items are classified as contingent liabilities

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

RM. (000 000's)	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933
Rediscount liabilities in respect of :					
Bank acceptances	974	1,135	1,007	348	335
Other bills.	842	742	889	683	897
Total.	1,816	1,877	1,896	1,031	1,232
<i>Thereof</i> due within fifteen days	562	486	464	246	252

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

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

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

I. *Gross Profits.*

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

RM. (000,000's)	1929	1930	1931	1932	1933
Net interest from discounts and loans. . .	227	208	170	160	134
Commissions	244	237	193	157	163
Profits from investments and participations.	9	5	5	3	3
Total.	480	450	368	320	300

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

II. *Directors' Fees, etc.*

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

GREECE.

Introductory Note.

The year 1933 was characterised by a marked improvement in the currency and banking position of Greece. Since the beginning of that year, the currency has been kept stable at a level nearly 51 per cent below the parity established in 1929, and there has been a considerable return flow of capital which escaped before the establishment of *cours forcé* in April 1932. In consequence, the gold reserves of the Bank of Greece increased from less

than 60 million Swiss francs at the end of 1932 to nearly 130 millions at the end of 1933. At current rates of exchange, the latter figure amounts to over 4,000 million drachmæ.

The return of confidence and inflow of *Devisen* led, in the first instance, to an increase in liquidity, and, as the following table shows, did not affect the loan operations of the commercial banks until after June 1933.

Drachmæ (000,000's)	End of	Dec. 1932	June 1933	Dec. 1933	June 1934
Number of banks		27	25	26	27
1. Cash		858	2,245	1,915	2,169
<i>Of which:</i>					
Balances with the Bank of Greece		(409)	(1,863)	(1,416)	(1,750)
2. Gold, foreign notes and exchange *		872	641	623	603
3. Bill portfolio		1,467	1,480	2,483	2,167
4. Securities		1,838	1,592	1,537	1,570
5. Loans and advances		9,692	8,685	8,648	8,984
<i>Of which:</i>					
Under 3 months		(6,729)	(5,877)	(5,863)	(6,079)
Over 3 months		(2,963)	(2,808)	(2,775)	(2,905)
6. Total deposits and borrowings		13,519	14,126	14,817	15,090
<i>Of which:</i>					
In drachmæ		(11,754)	(12,741)	(13,459)	(13,752)
In foreign currencies		(1,765)	(1,385)	(1,358)	(1,338)

* This item is given as " Due from Banks abroad " in the Balance-sheet Summary Table.

Cash in hand and balances with the Bank of Greece increased from 646 million drachmæ at the end of April 1932, the lowest point of the crisis, to 2,245 million drachmæ at the end of June 1933. The ratio of these two items to total deposits increased from about 5 to about 16 per cent between these two dates.

This rise in liquidity reflected various changes in the balance-sheet position of the banks. On the one hand, loans and discounts were called in to a net amount of nearly 1 milliard drachmæ during that period, and the holdings of securities were reduced by almost 400 millions. On the other hand, the deposits, far from being reduced *pari passu* with the compression of the volume of credit outstanding, actively increased by almost 1 milliard, representing in the main a reflux into the banks of funds previously withdrawn and largely expatriated during the flight from the drachma. In the circumstances, this inflow of deposits in conjunction with the repayment of loans went to increase the cash balances of the commercial banks with the Bank of Greece.

In the latter half of 1933, the contraction of loans and advances was brought to an end, and a sharp

increase in discounts led to a temporary decline in the cash balances with the Central Bank. Deposits continued to increase, however, and, by the end of June 1934, total cash again almost reached the previous maximum figure, a decline in discounts during the first half of that year being compensated by an equal increase in loans and advances, while securities remained practically unchanged during the whole period June 1933 to June 1934.

The foregoing table covers all commercial banks, —i.e., it includes (at the middle of 1934) five large banks, six other fairly important banks, twelve local banks and four foreign banks. The large banks are of predominant and increasing importance to the Greek commercial banking system, and one in particular — the National Bank of Greece — holds a position of undisputed leadership. This bank, whose resources are even greater than those of the Bank of Greece, was, even at the time when it functioned as bank of note-issue, the most important commercial banking institution in the country, and its relative importance among these institutions has subsequently been further enhanced as a result of the recent increase in deposits, of which the National Bank of Greece alone absorbed about half.

The rapid growth of this bank in recent years, and its present predominant position in the Greek credit structure is shown in the following table :¹

		National Bank of Greece	Other big banks	All big banks
Capital and Reserves :				
Drachmæ (000,000's).	1928	1,193	848	2,041
	1934	1,205	408	1,613
Percentage share. . .	1928	58.5	41.5	100
	1934	74.7	25.3	100
Deposits :				
Drachmæ (000,000's).	1928	5,278	5,373	10,651
	1934	9,188	4,223	13,411
Percentage share . . .	1928	49.6	50.4	100
	1934	68.5	31.5	100
Other Liabilities :				
Drachmæ (000,000's).	1928	789	2,055*	2,844
	1934	1,147	606	1,753
Total Liabilities :				
Drachmæ (000,000's).	1928	7,260	8,276	15,536
	1934	11,540	5,237	16,777
Percentage share. . .	1928	46.7	53.3	100
	1934	68.8	31.2	100

While the aggregate liabilities of the other big banks fell by over 3 milliard drachmæ between 1928 and 1934, those of the National Bank increased by over 4 milliards, and its share in the total rose from 47 to 69 per cent. The National Bank of Greece and the other four big banks — the Orient Bank, which figured among the "Five Other Banks" in 1928, was merged with the National Bank on January 1st, 1933 — represent almost the whole of the Greek commercial banking system. Their deposits constituted 85 per cent of the deposits

held by all banks and 90 per cent of the deposits held by the commercial banks at the end of 1933. The distribution of the 90 per cent among the five banks was as follows : National Bank of Greece, 60 ; Bank of Athens, 16 ; Popular Bank, 5 ; Commercial Bank, 4.4 ; and Ionian Bank, 4.2 per cent.

The following table discloses in more detail the relative importance of the various groups of banks operating in Greece and shows the movement of deposits since the end of 1932.

Drachmæ (000,000's)	Dec. 1932	Dec. 1933	June 1934
Commercial banks :			
Big banks	10,918	11,686	13,603
Other regional banks	1,403	1,679	747
Local banks	131	174	187
Foreign banks	1,067	1,278	553
Total	13,519	14,817	15,090
Of which :			
Sight and savings deposits.	(9,786)	(11,181)	(11,512)
Time deposits and borrowings	(3,733)	(3,636)	(3,578)
Agricultural banks	657	1,350	655
National Mortgage Bank	2,268	2,183	2,146
Post Office Savings Bank.	1,256	1,695	1,775
Grand total.	17,700	20,045	19,666

The increase in commercial bank deposits has been particularly marked in current accounts. In the course of 1933, post office savings accounts rose by 500 million drachmæ, or more than 40 per cent, in spite of a reduction in the rate of interest allowed on such accounts from 6½ to 4 per cent at the middle of the year.

Balance-sheet Summary.

I. Cash.

The composition of this item is as follows :

Drachmæ (000,000's)	Notes and coins	Balances with the Bank of Greece	Total
— End of			
1929	562	547	1,109
1930	573	742	1,315
1931	365	740	1,105
1932	448	409	857
1933	499	1,416	1,915

6. Due from Banks (Correspondents).

The sums given under (a) are shown among cash reserves under the heading "balances with other banks" in the statistics published by the Bank of Greece.

¹ See article entitled "Capacity of the Greek Commercial Banks" appearing in the *Oikonomikos Tachydromos* and reproduced in the *Messenger d'Athènes* of August 29th, 1934. According to this article, the rapid growth of the National Bank of Greece was due principally to three causes. The establishment of the Bank of Greece as the Central Bank in 1928 and the development of the Agricultural Bank enabled the National Bank to concentrate on purely commercial business. Secondly, the failure of certain small banks during the crisis benefited the National Bank in two ways. Being charged with the duties of liquidation, it inherited many of the clients of the closed banks, and the fear engendered by these failures attracted depositors to the largest bank. Thirdly, one of the big foreign banks, the Ionian Bank, has since the crisis tended to restrict its activities in Greece.

The sums given under (b) are shown in the statistics of the Bank of Greece under the heading "gold, foreign bank-notes and exchange".

7. Loans and Advances.

The composition of loans and advances according to periods of maturity is shown below :

Drachmæ (000,000's)	Up to 3 months	Over 3 months	Total
— End of			
1929 . . . . .	.	.	6,857
1930	7,076	3,201	10,277
1931	6,597	3,129	9,726
1932	6,729	2,963	9,692
1933	5,863	2,775	8,648

GREECE.

COMMERCIAL BANKS

Table 10 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of Banks	35	33	31	27	26
ASSETS.					
	Drachmæ (000,000's omitted)				
1. Cash	1,109	1,315	1,105	857	1,915
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—	—
3. Bills discounted and bought	3,523	2,414	2,054	1,467	2,483
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	1,906	1,906	1,980	1,838	1,537
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	410	939	879	719	839
6. Due from Banks (Correspondents)	1,627	1,344	809	918	872
(a) At home	240	231	68	45	249
(b) Abroad	1,387	1,113	741	873	623
7. Loans and Advances	6,857	10,277	9,726	9,692	8,648
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	439	—	—	—	—
10. Sundry Assets	4,324	—	—	—	—
11. Total Assets	20,195	—	—	—	—
LIABILITIES.					
12. Capital paid up	688	—	—	—	—
13. Reserve Funds	2,099	—	—	—	—
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—
15. Cheques and Drafts, etc., in Circulation	109	—	—	—	—
16. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	13,235	15,287	14,151	13,519	14,817
(a) Current accounts and sight deposits	8,317	—	—	—	—
(b) Savings accounts	3,088	12,115	10,567	9,786	11,181
(c) Time or fixed deposits	1,830	—	—	—	—
(d) Other deposits	—	3,172	3,584	3,733	3,636
18. Rediscounts and Other Borrowings	345	—	—	—	—
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	3,719	—	—	—	—
21. Total Liabilities	20,195	—	—	—	—
22. Value of currency in Swiss francs at the end of each year	0.067	0.067	0.067	0.028	0.029

GREECE.

COMMERCIAL BANKS

Table 10 (b)

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks.	28	.	23	21	22
	Drachmæ (000,000's omitted)				
Capital paid up.	662	.	525	622	644
Reserves and Undivided Profits	2,098	.	1,843	1,571	1,601
I. Gross Profits.	1,563	.	1,307	1,168	1,136
<i>To be deducted :</i>					
2. Expenses	1,214	.	1,008	903	901
(a) Salaries, etc.	512	.	—	—	—
(b) Other working expenses	609	.	—	—	—
(c) Taxes, etc.	93	.	—	—	—
3. Reserved for Pension Funds, etc.	—	.	—	—	—
4. Written off on Depreciation Accounts for	141	.	169	167	122
(a) Premises, etc.	—	.	—	—	—
(b) Investments and securities.	—	.	—	—	—
(c) Other assets	—	.	—	—	—
5. Remaining Net Profit or Loss (—)	208	.	130	98	113
6. Carried forward from preceding year.	—	.	—	—	—
7. Taken from Reserves or Capital.	—	.	—	—	—
8. Total Amount disposed of for Dividends, etc..	208	.	130	98	113
9. Carried to Reserves.	20	.	7	4	9
10. Dividends	188	.	123	80	86
11. Directors' Fees, etc.	—	.	—	—	—
12. Carried forward to following year.	—	.	—	14	18
13. Total as above	208	.	130	98	113
14. Value of currency in Swiss francs at the end of each year	0.067	0.067	0.067	0.028	0.029

Summary of Profit-and-Loss Accounts.

The profit-and-loss accounts of the Greek commercial banks have been prepared since 1931 from the data supplied by the Bank of Greece.

The specifications given in the Summary, including the figures on paid-up capital and reserves, etc., are those of the original data.

HUNGARY.

Introductory Note.

The total of agricultural indebtedness to the Hungarian banks — mainly to those of the provinces — on June 30th, 1933, amounted to 1,239.9 million pengö, of which 924.2 millions represented short-term credits and 315.7 millions consisted of long-term loans.¹ In connection with the measures taken in the autumn of 1933 for the relief of agricultural debtors,² the State took over from a large category of small farmers a part of their debts, of which it repaid certain portions in cash to banking creditors having a first charge. To meet these requirements, the State is empowered to borrow 100 million pengö from the National Bank, and the sums which it is thereby enabled to pay to the banks concerned are to be used by the latter to reduce their rediscount liabilities to the National Bank.

On December 31st, 1933, a Decree was passed to enforce further reductions of interest rates on the part of the banks, after a similar measure had already been taken at the end of 1932. Maximum rates payable on deposits were now fixed at 3½ to 4½ per cent (according to the category of the bank) on sight deposits, and at 4 to 5 per cent on time deposits. A further Decree, at the beginning of 1934, laid down stricter rules for the valuation of securities for balance-sheet purposes.

A new Standstill Agreement was concluded on April 4th, 1934, with the British and American banking creditors, providing for interest reductions of ½ to ⅔ per cent (according as payments are made in pengö or in foreign exchange), as well as for the compulsory repayment of 5 per cent of the outstanding principal, and further voluntary repayments, subject to the approval of the National Bank. It retains the main features of the previous agreements, which were described in the last edition of this publication.

With reference to the service of Hungary's long-term foreign debts, the Transfer Suspension Decree of December 23rd, 1931, had set up a Foreign Creditors' Fund, to which all sinking fund and interest payments had to be made in pengö. Under the agricultural debt relief measures, banks which had issued mortgage bonds in foreign currency, based on long-term agricultural loans, were entitled to have the sums paid by them on account of these bonds to the fund returned to them in the form of deposits subject to interest. Up to June 30th,

1934, the fund had received in all 170 million pengö in cash and 46 millions in Treasury bills, the latter representing the bulk of the foreign debt service due by the State. Of the former amount, over 100 million pengö had been released to foreign creditors and made available for additional exports at a discount. The remaining cash receipts (including interest paid to the fund by the National Bank, the State, and the issuing banks) amounted to 64 million pengö, of which, on June 30th, 1934, 22.5 millions had been lent to the State for certain productive investments (public works, railways, etc.) and 1.5 million pengö to the issuing banks referred to above, the balance of 40 millions being left on deposit with the National Bank. Arrears due to the fund on account of the service of foreign debts totalled 21 million pengö on June 30th, 1934.

Plans have recently been under consideration — largely on the initiative of the Government — for a simplification of the banking structure by mergers and amalgamations, with a view to reducing operating costs; but, up to the time of writing, no legislative measures have been introduced for this purpose.

The attached Summary Table is based on the statistics of the Central Corporation of Banking Companies, which comprises practically the whole banking system of the country, apart from the co-operative credit societies and the Post Office Savings Bank. No aggregate profit-and-loss accounts are published, but the following figures are available for the eleven more important Budapest banks, which — with a combined share capital of 198.2 million pengö at the end of 1933 — account for well over half of the total resources of Hungarian banks:

Pengö (000,000's)	1930	1931	1932	1933
Gross profits	81.6	71.3	60.9	56.5
Expenses (including taxes) . .	47.0	44.7	39.1	37.2
Written off	1.7	7.4	8.1	8.9
Net profit (including amounts carried forward from preceding year)	32.7	20.4	16.3	13.6
Dividends	22.7	10.3	5.6	3.8

As the character of the operations of the Budapest and the provincial banks differs markedly, separate figures for certain items of the balance-sheet are shown in the notes below.

¹ See *Economic Bulletin of the Central Corporation of Banking Companies*, No. 4, 1933.

² A brief account of these measures will be found in the preceding edition of this *Memorandum*, page 134.

HUNGARY.

COMMERCIAL BANKS

Table 11 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of banks.	529	506	474	450	436
ASSETS.					
Pengö (ooo,ooo's omitted)					
1. Cash					
(a) Gold, silver and small coins.					
(b) Inland notes and balances with Central Bank	301	277	234	208	167
2. Other Items of a Cash Nature					
3. Bills discounted and bought	1,836	2,010	1,894	1,714	1,684
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities.	123	121	118	262	258
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations . . . . .	.	.	.	.	.
6. Due from Banks (Correspondents). . . . .	.	.	.	.	.
(a) At home. . . . .	.	.	.	.	.
(b) Abroad . . . . .	.	.	.	.	.
7. Loans and Advances	1,974	2,066	1,793	1,531	1,442
(a) On current account	1,310	1,409	1,147	892	842
(b) Other	664	657	646	639	600
8. Cover for Acceptances.	—	—	—	—	—
9. Premises, etc.	118	114	115	125	136
10. Sundry Assets	70	45	104	197	201
11. Total Assets	4,422	4,633	4,258	4,037	3,888
LIABILITIES.					
12. Capital paid up	394	386	386	383	378
13. Reserve Funds	219	225	249	231	248
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	62	59	35	27	16
15. Cheques and Drafts, etc., in circulation.	—	—	—	—	—
16. Due to Banks (Correspondents). . . . .	.	.	.	.	.
(a) At home. . . . .	.	.	.	.	.
(b) Abroad . . . . .	.	.	.	.	.
17. Deposits	2,820	2,970	2,413	2,164	2,099
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits.	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings.	818	895	1,071	1,077	973
19. Acceptances and Endorsements.	—	—	—	—	—
20. Sundry Liabilities.	109	98	104	155	174
21. Total Liabilities.	4,422	4,633	4,258	4,037	3,888
22. Value of currency in Swiss francs at the end of each year.	0.91	0.91	0.91	0.91	0.91

Balance-sheet Summary.

3. *Bills discounted and bought.*

The Budapest banks are known to hold large amounts of Treasury bills, which, however, are not shown separately. In the provinces, the total bill portfolio declined by 44.3 million pengö in 1933, while in Budapest there was an increase of 14.5 millions. Bills rediscounted are maintained under assets and are shown as a separate item under liabilities.

7. *Loans and Advances.*

The basic statistics give no details regarding the composition of the sums shown under (a) which include participations. The sums under (b) represent mortgage loans (including long-term loans to municipalities, etc.), the greater part of which is granted by means of issue of mortgage and "communal" bonds (included in group 18 of the Summary Table).

17. *Deposits.*

The following details are available :

Pengö (000,000's)	1929	1930	1931	1932	1933
Current accounts :					
Budapest	845	828	765	722	733
Provinces	75	70	65	48	42
Total	920	898	830	770	775
Savings accounts :					
Budapest	635	641	536	499	519
Provinces	357	378	275	220	212
Total	992	1,019	811	719	731
"Creditors" :					
Budapest	799	885	694	600	568
Provinces	110	107	110	111	101
Total	909	992	804	711	669
Grand total	2,821	2,909	2,445	2,200	2,175

The discrepancy between these totals and the figures shown in the Summary Table is stated to be "due to reasons of a technical nature in constructing the balance-sheets of some institutes".¹

The distinction between "Creditors" (Kreditoren) and other deposit accounts is somewhat obscure. Although applied differently by individual banks, in practice it appears to reflect the character of the clientele, "Creditors", representing mainly the big customers, with whom the banks maintain close business relations, and foreign short-term creditors, while the deposits of other customers are shown under current and savings accounts. The distinction between current and savings accounts would appear to be mainly formal in character, the latter being in practice current accounts (of small customers) subject to passbooks. But the bulk of "Creditors" consists of foreign short-term debts, and the reduction which is seen to have occurred in this item is due to repayments under the Standstill Agreements, as well as to the depreciation of the pound sterling and the dollar.

18. *Rediscounts and Borrowings.*

The sums shown in this group of the Summary Table are composed as follows :

Pengö (000,000's)	1929	1930	1931	1932	1933
1. Rediscounts :					
Budapest	83	63	206	169	150
Provinces	364	394	415	412	386
2. Own bond issues (Budapest banks)	371	438	450	497	437
Total	818	895	1,071	1,077	973

The rediscount figures do not include several big Budapest banks which do not show the amount of rediscounts in their balance-sheets. In the case of the provincial institutions, 55 per cent of their total bill portfolio of 708 million pengö was rediscounted at the end of 1933.

The second item represents the mortgage and "communal" bonds issued in connection with the long-term loan operations of the banks.

¹ Economic Bulletin of the Central Corporation of Banking Companies, No. 3, 1933.

ITALY.

Introductory Note.

The extension of the part played by the State in the banking system is, perhaps, the outstanding feature in the development of Italian banking in the latter years of the depression. The State has assumed greater importance in two ways. In the first place, the institutions under its control or supervision have experienced a very rapid growth in resources, due both to transfers to them from private organisations (which have tended to decline in importance both relatively and absolutely) and to a growth of small savings which have sought the security of public and semi-public institutions. In the second place, the reorganisation of the private institutions and the assistance granted to them by the Government have increased the responsibilities of the State, and have led to the creation of certain new public credit institutions.

The rapid growth of such institutions is brought out by the following table¹:

Liabilities to the public	1928	1932	1928	1932
	Lire (000,000's)		Percent of total	
1. Special public credit institutions	4,274	5,875	6.5	8.7
2. Public institutions	2,284	4,683	3.5	6.9
3. Agrarian credit institutions	263	1,021	0.4	1.5
4. Mortgage credit institutions	2,843	5,776	4.4	8.5
5. Savings banks and <i>Monti di Pietà</i>	14,790	17,700	22.7	26.1
Total of above institutions	24,454	35,055	37.5	51.7
6. Co-operative banks	7,619	5,791	11.7	8.5
7. Ordinary joint-stock banks	33,126	26,985	50.8	39.8
Grand total	65,199	67,831	100	100

The liabilities to the public of seven groups of credit institutions at the end of 1928 and 1932 are given therein in lire and per cent.

The liabilities to the public of the first five groups of institutions increased by over 43 per cent in the four years following 1928, and their share in the aggregate liabilities to the public of all banks rose from 37.5 to 51.7 per cent. The liabilities of the joint-stock banks in 1932 were 20 per cent smaller than in 1928, and their relative share in the total liabilities of all institutions receded from 50.8 to 39.8 per cent. The same tendency is shown by the movement of own funds between these two dates. In 1932, the paid-up capital and reserve funds of public and semi-public institutions, exclusive of co-operative banks, were 40 per cent higher than in 1928, and the share of these institutions in the total of own funds had risen from 37.9 to 51.5 per cent. The capital and reserves of the joint-stock banks had declined by 20 per cent, and their share of the total had fallen from 50.9 in 1928 to 40.3 per cent in 1932. The divergence in the development of public and private institutions would be still greater if the Post Office Savings Department were included among public organisations; deposits at the Post Office increased by 56 per cent, from 10,819 million lire at the end of 1928 to 17,016 million lire at the end of 1932.

The structural differences between the private and public institutions and the evolution of their operations during the crisis are illustrated by the following table, which gives for two main groups, into which the various classes of institutions inscribed on the register of the Ministry of Finance have been classified², the principal assets for 1928 and 1932 as reported by the Bank of Italy:

¹ The data are taken from the *Annuario delle Banche e Banchieri d'Italia*, Milan. The special public credit institutions, are the Banca di Napoli, Banca di Sicilia, Banca Nazionale del lavoro, and Istituto di S. Paolo di Torino. For 1928, seven public institutions are covered, and for 1932 the Istituto Mobiliare Italiano (IMI) is also included. The number of other institutions in 1932 was as follows: Agrarian credit institutions, 9; mortgage institutions, 11; savings banks, 95; and *Monti di Pietà*, 30; co-operative banks, 411; and ordinary joint-stock banks, 253.

The figures on liabilities to the public and those on own funds given on page 66 are taken from an article by P. BAFFI in the *Giornale degli Economisti*, May 1934 (reproduced in the *Minerva Bancaria*, June 1934). Liabilities to the public include deposits, current accounts, correspondent creditors and, in certain cases, cheques, etc., in circulation.

² The various classes of institutions inscribed on the register of the Ministry of Finance and their respective number in 1928 and 1932 are given below; the first and second have been included in the first group and the remaining five in the second group of the table:

	1928	1932
1. Ordinary joint-stock banks	413	336
2. Banking firms	296	223
3. Co-operative credit societies on joint-stock basis	606	504
4. Co-operative credit societies on other bases	2,225	2,007
5. Agricultural credit institutions	40	21
6. Savings banks and <i>Monti di Pietà</i>	153	129
7. Special public institutes	5	6
Total number of institutions	3,738	3,226

The register of the Ministry of Finance and the annual reports of the Bank of Italy exclude the accounts of the public institutions (*Enti Parastatali*) and of certain important public agrarian credit and public mortgage institutes. In

	Ordinary joint-stock banks and private banking firms		Institutions under public control or supervision		Ordinary joint-stock banks and private banking firms		Institutions under public control or supervision	
	1928	1932	1928	1932	1928	1932	1928	1932
Number of institutions	709	559	3,029	2,667	Per cent of total			
	Lire (000,000's)							
Cash	2,568	1,160	1,906	706	57.4	62.2	42.6	37.8
Sight balances with other institutions . . .		1,304		1,873		41.0		59.0
Bill portfolio	15,190	16,081	8,812	7,139	63.3	69.3	36.7	30.7
Loans and advances	5,504	3,184	9,217	10,574	37.4	23.1	62.6	76.9
Correspondent debtors	9,860	7,270	4,243	3,665	69.9	66.5	30.1	33.5
Sundry debtors	1,102	834	1,049	1,177	51.2	41.5	48.8	58.5
Securities	3,773	4,036	8,199	10,576	31.5	27.6	68.5	72.4
Total of above assets	37,997	33,869	33,429	35,710	53.2	48.7	46.8	51.3
Deposit, correspondent and sundry creditor accounts	34,351	26,502	31,464	33,609	52.2	44.1	47.8	55.9

The ground lost by the private institutions in the four years following 1928 was considerable ; their deposit, correspondent and sundry creditor accounts declined by 7,849 million lire and their principal assets by 4,128 million lire. An increase of 2,123 million lire in their rediscounts and borrowings enabled the private banks to maintain their principal transactions at a relatively high level. The public and semi-public institutions have tended to recover part of this lost ground ; between 1928 and 1932, there was an increase of 2,145 million lire in their principal liabilities to the public, and a corresponding increase in their principal assets. These developments have affected, in particular, what may be termed the characteristic assets of the two groups of institutions : correspondent creditors in the case of the private, loans and advances and security holdings in the case of the public and semi-public, organisations. As the bill portfolio contains a considerable amount of non-commercial paper which is not shown separately, it is not possible to detect significant changes in commercial discounts. The considerable rise in the bill portfolio of the private banks is due to an increase in Treasury bills as well as other non-commercial paper. The latter has been acquired in connection with banking reorganisation effected by the transfer of long-term industrial loans or participations, figuring, principally, as correspondent creditors in the books of the commercial banks, to more specialised organisations¹. The significant changes

in the composition of assets discernible between 1928 and 1932 in the accounts of the public and semi-public institutions are an increase of 30 per cent in security holdings, a rise of 14 per cent in loans and advances, and an augmentation of cash resources. On the other hand, there is a decline in the bill portfolio and in correspondent debtors.

Another important effect of the crisis has been the reduction, partly due to bankruptcies and partly to amalgamation, in the number of credit institutions² from 3,738 in 1928 to 3,226 in 1932. The concentration of banking resources resulting from this decline in the number of institutions is illustrated by the following table³, which shows the average amount of liabilities to the public and of own resources per bank in each of the principal groups of institutions in 1928 and 1932 :

Average per bank : Lire (000,000's)	Liabilities to the public		Capital and reserve funds	
	1928	1932	1928	1932
Public credit institutes	656	880	216	222
Agricultural and mortgage credit institutes	172	340	22	44
Savings banks, <i>Monti di Pietà</i> and co-operative banks	37	44	3	3
Ordinary joint-stock banks	92	107	13	17
General average for above institutions	65	83	9	12

1928, there were 7 of the former and 18 of the latter, and, in 1932, 8 of the former and 20 of the latter, thus bringing the total number of institutions — exclusive of the Bank of Italy — constituting the Italian credit system to 3,763 in 1928 and to 3,254 in 1932.

It should be noted that the accounts given in the annual reports of the Bank of Italy refer to a larger number of institutions than the summaries of the *Annuario delle Banche e Banchieri d'Italia*, which have also been used in this chapter, and that the latter include the liabilities of the *Enti Parastatali* and of public agrarian and mortgage institutes. Whereas total liabilities to the public as given in the summaries of the *Annuario* amounted to 65.2 and 67.8 milliard lire in 1928 and 1932 respectively, the deposit, correspondent and sundry creditor accounts of the institution covered by the annual reports of the Bank of Italy amounted to 65.8 and 60.1 milliard lire respectively for the same years.

¹ See League of Nations, *Commercial Banks, 1925-1933*, page 141.

² For fuller details see footnote² on page 65.

³ For source and explanation of data, see footnote¹ on page 65.

The number of public credit institutions in fact increased from eleven to twelve between these two dates, and their liabilities to the public rose by over 35 per cent. The fall in the resources of the ordinary joint-stock banks was proportionately less than the reduction in their number (from 360 in 1928 to 253 in 1932) : average liabilities to the public per bank rose by over 16 per cent, and own resources by 31 per cent. Further, the deterioration which set in during 1931 seems to have been arrested by the end of 1932, and, as the following summary of the balance-sheets¹ of the most important banks shows, the position of the joint-stock banks began to improve in the course of 1933 :

Lire (000,000's) End of :	1931	1932	1933
Number of banks	146	118	107
ASSETS.			
Cash and bill portfolio	16,621	15,274	15,956
Securities and participations	3,677	3,499	3,828
Loans and advances	1,910	1,488	1,794
Sundry assets	9,741	9,157	7,629
Total of above assets	31,949	29,418	29,207
LIABILITIES.			
Paid-up capital	2,913	2,867	2,837
Reserve funds and undivided profits	1,266	1,283	580
Deposits	7,650	7,014	7,816
Correspondent creditors	18,352	16,791	16,540
Cheques in circulation	567	508	541
Sundry liabilities	1,322	1,031	986
Total of above liabilities	32,070	29,494	29,300

Despite a further reduction in the number of banks in the course of 1933, there has been but a slight diminution in the total balance-sheet as compared with 1932. On the liabilities side, outstanding changes are an increase of some 11 per cent in deposits, a slight decrease in correspondent creditors, and a decline of 59 per cent in reserve funds. This last is probably due to amortisations of industrial credits transferred to the Istituto per la Ricostruzione Industriale². With the exception of sundry assets, which have declined by over 16 per cent due to a reduction in correspondent debtors, which are included with that item, all

other principal assets show increases during 1933. The most striking of these is the rise of about 700 million lire in cash resources and in the bill portfolio, which is in large part due to the acquisition of Treasury bills and other non-commercial paper in connection with the reorganisation of the banks.

A more detailed examination of the development of banking credit since the end of 1932 may be made on the basis of the following figures³, which relate to the three largest banks operating in Italy — namely, the Banca Commerciale Italiana, the Credito Italiano and the Banca di Roma :

Lire (000,000's)	Dec. 1932	June 1933	Dec. 1933	June 1934
ASSETS.				
Cash	1,197	1,905	1,288	...
Bill portfolio	9,605	9,343	10,484	10,758
Contango loans	603	756	500	424
Correspondents	5,447	4,976	4,128	4,086
Investments	1,119	1,119	1,048	1,260
LIABILITIES.				
Deposit accounts	2,893	3,142	3,510	3,732
Correspondents	13,116	12,528	12,638	12,047

Deposits have increased rapidly since the end of 1932, and, at the end of the first half of 1934, they exceeded the peak reached at the end of 1930 by some 500 million lire. Correspondent creditors, however, have declined steadily. Allowing for their seasonal movement in the June quarter, the combined total of deposits and correspondent creditors has not fallen since the end of 1932. Among assets, there has been a steady decline in correspondent debtors and, since June 1933, in contango loans. This fall has been counterbalanced by the increase in other assets, particularly in the bill portfolio. The accounts for June 1934 show a slowing down of the rate of decrease of correspondent credits and contango loans, a further increase in the bill portfolio and a recovery in investments. These changes in the composition of assets and liabilities should be interpreted in terms of the banking reorganisation which has been taking place since 1931. The tendency towards deposit banking has made for a reduction of correspondent creditors and debtors and for an increase in the holding of Government or other non-commercial paper.

The rise of deposits since 1932 has been particularly rapid, as the following figures⁴ show, with institutions other than commercial banks :

¹ *Notizie Statistiche sulle Società Italiane per Azioni*, Rome, 1934. This handbook excludes banks with paid-up capital and reserves of less than one million lire, and the summary of accounts it gives does not contain further details. For 1933, the accounts of two small banks are missing. Their paid-up capital and reserves and their deposit and creditor liabilities during 1932 amounted to 14.3 and 20.8 million lire respectively.

² Cf. *Commercial Banks, 1925-1933*, page 141.

³ Published in the *Bollettino di Notizie Economiche*, Rome.

⁴ These data, except for the deposits of the Big Three, represent a revised series published in the *Bollettino Mensile di Statistica dell'Istituto Centrale di Statistica* as from May 1934. They are not comparable with those published in previous numbers of the *Bollettino* and reproduced in the last issue of this *Memorandum*. The figures on the deposit and correspondent creditor accounts of the Big Three have been obtained from the *Bollettino di Notizie Economiche*.

Deposits : Lire (000,000's)	Dec. 1932	June 1933	Dec. 1933	June 1934
1. Big Three (including cor- respondent creditors)	16,009	15,669	16,148	15,779
2. Regional banks	1,538	1,580	1,541	1,564
Total commercial banks (1 and 2)	17,547	17,249	17,689	17,343
3. Ordinary savings banks	18,743	18,773	19,524	19,718
4. Postal savings banks	17,016	17,773	19,408	19,851
5. <i>Monti di Pietà</i>	657	766	708	635
6. People's banks	1,727	1,739	1,795	1,799
Total savings and other banks (3-6)	38,143	39,051	41,435	42,003
7. Special public credit institutions	4,043	4,242	4,479	4,631
Grand total (1-7)	59,733	60,542	63,603	63,977

In the eighteen months following the end of 1932, aggregate deposits have increased by 4.2 milliard lire, or by over 8 per cent. This increase was confined almost exclusively to postal and ordinary savings banks, whose deposits rose by some 15 per cent. The share of the Big Three and of the regional banks in total deposits has declined from 29 per cent at the end of December 1932 to 27 per cent at the end of June 1934.

* * *

The steps taken to increase the specialisation of banking functions and to divest commercial banks of direct industrial participations were referred to in the last two issues of this *Memorandum*. The total loans of the Istituto Mobiliare Italiano from the end of November 1931 to January 1934 amounted to about 2.5 milliard lire. Though the institute has the statutory right to extend loans on real or collateral security for a maximum period of ten years, it has so far limited them from three to five years.

No complete statement of the operations of the Istituto per la Ricostruzione Industriale (IRI) is available, but it has been stated¹ that the most important investment trusts, whose combined balance-sheets may amount to some 7 milliard lire — the Società Finanziaria Industriale Italiana, the Società Finanziaria Italiana and the Elettro Finanziare — have been taken over by the Liquidation Section. The Istituto has, in addition, taken over certain illiquid assets from the three leading banks, so that, as from their 1933 statements, these three banks have no bills in their portfolios with a maturity exceeding 120 days.

The total amount of assets so disposed of is not known, but each of the banks indicates in its annual report the amounts written off on account of transactions with the IRI. As can be seen from the attached statement on profit-and-loss accounts, the three banks together wrote off 724 million lire, divided as follows: the Banca Commerciale Italiana, 478; the Credito Italiano, 220; and the Banca di Roma, 26 million lire. The net loss of the three banks for 1933 was 435, 190 and 13 million lire respectively.

The Bank of Italy reduced its discount rate successively from 5 per cent at the beginning of 1933 to 4 per cent on January 9th, 3½ per cent in September, and to 3 per cent in December, at which level it remained until November 25th, 1934, when it was raised to 4 per cent. At the same time, interest rates on deposits of credit institutions were reduced by decree in September and October 1933 to the following levels: free current accounts and correspondents' sight accounts, 1½ per cent; time accounts of three to six months, 2½ per cent; time accounts of over six months, 3 per cent; savings deposits, 2 or 2½ per cent according to the amount deposited. Similar measures were taken to reduce the interest rates on savings certificates and postal savings deposits.

The policy of reducing interest charges was also applied to State indebtedness. At the beginning of 1934, the Government issued 4 per cent nine-year Treasury bills in order to redeem the 5 per cent bills falling due in the course of the year. This was followed in February by the successful conversion of the Consolidated 5 per cent Loan into a 3½ per cent loan redeemable in forty-two years. This conversion operation involved over 60 per cent of the national debt of Italy, which had increased from 95,000 million lire in 1930 to 106,000 million lire in 1934². The Credit Consortium for Public Works has also undertaken two successful conversions, one of real estate mortgage bonds in September, and one of municipal bonds in October.

The lire has stood at a discount in relation to other gold currencies throughout the period under review. The average discount on the lire increased from 1.03 per cent in 1933 to 2.98 per cent in 1934. The gold reserve of the Bank of Italy, which had increased to 7,092 millions at the end of 1933 as a result of the sale of foreign exchange holdings, fell steadily during 1934. At the end of December 1934, the gold reserve at home stood at 5,811 millions, and foreign exchange holdings had dropped to relatively negligible proportions.

¹ *Die Bank*, April 25th, 1934, pages 617-620.

² If the guarantees of the State in connection with the banking and industrial reorganisation are taken into account, the national debt would, according to the *Economist* of June 23rd, 1934, amount to 160,000 million lire.

ITALY.

PRINCIPAL COMMERCIAL BANKS

Table 12(a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :			
	1930	1931	1932	1933
Number of : Banks	3	3	3	3
Branches and Sub-Branches	360	370	399	397
ASSETS.				
Lire (ooo,ooo's omitted)				
I. Cash				
(a) Gold, silver and small coins				
(b) Inland notes and balances with Central Bank	1,528.7	1,392.8	1,431.3	1,435.9
2. Other Items of a Cash Nature				
3. Bills discounted and bought	8,967.4	10,216.4	9,535.8	10,444.1
(a) Treasury bills.	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—
4. Investments and Securities.	1,423.6	983.6	1,148.9	1,050.6
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations.	901.2	510.8	473.3	474.0
6. Due from Banks (Correspondents).	6,563.0	4,914.8	5,022.3	4,127.8
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
7. Loans and Advances.	1,682.5	1,085.5	842.7	850.6
(a) On current account	—	—	—	—
(b) Other	—	—	—	—
8. Cover for Acceptances.	1,100.5	498.4	394.6	362.8
9. Premises, etc.	119.0	121.8	125.4	125.3
10. Sundry Assets	483.0	548.0	528.7	311.8
II. Total Assets	22,768.9	20,272.1	19,503.0	19,182.9
LIABILITIES.				
12. Capital paid up.	1,400.0	1,400.0	1,400.0	1,400.0
13. Reserve Funds	935.0	939.0	942.0	280.0
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	190.6	154.2	132.8	85.3
15. Cheques and Drafts, etc., in circulation	545.7	469.6	421.6	449.3
16. Due to Banks (Correspondents)	14,999.1	13,539.2	12,805.6	12,638.2
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
17. Deposits.	3,226.5	2,904.8	3,019.2	3,648.7
(a) Current accounts and sight deposits	—	—	—	—
(b) Savings accounts	—	—	—	—
(c) Time or fixed deposits	—	—	—	—
(d) Other deposits	—	—	—	—
18. Rediscunts and Other Borrowings	—	—	—	—
19. Acceptances and Endorsements.	1,100.5	498.4	394.6	362.8
20. Sundry Liabilities.	371.5	366.9	387.2	318.6
21. Total Liabilities.	22,768.9	20,272.1	19,503.0	19,182.9
22. Guarantees.	1,327.2	1,479.3	1,251.5	738.5
23. Value of currency in Swiss francs at the end of each year	0.27	0.27	0.27	0.27

ITALY.

PRINCIPAL COMMERCIAL BANKS

Table 12 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :			
	1930	1931	1932	1933
Number of Banks.	3	3	3	3
	Lire (ooo,ooo's omitted)			
Capital paid up.	1,400.0	1,400.0	1,400.0	1,400.0
Reserves and Undivided Profits.	974.9	983.7	992.8	338.6
1. Gross Profits.	552.4	461.6	427.1	426.5
<i>To be deducted :</i>				
2. Expenses.	391.6	343.3	336.8	334.5
(a) Salaries, etc.	317.6	281.6	269.0	285.5
(b) Other working expenses	74.0	61.7	67.8	49.0
(c) Taxes, etc.	4.1	2.8	2.7	2.7
3. Reserved for Pension Funds, etc.	7.3	6.4	5.8	727.8
4. Written off on (Depreciation Accounts for).	—	—	—	4.2
(a) Premises, etc..	—	—	—	—
(b) Investments and securities.	—	—	—	723.6
(c) Other assets	—	—	—	—
5. Remaining Net Profit (+) or Loss (—)	+149.4	+109.1	+81.8	—638.5
6. Carried forward from preceding year.	39.9	44.7	50.8	58.6
7. Taken from Reserves or Capital.	—	—	—	665.0
8. Deficit left uncovered	—	—	—	—
9. Total Amount disposed of for Dividends, etc..	189.3	153.8	132.6	85.1
10. Carried to Reserves.	4.0	3.0	3.0	8.5
11. Dividends	136.0	96.0	70.0	70.0
12. Directors' Fees, etc..	4.6	2.4	0.9	0.5
13. Carried forward to following year.	44.7	52.4	58.7	6.1
14. Total as above	189.3	153.8	132.6	85.1
15. Value of currency in Swiss francs at the end of each year.	0.27	0.27	0.27	0.27

Balance-sheet Summary.

1 and 2. *Cash Assets, etc.*

The detailed composition of the various claims included under this heading is shown below :

Lire (000,000's)	1930	1931	1932	1933
<i>Two banks :</i>				
Cash in hand and with Central Bank	226.7	247.1	275.7	286.6
Sight claims on other banks	221.7	232.9	234.6	147.6
Total	448.4	480.0	510.3	434.2
<i>One bank :</i>				
Cash, including sight claims on other banks .	1,080.3	912.8	921.0	1,001.7
Grand total (<i>three banks</i>)	1,528.7	1,392.8	1,431.3	1,435.9

3. *Bills discounted.*

Since the reorganisation of the banks along deposit-banking lines, the bill portfolio includes, in addition to Treasury bills and rediscounts, non-commercial paper acquired by the transfer of long-term industrial obligations to specialised institutions. Rebates on bills maturing in the following year, usually included in the balance-sheets of the banks, have been excluded ; at the end of each of the five years covered by the Balance-sheet Summary, these amounted to 63, 61.7, 75.5, 69.5 and 40.1 million lire respectively.

5. *Participations.*

Since the end of 1932, participations represent solely participations in banks and financial undertakings.

6. *Due from Correspondents.*

With the transfer of long-term obligations to the Istituto per la Ricostruzione Industriale, as from the beginning of 1933 the sums included in this group no longer represent long-term industrial credits.

7. *Loans and Advances.*

The sums given in this group of the Summary Table are composed as follows :

Lire (000,000's)	Contango loans	Other loans and advances	Total
<i>End of :</i>			
1930	1,483.5	199.0	1,682.5
1931	856.6	219.9	1,085.5
1932	602.7	240.0	842.7
1933	499.6	351.0	850.6

17. *Deposits.*

This item comprises current and savings accounts and time deposits.

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

The composition of the gross profits of the banks is shown below :

Lire (000,000's)	1930	1931	1932	1933
Net interest from discounts and loans	368.0	292.3	309.3	295.3
Profits from securities and participations	123.0	115.9	74.0	82.7
Commissions and other profits	61.4	53.4	43.8	48.5
Total	552.4	461.6	427.1	426.5

3. *Reserved for Pension Funds, etc.*

The figures given under this heading in the table refer only to the accounts of the Credito Italiano.

4. *Depreciation of Assets (Sums written off).*

The sums given in this group of the Summary Table prior to 1933 refer exclusively to the Banca Commerciale. In their last statements, the three banks indicate separately the amounts written off on premises and investments and securities (see Introductory Note).

LATVIA.

Introductory Note.

After the crisis of 1931-32, developments in 1933 and 1934 afforded a certain measure of relief to the Latvian banking system. Thus, the volume of commercial bank deposits increased from 27.3 to 28.8 million lats during 1933, and rose to 32.2 million lats in the first half of 1934. In other parts of the Latvian credit structure, also, deposits showed a relatively favourable tendency; this was most marked in the case of the Post Office Savings Bank, where savings accounts increased from 13 million lats at the end of 1932 to 26 millions in September 1934.

As a consequence of the system of exchange control, whereby all foreign exchange transactions are concentrated with the Central Bank, this sphere of private banking activity has naturally undergone a severe contraction in Latvia. The decrease which took place in the item of sums due from banks (from 8.5 to 5.3 million lats) as well as in sums due to banks (from 10.8 to 5.5 million lats), between the end of 1932 and the middle of 1934, reflects mainly the liquidation of foreign banking connections. A similar trend may be observed in the figures for foreign credits (other than correspondent accounts) given under group 18 of the Balance-sheet Summary below. On the other hand, the Central Bank's total net holding of gold and foreign exchange has remained practically constant. The bank has, however, converted part of its foreign claims into gold, so that — between the end of 1932 and the middle of 1934 — its gold reserve rose from 20 million to 26 million lats, while its foreign exchange holdings declined from 10 million to 4 million lats.

Balance-sheet Summary.

1. Cash.

Balances with the Central Bank are shown separately from notes and coins as follows:

Lats (000,000's)	1929	1930	1931	1932	1933
Notes and coins	5.3	5.0	1.4	1.6	1.7
Balances with Bank of Latvia	1.9	2.4	3.5	3.3	3.3
Total	7.2	7.4	4.9	4.9	5.0

2. Other Items of a Cash Nature.

The sums shown represent sight claims on credit institutions other than the Bank of Latvia.

3. Bills discounted and bought.

The domestic bill portfolio (b) includes rediscounts, which are shown separately under liabilities (see note to group 18 below). The net balance of domestic discounts held at the end of each year is given below.

In the course of 1933, the number of commercial banks was reduced from 18 to 17 by the liquidation of the Rigas Starptantiskā Banka, whose share capital of 2 million lats had been held entirely in Germany. The Government is aiming at a further reduction in the number of banks, especially with regard to the smaller institutions.

The loans granted by the State Agricultural Bank and by the State Mortgage Bank continued to expand in 1933-34. The long-term loans of the former showed an increase from 180 million lats at the end of 1932 to 196 millions in August 1934, accompanied, however, by a reduction in short-term credits from 28 to 22 million lats. In the case of the State Mortgage Bank, long-term loans rose from 63 to 73 million lats, its short-term credits remaining insignificant in amount. A Law passed in March 1934 provided for a substantial measure of relief to the debtors of these two State banks. In the case of certain classes of small farmers, their debts to the Agricultural Bank were cancelled in part, while interest and amortisation payments in respect of other agricultural debts to the Bank were suspended for the three years 1934-1936. The latter provision was also applied to the smaller debtors of the State Mortgage Bank, with the exception that the debtors in question are required to make an annual payment of one-half per cent to cover the administrative expenses of the Bank during the moratorium period.

The attached Summary Tables include the Riga Stock Exchange Bank, in addition to the other commercial banks of the country.

The foreign bill portfolio (c) includes foreign cheques and bank-notes not shown separately in the statistics.

Lats (000,000's)	1929	1930	1931	1932	1933
<i>Inland Bills:</i>					
Discounted	49.2	44.7	21.7	16.5	15.8
Rediscounted	14.2	14.4	9.4	8.7	7.8
Net balance	35.0	30.3	12.3	7.8	8.0

7. Loans and Advances.

The advances given under (a) consist of "special current accounts" and other credits, shown separately in the statistics as follows:

Lats (000,000's)	1929	1930	1931	1932	1933
Special current accounts	78.9	78.0	42.2	33.8	30.7
Other credits (Akreditivi)	3.6	0.7	—	—	0.1
Total	82.5	78.7	42.2	33.8	30.8

The sums given under (b) consist of long-term loans.

LATVIA.

COMMERCIAL BANKS

Table 13 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1930	1931	1932	1933
Number of Banks.	20	20	19	18	17
ASSETS.					
	Lats (ooo,ooo's omitted)				
I. Cash.	7.2	7.4	4.9	4.9	5.0
(a) Gold, silver and small coins.	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature.	1.3	1.5	0.4	0.3	0.2
3. Bills discounted and bought.	57.3	52.2	23.3	16.9	16.0
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	49.2	44.7	21.7	16.5	15.8
(c) Commercial bills, Foreign	8.1	7.5	1.6	0.4	0.2
4. Investments and Securities.	3.6	4.5	4.5	4.7	3.2
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	22.0	14.2	9.3	8.5	6.8
(a) At home.	10.0	5.7	3.6	3.0	—
(b) Abroad	12.0	8.5	5.7	5.5	—
7. Loans and Advances.	86.2	81.0	44.3	36.0	34.3
(a) On current account	82.5	78.7	42.2	33.8	30.8
(b) Other	3.7	2.3	2.1	2.2	3.5
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	12.4	13.0	14.0	13.6	13.4
10. Sundry Assets	9.7	10.6	11.3	8.1	12.4
11. Total Assets	199.7	184.4	112.0	93.0	91.3
LIABILITIES.					
12. Capital paid up	30.3	30.4	29.6	27.7	25.7
13. Reserve Funds	3.4	4.0	4.2	3.7	3.1
14. Profit-and-Loss Accounts, Undivided profits, etc.	1.9	0.7	0.9	0.3	3.7
15. Cheques and drafts in Circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	28.1	25.4	15.6	10.8	7.1
(a) At home	8.3	5.9	1.9	0.6	—
(b) Abroad	19.8	19.5	13.7	10.2	—
17. Deposits	61.6	63.6	27.4	27.3	28.8
(a) Current accounts and sight deposits	57.9	59.6	25.1	25.7	27.2
(b) Savings accounts	—	—	—	—	—
(c) Time and fixed deposits	3.7	4.0	2.3	1.6	1.6
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	57.8	48.2	26.4	16.4	14.8
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities.	16.6	12.1	7.9	6.8	8.1
21. Total Liabilities	199.7	184.4	112.0	93.0	91.3
22. Guarantees	42.3	27.7	14.4	10.1	8.2
23. Collection Accounts.	39.5	43.6	22.6	15.1	17.2
24. Value of currency in Swiss francs at the end of each year	1.00	1.00	1.00	1.00	1.00

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS				
	1929	1930	1931	1932	1933
Number of Banks.	20	20	19	18	17
	Lats (ooo,ooo's omitted)				
Capital paid up.	30.3	30.4	29.6	27.7	25.7
Reserves and Undivided Profits.	3.4	4.0	4.2	3.7	3.1
1. Gross Profits	9.3	9.3	6.3	3.7	4.5
<i>To be deducted:</i>					
2. Expenses.	5.6	5.6	4.8	3.4	2.4
(a) Salaries, etc.	(3.6)	(3.7)	(3.1)	(2.1)	(1.6)
(b) Other working expenses	(2.0)	(1.9)	(1.7)	(1.3)	(0.9)
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pensions Funds, etc.	—	—	—	—	—
4. Written off on (Depreciation Accounts).	1.6	3.8	4.9	1.8	3.3
(a) Premises, etc.. . . . .	.	.	.	.	.
(b) Investments and securities . . . . .	.	.	.	.	.
(c) Other assets . . . . .	.	.	.	.	.
5. Remaining Net Profit (+) or Loss (—)	+2.1	—0.1	—3.4	—1.5	—1.3
6. Carried forward from preceding year. . . . .	.	.	.	.	.
7. Taken from Reserves or Capital. . . . .	.	.	.	.	.
8. Total Amount disposed of for Dividends, etc. . . . .	.	.	.	.	.
9. Carried to Reserves . . . . .	.	.	.	.	.
10. Dividends	1.2	0.4	—	—	—
11. Directors' Fees, etc. . . . .	.	.	.	.	.
12. Carried forward to following year . . . . .	.	.	.	.	.
13. Total as above . . . . .	.	.	.	.	.
14. Value of currency in Swiss francs at the end of each year.	1.00	1.00	1.00	1.00	1.00

10. *Sundry Assets.*

The composition of the aggregates given in the Summary Table is shown below :

Lats (ooo,ooo's)	1929	1930	1931	1932	1933
Branch accounts	4.6	4.8	3.1	2.8	2.4
Transitory items	3.1	2.9	3.4	2.7	3.5
Expenditure accounts.	0.7	0.1	0.6	—	2.4
Protested bills	0.1	0.1	0.2	0.1	0.8
Other accounts.	1.2	2.7	4.0	2.5	3.3
Total	9.7	10.6	11.3	8.1	12.4

11 and 21. *Total Assets and Liabilities.*

The totals do not include collection and guarantee accounts (see items 22 and 23 of the table).

13. *Reserve Funds.*

The official statistics make the following specification of the reserves :

Lats (ooo,ooo's)	1929	1930	1931	1932	1933
Ordinary reserve funds	1.2	1.5	1.6	0.6	0.6
Special reserves	0.5	0.6	0.6	1.3	1.4
Other capital accounts	1.7	1.9	2.0	1.8	1.1
Total	3.4	4.0	4.2	3.7	3.1

14. *Profit and Loss, etc.*

The sums shown in this group of the Summary Table are given in the official statistics under the heading "Interest and commissions". The total

net balance of the profit-and-loss accounts of the banks is not shown in the official balance-sheet summaries, but the amount of this balance will be seen from the special profit-and-loss table.

17. Deposits.

The sums shown under (a) are composed of current accounts and demand deposits as follows :

Lats (000,000's)	1929	1930	1931	1932	1933
Current accounts	56.6	58.2	24.0	24.8	26.5
Demand deposits	1.3	1.4	1.1	0.9	0.7
Total	57.9	59.6	25.1	25.7	27.2

18. Rediscounts and Borrowings.

The detailed composition of the aggregates given in the Summary Table is shown below :

Lats (000,000's)	1929	1930	1931	1932	1933
<i>Bills rediscounted:</i>					
With the Bank of Latvia	14.1	14.1	9.3	8.5	7.6
With other credit institutions	0.1	0.3	0.1	0.2	0.2
Total rediscounts	14.2	14.4	9.4	8.7	7.8

Lats (000,000's)	1929	1930	1931	1932	1933
<i>Borrowings on special current accounts:</i>					
With the Bank of Latvia	8.4	6.0	3.6	2.1	3.0
With other credit institutions	—	—	—	—	—
Total special current accounts	8.4	6.0	3.6	2.1	3.0
<i>Borrowings abroad</i>	35.0	27.5	12.9	5.2	3.3
<i>Other borrowings</i>	0.2	0.3	0.5	0.4	0.7
<i>Total rediscounts and borrowings</i>	57.8	48.2	26.4	16.4	14.8
Thereof with :					
Bank of Latvia	22.5	20.1	12.9	10.6	10.6
Other credit institutions	0.1	0.3	0.1	0.2	0.2

20. Sundry Liabilities.

The aggregates shown in the Summary Table are composed as follows :

Lats (000,000's)	1929	1930	1931	1932	1933
Branch accounts	4.5	4.8	3.1	2.7	2.3
Transitory items	2.6	2.8	2.6	2.2	3.8
Other accounts	9.5	4.5	2.2	1.9	2.0
Total	16.6	12.1	7.9	6.8	8.1

The detailed composition of the "other accounts" is not shown in the statistics.

Summary of Profit-and-Loss Accounts.

1. Gross Profits.

The composition of gross profits according to main sources of revenue is shown below :

Lats (000,000's)	1929	1930	1931	1932	1933
Interest received	13.8	14.5	8.8	4.8	3.1
Less interest paid	8.1	8.5	5.3	3.2	2.2
Net interest from discounts and loans	5.7	6.0	3.5	1.6	0.9
Commissions	1.9	1.7	0.9	0.6	0.6
Profit on exchange	1.0	0.8	0.9	0.6	2.0
Profit from real estate	0.3	0.4	0.4	0.3	0.3
Profit from securities	0.1	0.1	0.2	0.2	0.1
Sundry profits	0.3	0.3	0.4	0.4	0.6
Total	9.3	9.3	6.3	3.7	4.5

2. Expenses.

The sums shown for salaries (a) include special remunerations to directors, etc., which, if they had been shown separately in the statistics, would have been given in group 11 of the Summary Table and would thus have been deducted before calculating the net profit or loss.

5. Net Profit or Loss.

The figures represent the net balance of the banks considered as a whole. Even in years when there

was a loss, certain banks actually made a net profit which, however, was exceeded by the loss of the others. In this respect, the official statistics furnish the following detail :

Lats (000,000's)	1929	1930	1931	1932	1933
Aggregate net profits	2.2	1.2	0.1	0.2	0.2
Aggregate loss	0.1	1.3	3.5	1.7	1.5
Balance	+2.1	-0.1	-3.4	-1.5	-1.3

6 to 13. Profits carried forward from Previous Years — Sums drawn from Reserves or Capital — Profit Distribution Accounts.

The losses shown in the preceding statement have been met in part from profits carried over from previous years and in part from the reserves or the capital of the banks concerned. Neither of these two items (groups 6 and 7 of the Summary Table) are, however, given in the official statistics, nor are sums carried to reserves, directors' fees and "carry over" to following years shown. The dividends indicated do not include those of the Riga Stock Exchange Bank.

LITHUANIA.

Introductory Note.

Deposits with the seven commercial banks of "Great Lithuania"¹, which had fallen from 63.6 million litas to 60.9 millions during 1933, declined further to 58.3 million litas in the first half of 1934. It appears, however, that — as was notably the case in 1931 — the sums withdrawn were redeposited with the State-controlled credit institutions — *i.e.*, chiefly the Land Bank and the State Savings Institution, whose liabilities in respect of private deposits showed a corresponding increase².

Figures currently available for total deposits with all Lithuanian credit institutions (except co-operative credit associations) distinguish between private deposits on the one hand and public deposits (*i.e.*, those of Government departments and public institutions) on the other. As the following statement indicates, the two classes of deposits have in recent years tended to move in opposite directions :

Litas (000,000's) End of :	1931	1932	1933	May 1934
Private deposits	164	173	158	152
Public deposits	79	63	69	73
Total	243	236	227	225

Aggregate loans and discounts of the seven commercial banks of "Great Lithuania" increased from 62.7 to 71.2 million litas during 1933, but declined to 68.7 million litas in the first half of 1934.

A Law which came into effect on January 1st, 1934, enforced a reduction of the legal maximum rate of interest on all bank loans and advances from 12 to 9 per cent (including any charges in respect of expenses, commission, etc.) and fixed bankers' maximum rate of discount at 3 per cent above the official discount rate of the Central Bank (which has stood at 6 per cent since April 1930).

In 1933, the Co-operative Bank (included among the seven commercial banks of "Great Lithuania") was transformed into a joint-stock bank with a share capital of 3 million litas, of which 2.5 millions was subscribed by the Government.

The following table shows the movement of foreign assets and liabilities of the Lithuanian banks and mutual credit associations during the period 1929-1934 :

Litas (000,000's) End of	Total foreign liabilities	Total foreign assets	Net foreign liabilities
1929	38.8	11.7	27.1
1930	31.5	4.9	26.6
1931	16.5	4.3	12.2
1932	12.1	4.9	7.2
1933	9.9	3.9	6.0
June 1934	7.5	3.7	3.8

Lithuania has been able to maintain the gold parity of her currency without recourse to any exchange restrictions. The total of gold and foreign exchange holdings of the Central Bank (Lietuvos Bankas) has shown little change since the end of 1932, but the relative importance of gold in that total has appreciably increased. At the end of 1932, the gold reserve stood at 49 million litas and foreign exchange holdings at 16 millions, whereas at the end of June 1934 these amounts had changed to 55 and 9 millions respectively. In the same period, the note circulation declined from 96 million litas to 80 million litas.

The official banking statistics do not provide detailed profit-and-loss figures, but the available data for the seven commercial banks of "Great Lithuania" in existence at the end of 1933 are tabulated below :

Litas (000,000's)	Gross profits (a)	Expenses (b)	Net profits	Divi- dends (c)
1929	12.5	4.7	1.0	0.6
1930	13.2	4.8	1.0	0.7
1931	14.0	4.9	0.7	0.4
1932	10.6	4.4	0.4	0.1
1933	9.9	3.7	0.9	0.1

^a Including interest received.

^b Excluding interest paid.

^c Calculated from the percentage rate of dividend and the paid-up share capital of each bank.

The increase in net profits obtained in 1933 appears to have been due to a substantial reduction of expenses. In spite of larger net profits — information regarding the disposal of net profits is not available — the amount disposed of for dividends in respect of that year remained insignificant ; only two of the seven banks declared a dividend for 1933.

¹ The corresponding figures for the Memel (Klaipėda) Territory are not available at the time of writing.

² Thus, while commercial bank deposits declined from 63 million litas to 58 millions between the middle of 1933 and the middle of 1934, deposits with the two above-mentioned State institutions rose from 61 million to 67 million litas.

Balance-sheet Summary.

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

The detailed composition of the cash assets of the Memel banks is not shown in the statistics. These banks would appear to hold very small balances, if any, with the Bank of Lithuania. The balances held with that institution by the banks in "Great Lithuania" are shown separately only since 1931.

Litas (000,000's)	1931	1932	1933
Inland notes and coins . . .	4.1	2.6	2.6
Balances with the Central Bank	1.6	1.3	2.3
Total	5.7	3.9	4.9

The sums given in the Summary Table under (2) consist of foreign banknotes and cheques. They are not shown separately in the statistics for 1929.

3. *Bills Discounted.*

The bill portfolio includes rediscounts. The liability of the banks of "Great Lithuania" for bills rediscounted is given in group 18 of the Summary Table (see note to that group). The net portfolio of these banks is shown below :

Litas (000,000's)	1929	1930	1931	1932	1933
Bills discounted	21.7	37.2	24.9	21.3	22.4
Bills rediscounted.	2.4	1.4	3.2	1.2	1.7
Net portfolio.	19.3	35.8	21.7	20.1	20.7

Rediscounts are not shown separately in the statistics relating to the Memel banks. They do not, however, rediscount with the Bank of Lithuania to any appreciable extent.

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

Participations are not shown separately. The greater part of the securities held by the banks would appear to consist of industrial shares.

10. *Sundry Assets.*

This item includes protested bills in the case of "Great Lithuanian" banks. Their amount was over one million in 1931-1933. Protested bills are not shown separately in the statistics relating to the Memel banks.

11 and 21. *Total Assets and Liabilities.*

Excluding guarantees and collection accounts, shown as items 22 and 23 of the Summary Table.

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

The sums given under this heading for the banks of "Great Lithuania" do not show the true profit position of the commercial banks as a whole. The figures given for the year 1929 represent aggregates of the net profits made by individual banks in those years, while the net losses incurred by some of the banks are included under sundry assets, without being shown separately in the annual statistics.

17. *Deposits.*

The sums shown consist of the following items given separately in the basic statistics :

Litas (000,000's)	1931	1932	1933
"Great Lithuania" :			
Sight and time deposits :			
National currency	22.8	20.8	20.8
Foreign currency.	8.8	6.3	3.5
Total	31.6	27.1	24.3
Current accounts :			
National currency	29.0	33.1	32.0
Foreign currency.	3.6	3.4	2.8
Total	32.6	36.5	34.8
Grand total	64.2	63.6	59.1
Thereof :			
National currency	51.8	53.9	52.8
Foreign currency.	12.4	9.7	6.3
Memel Territory :			
Deposits.	32.0	27.8	22.3
Creditors	9.2	10.5	8.7
Total	41.2	38.3	31.0

In the banking statistics relating to the Memel Territory, foreign currency deposits are not shown separately, nor are they shown in the annual statistics relating to "Great Lithuania" before 1931.

18. *Rediscounts and Other Borrowings.*

The composition of this item, for the banks of "Great Lithuania", is shown below :

Litas (000,000's)	1929	1930	1931	1932	1933
Rediscounts	2.4	1.4	3.2	1.2	1.7
Borrowings.	5.1	4.1	6.7	4.0	6.5
Total	7.5	5.5	9.9	5.2	8.2

The above sums represent in part foreign credits, the amount of which, however, is not shown separately in the statistics.

NETHERLANDS ¹

Introductory Note.

The severe deflation which has taken place in the Netherlands during the recent years of depression is reflected in the accounts of the six leading banks,² which are summarised below :

Gulden (000,000's)	1930	1931	1932	1933	Percentage increase (+) or decrease (-) 1930-1933
1. Cash assets. . .	106	121	212	215	+ 103
2. Due from banks (mainly abroad)	236	92	78	57	- 76
3. Bill portfolio . .	419	341	334	269	- 36
4. Loans and advances	964	876	687	665	- 31
Of which: On current account	(647)	(593)	(477)	(457)	- 29
5. Investments and securities . . .	120	111	92	71	- 41
6. Participations . .	70	96	90	84	+ 12
7. Capital and reserves	398	380	376	365	- 8
8. Deposits	1,473	1,241	1,112	996	- 32
Of which:					
(a) On current account . .	(712)	(584)	(606)	(551)	- 23
(b) On deposit account . .	(511)	(382)	(311)	(255)	- 50
9. Acceptances . .	106	65	40	32	- 70
10. Total balance-sheet	2,055	1,739	1,570	1,429	- 30

The contraction of bank activity after 1930 reflects the decline in domestic business, the falling-off of overseas trade, partly the reduction in income from foreign investments and services abroad, and the movement of short-term credits before and after the European banking crisis of 1931. In

the three years ending December 1933, total deposits fell by 477 million gulden, or 32 per cent. The decline was most marked for deposit accounts ; this evidently reflects both the reduction in interest rates and the desire of depositors to keep their funds in the most liquid form possible. A similar desire on the part of the banks finds expression in the very sharp increase in their cash reserves — which doubled between 1930 and 1933 and constituted nearly 22 per cent of total deposits at the latter, as compared with 7 per cent at the former, date. A decline of 299 million gulden occurred in loans and advances, of 179 millions in correspondent accounts, and of 150 millions in the bill portfolio. In addition to domestic credit contraction, two other factors appear to have contributed substantially to the reduction in deposits in 1933 — namely, the withdrawal of foreign funds, and the withdrawal of deposits for conversion into gold.³ Foreign funds had sought refuge in the Netherlands on a large scale after the New York stock-market crash of 1929, during the period of financial uncertainty which preceded the European financial crisis of May 1931, and before the American departure from the gold standard. No estimate of the magnitude of these short-term capital movements is available, but the fact that the net import of gold amounted to 783 million gulden in 1931 and 1932 shows that the amounts involved in these movements and in the calling-in of short-term credits abroad were very large. From March to July 1933, the short-term capital movement was reversed ; there was heavy selling of gulden, and in these months the Central Bank lost gold and foreign assets⁴ to the amount of 297 millions. During the remainder of the year, there was a fresh inflow of gold, which persisted until after the devaluation of the American dollar at the end of January 1934 ; in the following month, the Netherlands Bank lost 127 million gulden of gold.

The decline in the foreign business of the Dutch banks is brought out by the following table

¹ As it was not possible to give a full account of recent banking developments in the Netherlands in the last edition of this volume, the present chapter covers the entire period since 1930.

² For a detailed account of the history and main characteristics of these banks and for explanations regarding the compilation of the attached Summary Tables and the meaning of the various items of the balance-sheet, see *Commercial Banks, 1913-1929*, pages 192-200, and *Commercial Banks, 1925-1933*, pages 161-164.

³ During the years 1930-1933, the net import of gold into the Netherlands was 570 million gulden and the gold stocks of the Central Bank increased by 483 millions. The difference (87 million gulden) is, however, due, not only to hoarding, but also to a (plus or minus) balance of earmarking transactions. Hoarding may therefore be greater or less than the figure indicated.

showing the floating assets and liabilities of twenty-three banks at the end of 1930-1933.¹

Gulden (000,000's)	1930	1931	1932	1933
<i>Floating foreign assets</i> . . .	1,482	743	651	478
<i>Of which:</i>				
(a) Correspondent current accounts . . .	(428)	(188)	(190)	(118)
(b) Foreign bills of exchange	(425)	(159)	(120)	(44)
(c) Other assets	(629)	(396)	(341)	(316)
<i>Floating foreign liabilities</i> . . .	710	400	427	345
<i>Of which:</i>				
(a) Correspondents current accounts . . .	(77)	(69)	(107)	(68)
(b) Bills of exchange	(633)	(30)	(13)	(12)
(c) Other liabilities		(301)	(307)	(265)
<i>Net foreign assets, including Netherlands Bank</i>	772	343	224	133
<i>Foreign assets of Netherlands Bank</i>	279	104	79	2
<i>Of which:</i>				
(a) Foreign bills of exchange	(247)	(86)	(71)	(1)
(b) Balances abroad *	(32)	(18)	(8)	(1)
<i>Apparent net balance of floating foreign assets of the commercial banks</i> . . .	493	239	145	131

* At end of March of the following year. End-of-year figures not available.

The floating foreign assets of the commercial banks amounted to 1,203 million gulden at the end of 1930 and were in excess of their floating liabilities by some 493 million gulden. In the following year, these assets were reduced by 50 per cent, and the apparent net balance declined by over 51 per cent. Most of this reduction was due to the calling-in of short-term credits, particularly those in Germany² and Central Europe. Though the transfer restrictions and the standstill agreements³ of the latter half of 1931 slowed up the rate of withdrawal, short-term assets continued to decline more rapidly than liabilities during 1932 and 1933.

As the leading banks appear⁴ to classify under "current" and "sundry account" loans all claims on countries with transfer restrictions, it is possible that the fact that the proportionate decline in this item, particularly since 1931, has been less than that in most other credit items is partly due to book-keeping changes. The fall in the bill-portfolio,⁵ and the decline in investments and in acceptances reflect the stagnant economic situation. The heavy reduction in business activity is also illustrated by the fall in bank clearings in the three principal towns from 18,855 million gulden during the fiscal year 1929-30 to 8,110 million during 1933-34.

[Continued on page 82.]

¹ These data are compiled by the Netherlands Central Bureau of Statistics and reproduced in the League of Nations *Balance of Payments* (see, in particular, issues for 1933 and 1934). The known foreign assets of the Central Bank are shown separately so as to permit an estimate of the net balance of the commercial banks. The data refer to twenty-three banks in 1930 and 1933, and to twenty-four banks in 1931 and 1932.

² Between March 31st and the middle of July 1931, the short-term indebtedness of twenty-eight German banks to Dutch banks and accepting houses was reduced by 210 million RM. from 546 to 336 million RM. (see *Commercial Banks, 1925-1933*, page 111, Table 3).

³ The credits of five leading Dutch banks shown as under standstill agreements in Germany and Austria amounted to 97 million gulden at the end of 1931 and were divided as follows: Amsterdamsche Bank, 37; Nederlandsche Handel-Maatschappij, 22; Rotterdamsche Bankvereniging, 19; Twentsche Bank, 10; and Incasso Bank, 9 million gulden.

The amount of "floating" assets still remaining in Germany may be judged by the following indications given in the Netherlands Central Statistical Bureau, *Maandschrift*, No. 10, 1934, page 21. The floating assets in Germany of twenty-three Dutch banks, including the Central Bank, on account of correspondent credits, exchange bills and other assets at the end of 1933 accounted for 289 million gulden out of an aggregate of 567 million gulden, and the corresponding German liabilities of the same banks amounted to 66 millions out of a total of 393 million gulden. The excess of German assets over liabilities therefore amounted to 173 million gulden. (The discrepancy between these figures and those given in the above table appears to be due to the fact that, in the calculation of the former, the depreciation of various currencies, *de facto* or *de jure*, has not been taken into account.)

⁴ See annual reports of the Amsterdamsche Bank.

⁵ For those banks (the Amsterdamsche Bank, the Twentsche Bank and the Bank Associatie) which show their holdings of Treasury bills separately, the composition of the bill portfolio was as follows:

Gulden (000,000's)	1	2	3	4
End of:	Treasury bills	Commercial bills inland and foreign	Total (1 + 2)	Total portfolio of all six banks
1930	57.4	69.2	126.6	419.0
1931	50.3	68.2	127.5	341.1
1932	62.7	34.6	97.3	334.3
1933	52.1	31.5	83.6	268.6

The Nederlandsche Handel-Maatschappij in its 1933 report shows its holding of Treasury bills and commercial bills at 49.9 and 27.3 million gulden respectively.

The floating debt of the Government increased from 295 million gulden at the end of 1930 to 619 millions at the end of 1932.

NETHERLANDS.

LEADING COMMERCIAL BANKS

Table 15 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of banks	6	6	6	6	6
ASSETS.					
Gulden (ooo,ooo's omitted)					
1. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	93.0	105.8	120.6	211.7	214.8
2. Other Items of a Cash Nature					
3. Bills discounted and bought	414.1	419.0	341.1	334.3	268.6
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	101.1	120.3	110.8	91.6	70.5
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	41.2	70.2	96.4	89.9	84.2
6. Due from Banks (Correspondents)	110.5	236.3	91.7	78.4	57.0
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	1,062.8	964.1	875.7	686.8	664.8
(a) On current account	582.9	646.9	593.3	476.8	456.7
(b) Other	479.9	317.2	282.4	210.0	208.1
8. Cover for Acceptances	128.8	106.3	65.2	40.2	31.7
9. Premises, etc.	29.1	31.5	35.5	36.1	34.6
10. Sundry Assets	2.1	1.5	1.7	1.4	2.9
11. Total Assets	1,982.7	2,055.0	1,738.7	1,570.4	1,429.1
LIABILITIES.					
12. Capital paid up	258.3	262.8	262.8	262.4	257.4
13. Reserve Funds	139.7	135.5	116.8	113.8	107.3
14. Profit-and-Loss Accounts, Undivided Profits, etc.	27.5	21.4	7.1	10.2	7.6
15. Cheques and Drafts, etc., in circulation	45.2	40.1	25.0	14.5	10.5
16. Due to Banks (Correspondents)	19.2	5.9	10.1	6.0	7.0
(a) At home	—	—	—	—	—
(b) Abroad	19.2	5.9	10.1	6.0	7.0
17. Deposits	1,355.2	1,473.1	1,241.2	1,112.0	996.0
(a) Current accounts and sight deposits	634.4	711.9	584.0	605.8	550.9
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	458.1	510.5	381.9	311.1	255.0
(d) Other deposits	262.7	250.7	275.3	195.1	190.1
18. Rediscounts and Other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements	128.8	106.3	65.2	40.2	31.7
20. Sundry Liabilities	8.8	9.9	10.5	11.3	11.6
21. Total Liabilities	1,982.7	2,055.0	1,738.7	1,570.4	1,429.1
22. Guarantees	42.2	46.1	38.2	35.7	37.4
23. Value of currency in Swiss francs at the end of each year	2.08	2.08	2.08	2.08	2.08

NETHERLANDS.

LEADING COMMERCIAL BANKS

Table 15 (b):

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks	6	6	6	6	6
	Gulden (000,000's omitted)				
Capital paid up	258.3	262.8	262.8	262.4	257.4
Reserves and Undivided Profits	141.2	137.1	118.2	115.1	108.2
I. Gross Profits	81.2	70.2	60.8	60.7	53.8
<i>To be deducted :</i>					
2. Expenses	37.4	34.2	33.3	31.3	30.5
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Staff Funds, etc.	2.2	1.7	1.6	1.5	2.1
4. Written off on Depreciation Accounts for	17.3	15.0	27.8	19.8	15.2
(a) Premises, etc.	4.8	4.0	2.2	3.1	2.4
(b) Investments and securities	12.5	11.0	25.6	16.7	12.8
(c) Other assets					
5. Remaining Net Profit (+) or Loss (-)	24.3	19.3	-1.9	8.1	6.0
6. Carried forward from preceding year	1.5	1.6	1.4	1.3	0.9
7. Taken from Reserves or Capital	1.4	—	6.0	—	—
8. Total Amount disposed of for Dividends, etc.	27.2	20.9	5.5	9.4	6.9
9. Carried to Reserves	2.1	1.2	0.2	1.2	0.6
10. Dividends	20.5	16.5	4.0	6.8	5.6
11. Directors' Fees, etc.	3.0	1.8	—	0.5	0.1
12. Carried forward to following year	1.6	1.4	1.3	0.9	0.6
13. Total as above	27.2	20.9	5.5	9.4	6.9
14. Value of currency in Swiss francs at the end of each year	2.08	2.08	2.08	2.08	2.08

The effects of the depression on the banking resources and total balance-sheet of each of the six banks covered by the present chapter may be seen from the following table :

Gulden (000,000's)	Capital and reserves	Current account and time deposits	Total balance-sheet
1. Nederlandsche Handel- Maatschappij	120	436	662
{ 1930			
{ 1933	100	247	380
2. Amsterdamsche Bank.	104	205	459
{ 1930			
{ 1933	104	127	373

Gulden (000,000's)	Capital and reserves	Current account and time deposits	Total balance-sheet
3. Rotterdamsche Bankve- reeniging	70	277	392
{ 1930			
{ 1933	65	195	275
4. Twentsche Bank.	56	201	335
{ 1930			
{ 1933	51	161	253
5. Incasso Bank	39	89	163
{ 1930			
{ 1933	36	65	115
6. Bank Associatie	9	15	44
{ 1930			
{ 1933	9	11	33
All six banks	398	1,222	2,055
{ 1930			
{ 1933	365	806	1,429

The total balance-sheet of the Nederlandsche Handel-Maatschappij fell by 42 per cent, while that of the other five banks combined fell by 25 per cent. This bank was widely exposed to the effects of the depression on account of its extensive investments and participations¹ in the Netherlands East Indies. In the period 1930-1933, its reported amortisations amounted to 24 million gulden; these were covered partly by operating profits and partly by a reduction of capital amounting to 6 million gulden in 1931. Late in 1934, a broad scheme of capital reorganisation was announced. The capital is to be written down from 80 to 20 million gulden and published reserves from 20 to 5 millions; 75 million gulden will thus be available for writing off assets. New capital amounting to 15 million gulden will be raised through a public issue. During 1933, the Twentsche Bank reduced its reserves by 3.5 millions and wrote off its holdings of the stock of B. W. Bleydenstein and Co., of London, and the

Rotterdamsche Bankvereniging reduced its capital by 5 million gulden by purchasing and cancelling a corresponding amount of its own shares held in England. The capital and reserves of other banks show little or no decrease as compared with 1930, partly on account of the absorption² of small institutions during the crisis and partly because of provision for current losses out of hidden reserves.³

In the course of 1934, a consortium of Dutch banks extended short-term credits to the French and Belgian Governments. In March, the French Treasury raised 100 million gulden by the issue of special 4% three months Treasury bills renewable for the period of one year. The Treasury notes contained a special gold clause in which the gulden was defined as containing 0.6048 gramme of gold. A loan of 1,500 million Belgian francs was arranged under similar conditions by the Belgian Government in November 1934. The consortium of Dutch banks participated to the extent of 30 million gulden (500 million francs).

Balance-sheet Summary.

7 and 8. *Loans and Advances; Cover for Acceptances.*

In the case of banks which do not distinguish cover for acceptances among their assets, a sum equivalent to the amount of their acceptance liabilities has been deducted from their loans and advances and carried to group 8 in the Summary Table.

17. *Deposits.*

Current accounts include sums due to domestic banks.

The sums shown under 17 (*d*) include the liabilities of the banks to their contango customers, etc., the deposit liability for securities borrowed for the banks' own use, some rediscounts not shown separately and certain other creditor accounts not clearly specified in the balance-sheets.

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

Some of the banks would appear to make certain provision for depreciation and contingencies before disclosing their profit figures.

2. *Expenses.*

As a rule, an itemised account of expenses is not given in the statements published by the banks.

Some provision for depreciation may be concealed in the aggregates given — at least, for certain years. No uniform principles are followed by the banks with regard to the accounting of dividend taxes; when these are shown separately, they have been included under expenses in the Summary Table.

¹ At the end of 1933, the company's East Indian estates, mainly sugar plantations, stood at 14.2 million gulden, its advances to estates on produce receivable amounted to 18.1 million gulden, and its investments in miscellaneous enterprises in the same region were approximately 59 million gulden.

² The amalgamation of the Twentsche Bank with certain provincial banks and the fusion of the Nationale Bankvereniging with the Rotterdamsche Bankvereniging were referred to in the last issue of this *Memorandum*. During 1933, the Amsterdamsche Bank absorbed its affiliate, the Friesche Bank of Leeuwarden. Two important Dutch banks operating abroad, the Hollandsche Bank voor Zuid-Amerika and the Hollandsche Bank voor Middellandsche Zee, amalgamated in the same year.

³ See articles of Dr. Max VRIES on the five leading Dutch banks published annually about the middle of the year in *In- en Uitvoer*.

NORWAY.¹

Introductory Note.

For the commercial banks of Norway, the years 1928-1930 represented, on the whole, a period of recovery from the difficulties of the post-war depression which had culminated in the great banking crisis of 1923-24. The prolonged period of banking losses and failures was coming to an end in 1929, when for the first time since 1920 the aggregate of depreciation, losses and current expenditure of the commercial banking system as a whole (including the banks under public administration and liquidation) did not exceed total profits; 1930 also brought a net profit, which was even somewhat larger than that of 1929.

The full force of the world economic crisis reached Norway only in 1931. Moreover, an extensive labour dispute paralysed a large section of the country's industrial activity, involving stoppage of work from April to September. About the middle of the year the banks began losing deposits. Following the United Kingdom, Norway suspended the gold standard on September 27th. Withdrawals of deposits by the public continued on an increased scale during the autumn, when, moreover, a large Government conversion operation, falling due on October 1st, was effected, implying further demands upon the free resources of the credit system.

The international financial crisis of 1931 did not directly affect the Norwegian banking situation. In contrast to the banks in the debtor countries of the European continent, those of Norway were, on balance, international creditors on short-term account; and when the need arose in the autumn of 1931 to alleviate the pressure on their cash reserves caused by the withdrawal of deposits, they were able to do so by selling part of their foreign balances to the Central Bank. But, after the suspension of the gold standard, there was some flight of domestic capital, and the central and commercial banks co-operated in setting up an Exchange Committee to control dealings in foreign currencies and to ration available exchange.

Withdrawals of deposits continued for hoarding purposes (reflected in a heavy increase in note circulation in the last months of 1931, particularly in notes of high denominations). The commercial banks were forced to have recourse to the Central Bank for rediscount and other credits on a large scale. The latter's loans and discounts rose from 170 million kroner in the summer of 1931 to 256 millions at the end of the year². On December 15th, 1931, two of the largest banks of the country, the Bergens Privatbank and Den

Norske Creditbank³, suspended payments. A temporary moratorium was declared on old deposits, and the Government guaranteed all deposit liabilities incurred by these banks after December 15th. With the assistance of the Norges Bank, a capital reconstruction of the two banks was subsequently carried out, under which the Bergens Privatbank wrote down its share capital from 30 to 12 million kroner and issued new shares to an amount of 13.5 million kroner, and Den Norske Creditbank wrote down its share capital from 33 to 22 millions and issued 5 million kroner of new shares. It was possible to lift the moratorium on March 15th, 1932.

The position of the commercial banks remained strained during the first half of 1932; continued recourse was had to the Central Bank, whose loans and discounts reached their maximum at 280 million kroner in the summer of that year. In the second half of 1932, the decline of confidence was gradually arrested, and the commercial banks were able to reduce their indebtedness to the Central Bank.

In spite of the reduction of the banks' deposit liabilities during 1932, they increased their cash holdings in the course of that year. This reflects, not only the fact that the banks had to be prepared to meet unusual withdrawals of funds, but also the fact that, after the abandonment of the gold standard, the practice of holding liquid balances abroad was curtailed owing to the exchange risks involved, and balances at the Norges Bank (included under "cash") were substituted for the short-term earning assets previously held abroad.

The Norwegian savings banks were less adversely affected by the crisis than the commercial joint-stock banks. Their deposits declined by only 4 per cent between the end of 1930 and the end of 1932, while those of the commercial banks fell by almost 20 per cent. In the second quarter of 1932, however, several rural savings banks had to meet some drain of deposits and experienced difficulty in mobilising their assets. By a Law of June 29th, 1932, an Institute was established to lend to savings banks on security not eligible for borrowing at the Norges Bank and to guarantee their liabilities; the resources of the Institute were contributed partly by the State and partly by the savings banks themselves. Applications to the Institute for support were much less numerous than was originally feared. In all, the Institute assisted fourteen rural savings banks in 1932. While twelve commercial banks, controlling 35 per cent

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

² The Norges Bank, particularly at its provincial branches, carries on a certain amount of business with the public; the figures given in the text do not, therefore, wholly represent loans to commercial banks. For an estimate of the latter, see note to group 16 in the Balance-sheet Summary below.

³ At the end of 1930, these two banks accounted for one-third of the combined balance-sheet of the 112 "free" banks.

of the total resources of all commercial banks combined, were forced to suspend payments between December 1931 and July 1932, the number of savings banks which suspended payments during the whole year 1932 was likewise twelve, but these accounted for only 1½ per cent of the combined savings banks' balance-sheet totals. During 1933, the Institute continued to lend its support to several other savings banks, but in all cases the institutions concerned were rural savings banks of purely local importance.

Commercial bank deposits decreased by nearly 50 million kroner in 1933. According to the monthly figures published by the Bank Inspector (which comprise about 97 per cent of the aggregate balance-sheet totals of all commercial banks), about a quarter of this reduction occurred in the spring, and would appear to be connected with a large Government loan conversion in March, on the one hand, and with a lowering of the banks' interest

rates on deposits (*pari passu* with a reduction of the discount rate of the Norges Bank from 4 to 3½ per cent in May), on the other. But the bulk of the decline of commercial bank deposits was concentrated in the last quarter of 1933, when a temporary but marked setback occurred in the confidence of the public on account of apprehensions regarding certain developments in the sphere of domestic politics. The loans and discounts of the Norges Bank increased by 55 million kroner (viz., from 217 to 272 millions) in the last quarter of the year, and the note circulation, which — after maintaining a fairly stable level in the earlier part of the year — showed a more than seasonal expansion in December, rose to 327 million kroner at the end of 1933, as compared with 314 millions at the end of 1932. Aggregate deposits with the commercial banks fell off by a further 30 million kroner during the first half of 1934, but the decline was more gradual.

Balance-sheet Summary.

1. Cash.

This item includes balances with the Bank of Norway in addition to coins and notes. Details are shown below :

Kr. (000,000's)	1929	1930	1931	1932	1933
Gold, subsidiary coins and notes	23.3	24.2	28.2	20.7	23.2
Balances with Central Bank	33.2	31.9	17.1	33.0	24.0
Totals	56.5	56.1	45.3	53.7	47.2

2. Other Items of a Cash Nature.

This item represents coins and notes in foreign currency.

3. Bills discounted and bought.

Treasury bills are little used in Norway. All banks have to report their rediscounts, which are included in the statistics in the bill portfolio as follows :

Kr. (000,000's)	1929	1930	1931	1932	1933
<i>Inland Bills:</i>					
Discounted	334.5	358.2	335.8	328.8	316.8
Rediscounted	3.6	3.0	10.1	3.9	3.4
Totals	338.1	361.2	345.9	332.7	320.2

The rediscounts are likewise included under Liabilities in group 18 of the Summary Table.

The protested bills are also shown separately and are included in the Summary Table in Sundry Assets (see note to group 10 below).

4 and 5. Investments and Securities: Participations.

The investments and securities other than

Government bonds shown in the Summary Table (group 4 (b)) are composed as follows :

Kr. (000,000's)	1929	1930	1931	1932	1933
<i>Norwegian securities:</i>					
Municipal bonds	64.7	57.8	45.7	42.3	36.7
Bonds of Mortgage and Fisher Banks, etc.	45.1	39.3	37.7	35.9	38.8
Other bonds	38.9	40.0	40.6	35.3	32.7
Shares	40.1	43.8	37.7	40.4	37.9
Totals	188.8	180.9	161.7	153.9	146.1
<i>Foreign securities:</i>					
Government bonds	7.8	13.6	7.4	7.2	7.0
Other bonds and shares	5.2	13.4	7.3	7.0	6.9
Totals	13.0	27.0	14.7	14.2	13.9
Total Norwegian and foreign securities	201.8	207.9	176.4	168.1	160.0

6. Due from Banks (Correspondents).

The sums shown in the Summary Table as due from foreign banks (group 6 (b)), include debtors in foreign currency :

Kr. (000,000's)	1929	1930	1931	1932	1933
Due from banks abroad	57.9	43.4	21.7	19.3	17.5
Debtors in foreign currency	25.8	31.5	35.8	33.2	36.5
Total	83.7	74.9	57.5	52.5	54.0

7. Loans and Advances.

The sums given under (a) in this group of the Summary Table represent sundry debtors, cash credits, etc. An amount equal to the acceptances has been deducted from this item and carried

NORWAY.

COMMERCIAL BANKS

Table 16 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
	Free banks	Free banks	Free banks	Free banks	Free banks
Number of Banks.	112	112	112	105	105
ASSETS.					
Kroner (000,000's omitted)					
1. Cash.	56.5	56.1	45.3	53.7	47.2
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank					
2. Other Items of a Cash Nature	0.6	0.6	0.4	0.4	0.3
3. Bills discounted and bought.	357.8	373.4	357.2	343.7	329.3
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland.	338.1	361.2	345.9	332.7	320.2
(c) Commercial bills, Foreign	19.7	12.2	11.3	11.0	9.1
4. Investments and Securities.	285.9	289.7	248.6	232.0	223.9
(a) Government	84.1	81.8	72.2	63.9	63.9
(b) Other	201.8	207.9	176.4	168.1	160.0
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	176.8	173.7	138.9	158.5	137.8
(a) At home.	93.1	98.8	81.4	106.0	83.8
(b) Abroad	83.7	74.9	57.5	52.5	54.0
7. Loans and Advances.	754.7	753.8	755.4	708.2	696.6
(a) On current account	674.6	672.0	668.0	627.4	610.5
(b) Other	80.1	81.8	87.4	80.8	86.1
8. Cover for Acceptances	17.8	16.9	9.4	10.4	9.9
9. Premises, etc.	23.1	23.4	23.5	22.7	23.3
10. Sundry Assets	36.6	35.6	33.0	33.9	33.7
11. Total Assets	1,709.8	1,723.2	1,611.7	1,563.5	1,502.0
LIABILITIES.					
12. Capital paid up.	196.1	200.8	170.5	183.3	181.9
13. Reserve Funds	66.6	70.8	51.3	53.1	54.3
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	12.0	—	—	—	—
15. Cheques and Drafts, etc., in circulation	13.1	10.5	9.6	10.4	10.1
16. Due to Banks (Correspondents)	321.0	320.2	348.3	399.9	388.3
(a) At home.	263.3	269.9	306.2	348.8	330.7
(b) Abroad	57.7	50.3	42.1	51.1	57.6
17. Deposits	1,058.2	1,084.1	993.7	883.2	836.6
(a) Current accounts and sight deposits	124.1	127.8	112.7	99.5	82.6
(b) Savings accounts	894.4	897.0	835.4	752.1	718.9
(c) Time or fixed deposits.	—	—	—	—	—
(d) Other deposits	39.7	59.3	45.6	31.6	35.1
18. Rediscounts and Other Borrowings	9.8	8.5	15.7	10.0	9.0
19. Acceptances and Endorsements.	17.0	15.6	9.2	12.3	10.9
20. Sundry Liabilities.	16.0	12.7	13.4	11.3	10.9
21. Total Liabilities.	1,709.8	1,723.2	1,611.7	1,563.5	1,502.0
22. Value of currency in Swiss francs at the end of each year	1.39	1.39	0.94	0.87	0.85

NORWAY.

COMMERCIAL BANKS

Table 16 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
	Free banks	Free banks	Free banks	Free banks	Free banks
Number of Banks.	112	112	112	105	105
Capital paid up.	196.1	200.8	170.5	183.3	181.9
Reserves and Undivided Profits	67.4	71.9	52.3	53.8	56.1
Kroner (000,000's omitted)					
1. Gross Profits	42.6	44.7	44.8	43.2	42.9
<i>To be deducted :</i>					
2. Expenses.	21.2	22.0	23.9	22.7	22.6
(a) Salaries, etc.	13.4	13.8	14.3	13.4	13.7
(b) Other working expenses	4.5	4.4	4.6	4.4	4.3
(c) Taxes, etc.	3.3	3.8	5.0	4.9	4.6
3. Reserved for Pension Funds, etc.	—	—	—	—	—
4. Written off on (Depreciation Accounts for)	8.8	9.1	63.8	12.5	14.2
(a) Premises, etc.	0.7	—	—	—	—
(b) Investments and securities	1.4	—	—	—	—
(c) Other assets	6.7	—	—	—	—
5. Remaining Net Profit (+) or Loss (—).	+12.6	+13.6	—42.9	+8.0	+6.1
6. Carried forward from preceding year.	0.8	1.1	1.0	0.7	1.8
7. Taken from Reserves or Capital.	3.6	1.4	22.9	0.5	2.2
8. Deficit left uncovered.	—	—	32.6	4.2	2.7
9. Total Amount disposed of for Dividends, etc.	17.0	16.1	13.6	13.4	12.8
10. Carried to Reserves	5.8	4.6	6.9	5.5	4.3
11. Dividends	10.1	10.5	6.0	6.1	6.7
12. Directors' Fees, etc.	—	—	—	—	—
13. Carried forward to following year	1.1	1.0	0.7	1.8	1.8
14. Total as above	17.0	16.1	13.6	13.4	12.8
15. Value of currency in Swiss francs at the end of each year	1.39	1.39	0.94	0.87	0.85

to group 8 of the table (see note below). The figures shown under (b) represent collateral loans.

8. *Cover for Acceptances and Reimbursement Credits.*

The composition of this group of the Summary Table is given below :

Kr. (000,000's)	1929	1930	1931	1932	1933
Cover for acceptances.	1.0	1.5	0.5	0.6	0.5
Current reimbursements.	16.8	15.4	8.9	9.8	9.4
Total.	17.8	16.9	9.4	10.4	9.9

10. *Sundry Assets.*

Details are shown below :

Kr. (000,000's)	1929	1930	1931	1932	1933
Real estate taken over by the banks	4.1	3.7	3.6	4.2	4.5
Protested bills.	2.6	2.1	2.1	1.8	1.5
Inter-accounts with branches	3.1	9.9	6.3	11.9	13.1
Other assets.	26.8	19.9	21.0	16.0	14.6
Total.	36.6	35.6	33.0	33.9	33.7

12 and 13. Capital and Reserve Funds.

The composition of the aggregate reserves shown in the Summary Table is given below :

Kr. (000,000's)	1929	1930	1931	1932	1933
Ordinary reserve funds . . .	57.1	60.0	40.1	43.0	41.4
Other reserve funds . . .	9.5	10.8	11.2	10.1	12.9
Total . . .	66.6	70.8	51.3	53.1	54.3

15. Cheques and Drafts in Circulation.

The sums given in this group of the Summary Table consist of post bills and notified cheques.

16. Due to Banks (Correspondents).

The amounts shown as due to banks at home include indebtedness to the Central Bank. (Rediscounts, under group 18 below, usually constitute but a small part of that indebtedness.) This can be isolated as follows : If the correspondents under 6 (a) and 16 (a) were only commercial banks, the two items, for all commercial banks together, would necessarily be equal. The mutual indebtedness of the banks is eliminated by subtracting 6 (a) from 16 (a). Of the balance thus obtained, part is due to the savings banks and part to the Norges Bank. The net deposits of the savings banks with commercial banks can be calculated from the reports of the Bank Inspector (which, however, cover only 81 per cent of the total balances of the savings banks). Deducting these deposits from the difference between 16 (a) and 6 (a), one obtains a balance which represents borrowings of the commercial banks from the Norges Bank. Calculated in this way, these borrowings, at the end of the years 1929 to 1933, stood at about 50, 75, 150, 160 and 180 million kroner respectively ; the exact figures cannot be arrived at owing to the incompleteness of the savings banks' statistics.

The sums shown in the Summary Table as due to banks abroad include creditors in foreign currency as follows :

Kr. (000,000's)	1929	1930	1931	1932	1933
Due to banks abroad . . .	41.3	37.2	17.3	15.0	14.4
Creditors in foreign currency	16.4	13.1	24.8	36.1	43.2
Total . . .	57.7	50.3	42.1	51.1	57.6

The greater part of the sums due to creditors in foreign currency represents balances received from

customers for deposit on exchange account with foreign banks. These balances are included in the assets under debtors in foreign currency (see note to group 6 above), and thus represent operations for third parties.

17. Deposits.

Savings accounts are not shown separately from time deposits. Other deposits (group 17 (d) of the Summary Table) are given in the statistics under the heading "Sundry creditors".

18. Rediscounts and other Borrowings.

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

Kr. (000,000's)	1929	1930	1931	1932	1933
Capital borrowings . . .	5.0	5.0	5.0	5.0	5.0
Rediscounts :					
At home	3.6	2.9	10.1	3.9	3.4
Abroad	0.7	0.2	0.5	0.4	0.4
Acceptances for own account	0.5	0.4	0.1	0.7	0.2
Total . . .	9.8	8.5	15.7	10.0	9.0

19. Acceptances and Reimbursement Credits.

The acceptances (for the account of clients) and reimbursement liabilities included in this group of the Summary Table are given below :

Kr. (000,000's)	1929	1930	1931	1932	1933
Acceptances	1.0	1.5	0.5	0.6	0.5
Current reimbursements	16.0	14.1	8.7	11.7	10.4
Total . . .	17.0	15.6	9.2	12.3	10.9

20. Sundry Liabilities.

The composition of this group of the Summary Table is given below :

Kr. (000,000's)	1929	1930	1931	1932	1933
Pension funds	0.3	.	.	.	.
Mortgage debts on premises and real estate taken over	1.2	0.7	0.7	0.9	1.1
Interest accounts	3.6	3.3	4.4	2.9	2.6
Inter-accounts with the branches	1.6	1.6	4.6	0.3	4.4
Other accounts	9.3	7.1	3.7	7.2	2.8
Total . . .	16.0	12.7	13.4	11.3	10.9

Summary of Profit-and-Loss Accounts.

1. Gross Profits.

According to details given in the official statistics, about 75 to 80 per cent of gross profits are derived from net interest on loans and discounts and the remainder from commissions, securities and foreign exchange, etc.

2. Expenses.

The sums shown under the heading "Salaries, etc." include directors' fees, which are not shown separately in the statistics.

POLAND.

Introductory Note.

The contraction of commercial bank credit, which had so forcibly characterised the banking situation in Poland during 1931 and 1932, continued in 1933, but at a considerably slower rate. During 1933, the combined discounts, loans and advances of the commercial banks fell by 13 per cent, as compared with 17 and 32 per cent in 1932 and 1931 respectively.

Withdrawals of foreign short-term capital from Polish banks were appreciably reduced in 1933. The net foreign indebtedness of the banks on short-term account was only 11 per cent lower at the close of 1933 than at the end of the preceding year, as compared with a decline of 36 per cent in 1932 and 43 per cent in 1931. The foreign short-term position of the Polish banks at the end of 1931, 1932 and 1933 is shown below :

Zloty (000,000's) End of :	1931	1932	1933
Short-term liabilities :			
Country of creditor :			
England	95	56	56
Germany	93	72	58
France	66	56	51
Austria	43	31	19
United States	16	11	5
Others	88	66	59
Total	401	292	248
Short-term claims	142	127	94
Net indebtedness	259	165	154

Commercial bank deposits continued to decline in 1933, while those in most other groups of banking institutions rose. Aggregate deposits in all banks remained practically unchanged, and by the end of the year the share of the commercial banks in total deposits had fallen to 22 per cent, as shown by the following statement :

Zloty (000,000's) End of :	1931	1932	1933
1. Private joint-stock banks	730	646	572
2. State and Municipal Banks	361	385	404
3. Postal Savings Bank	510	623	695
4. Communal savings banks	603	628	630
5. Co-operative credit associations	346	307	286
Total	2,550	2,589	2,587
Private joint-stock banks' per cent of total	29	25	22

The clearing returns for 1933 indicate an increase in the turnover of cheque payments. The monthly average for each of the last four years and for each of the three agencies of cheque clearing (*i.e.*, the Bank of Poland, the Postal Savings Bank, and the six clearing-offices in the chief industrial centres of the country) may be summarised as follows :

Zloty (000,000's) Monthly average of cheque payments through :	Bank of Poland	Postal Savings Bank	Clearing- offices	Total
1930	4,066	1,245	728	6,040
1931	3,534	1,220	645	5,399
1932	2,828	1,227	535	4,590
1933	2,869	1,538	624	5,031

The short-term commercial credits of the State banks (*i.e.*, the National Economic Bank and the State Land Bank), after undergoing a continuous reduction between 1929 and 1932, remained stationary in 1933. On the other hand, the special loans on short-term from Government funds administered by the State banks continued their remarkable growth. The following table shows the net total of bills discounted (excluding rediscounts) and short-term loans and advances of the private banks and the State banks (*a*) and special loans (*b*) of the State banks outstanding at the end of 1932 and 1933.

End of :	1932	1933	1932	1933
	Zloty (000,000's)		Per cent of total	
Joint-stock banks and principal private banks	804	696	53	45
State banks :				
(a)	306	311	20	21
(b)	421	498	27	33
Total	1,531	1,505	100	100

It will be seen that at the end of 1933 the ordinary commercial banks accounted for less than half of the total short-term credits included in the above table. Moreover, these figures do not cover a third State bank, the Acceptance Bank, which was formed in 1933 to provide medium-term credit for which existing facilities were considered inadequate. The Bank of Poland also makes direct advances to industry, particularly at its provincial branches. The following statement shows the division of its total bill portfolio into "direct" and "indirect" credits in recent years :

Zloty (000,000's) End of :	1931	1932	1933
Indirect credits	464.5	427.3	524.6
Of which :			
(a) Banks and other credit institutions	363.2	353.5	430.6
(b) Credits granted through banks	101.2	73.8	94.0
Direct credits	205.8	158.2	163.5
Total bill portfolio	670.3	585.5	688.1
Indirect credits as per- centage of total	69.3	73.0	76.2

The proportion of "indirect" credits (*i.e.*, rediscounts for banks and other credit institutions and credits granted by the Bank through the intermediary of other banks) to total credits shows a steady rise in recent years. This is chiefly due to the increased support given by the Bank of Poland to the co-operative credit associations (whose deposits have been much reduced since 1930) and to the communal savings banks. The joint-stock banks have reduced their rediscount indebtedness.

According to the statutes of the Bank of Poland as modified on February 9th, 1933, foreign exchange is no longer eligible for the purposes of the legal reserve, which must now consist exclusively of gold, the minimum cover being 30 per cent of the Bank's note issue and sight deposit liabilities. On the other hand, the reserve requirements have been reduced, inasmuch as they now apply only to notes and sight deposits in excess of 100 million zloty. Up to the present, Poland has maintained its currency on a gold basis and has placed no official restrictions in the way of the withdrawal of foreign short-term funds from Polish banks and industries.

On the initiative of the Government, the joint-stock banks agreed to reduce their maximum interest rate on three-months bills from 9.5 per cent to 8.5 per cent on June 15th, 1934. The discount

rate of the Bank of Poland had previously been lowered from 6 per cent to 5 per cent.

No summaries of profit-and-loss accounts have been published since 1930.¹ For the fifteen member banks of the Association of Polish Banks (which, at the end of 1933, held deposits totalling about 290 million zloty), the following percentage figures are available, showing the proportion of working expenses to net interest and commissions earned during the years 1930 to 1933 :²

	Per cent
1930.	78.7
1931.	89.5
1932.	104.6
1933.	106.2

The proportion in question rose sharply in 1932, in spite of the fact that working expenses appear to have been drastically reduced. (Thus, in the case of nine of the most important banks, aggregate working expenses declined from 40.7 million zloty in 1931 to 32.8 millions in 1932, and were further reduced to 28.2 million zloty in 1933.) It was chiefly the depreciation of the dollar in 1933 which seems to have enabled the majority of the fifteen banks referred to above to close their accounts for that year without loss.

Balance-sheet Summary.

1 and 2. Cash Assets.

The official statistics give no specification of "Cash in hand"; foreign currency holdings are, however, shown separately in the *Polish Statistical Year-Book*. They are accordingly included in group 2 of the Summary Table.

3. Discounts.

No distinction is made in the Polish statistics between domestic and foreign bills, nor are Treasury bills shown separately. Net figures excluding the rediscounts are given below :

Zloty (000,000's)	1929	1930	1931	1932	1933
Total discounts	935	863	528	407	367
Less rediscounts	353	319	268	204	183
Net portfolio	582	544	260	203	184

6. Due from Banks (Correspondents).

The sums shown in the Summary Table were composed of "loro" and "nostro" accounts as follows :

Zloty (000,000's)	1929	1930	1931	1932	1933
Due from banks :					
At home. { Loro.	17	21	18	20	17
{ Nostro.	29	32	27	22	28
Abroad. { Loro.	10	14	9	10	10
{ Nostro.	66	68	54	60	38
Total. { Loro.	27	35	27	30	27
{ Nostro.	95	100	81	82	66

7. Loans and Advances.

The sums shown under (b) consist of time loans and long-term mortgage loans as follows :

Zloty (000,000's)	1929	1930	1931	1932	1933
Time loans	46	61	57	67	64
Mortgage loans	142	155	159	154	125
Total (b).	188	216	216	221	189

¹ For figures relating to 1929 and 1930, see *Commercial Banks 1925-1933*, page 177.

² See *Rapport de l'Association des banques de Pologne, 1933*, page 14.

POLAND.

COMMERCIAL BANKS

Table 17 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of Banks.	63	64	64	60	54
ASSETS.					
	Zloty (ooo,ooo's omitted)				
1. Cash	106	97	76	66	62
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	28	29	14	12	8
3. Bills discounted and bought	935	863	528	407	367
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities.					
(a) Government	112	114	98	93	91
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	122	135	108	112	93
(a) At home.	46	53	45	43	45
(b) Abroad	76	82	63	69	48
7. Loans and Advances.	1,092	1,204	872	754	637
(a) On current account	904	988	656	533	448
(b) Other loans and advances	188	216	216	221	189
8. Cover for Acceptances.	—	—	—	—	—
9. Premises, etc.	134	149	126	122	102
10. Sundry Assets	449	421	430	405	395
11. Total Assets	2,978	3,012	2,252	1,971	1,755
LIABILITIES.					
12. Capital paid up.	239	263	250	243	216
13. Reserve Funds	66	74	72	68	62
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	563	561	344	307	257
(a) At home.	102	90	64	88	78
(b) Abroad	461	471	280	219	179
17. Deposits	1,090	1,184	730	646	572
(a) Current accounts and sight deposits	536	544	375	322	313
(b) Savings accounts	141	178	87	78	72
(c) Time or fixed deposits	413	462	268	246	187
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	495	473	427	361	308
19. Acceptances and Endorsements.	—	—	—	—	—
20. Sundry Liabilities.	525	457	429	346	340
21. Total Liabilities.	2,978	3,012	2,252	1,971	1,755
22. Value of currency in Swiss francs at the end of each year.	0.58	0.58	0.58	0.58	0.58

14. *Profit-and-Loss Accounts.*

The balance of profit-and-loss accounts is not shown in the banking summaries published in the *Statistical Bulletin of the Ministry of Finance*. But the difference between the expenditure accounts and the earnings (interest and commissions) constitutes a rough measure of the amount of the ordinary net profits of each year. This difference is shown below :

Zloty (000,000's)	1929	1930	1931	1932	1933
Interest and commissions.	135	125	94	60	47
Expenditure.	105	101	84	63	52
Net balance.	30	24	10	-3	-5

As the above figures do not include profits from investments and exchange profits on the one hand, and depreciation of securities and of foreign exchange and sums written off credits on the other, the balance shown does not represent actual net profits.

16. *Due to Banks (Correspondents).*

The "loro" and "nostro" accounts (the latter representing borrowings with credit institutions apart from rediscounts and pledging of own securities) are shown separately as follows :

Zloty (000,000's)	1929	1930	1931	1932	1933
Due to banks :					
At home. { Loro.	53	55	35	38	33
{ Nostro.	49	35	29	50	45
Abroad . { Loro.	83	89	59	36	27
{ Nostro.	378	382	221	183	152
Total . . { Loro.	136	144	94	74	60
{ Nostro.	427	417	250	233	197

17. *Deposits.*

The sums shown under (a) are composed of sight deposits and current accounts, as follows :

Zloty (000,000's)	1929	1930	1931	1932	1933
Sight deposits.	259	238	166	147	137
Current accounts	277	306	209	175	176
Total (a).	536	544	375	322	313

18. *Rediscounts and Other Borrowings.*

The sums shown are composed as follows :

Zloty (000,000's)	1929	1930	1931	1932	1933
Bills rediscounted :					
At home	292	268	257	198	178
Abroad.	61	51	11	6	5
Total.	353	319	268	204	183
Mortgage and other bonds issued.	142	154	159	157	125
Grand total.	495	473	427	361	308

PORTUGAL.

Introductory Note.

After a long period of unsettled monetary conditions, extending as far back as 1891, a *de facto* stabilisation of the Portuguese currency was achieved in 1928, thus preparing the way for the currency and banking reform of 1931. This reform consisted in a return to the gold standard and a comprehensive reorganisation of the Bank of Portugal. The gold content of the escudo was fixed at 0.0739 gramme of gold (nine-tenths fine), or one-twenty-fifth of the gold content decreed in 1911, which had, however, remained inoperative in practice. The revaluation of the gold assets of the Bank of Portugal (hitherto valued at the 1911 gold content of the escudo) at the new parity yielded a book profit of about 400 million escudos. Part of this was used to raise the nominal value of the share capital of the Bank from 13.5 million to 100 million escudos, and to strengthen its reserve funds. The remainder of the revaluation profit, together with a current budget surplus of the Government, was used to reduce the State debt to the Bank from over 1,500 million to 1,100 million escudos.¹ It was intended that the Bank of Portugal should, as far as possible, replace this asset with ordinary commercial assets, thus extending its credit facilities to private business and increasing its control over the credit system of the country.²

The new statutes of the Bank of Portugal require 30 per cent of its note issue and deposit liabilities to be covered in gold or foreign exchange. Moreover, a maximum limit of 2,200 million escudos is fixed for the note circulation, which can only be exceeded against full cover in gold and foreign exchange.

The new legal gold parity of the Portuguese currency was, in fact, maintained for less than three months. When the United Kingdom suspended the gold standard on September 21st, 1931, Portugal linked her currency to sterling, and has since that date maintained the par rate of exchange with the pound sterling — viz., 110 escudos to the pound.

The following statement shows the movement since 1931 of some of the principal accounts of the Bank of Portugal and of the commercial banks covered by the attached Summary Table, as well as the deposits of the Caixa Geral de Depósitos (a State credit institution intimately connected with the Treasury) and of the savings banks :

Escudos (000,000's) End of :	1931	1932	1933	June 1934
<i>Bank of Portugal :</i>				
Gold ^a	286	539	770	893
Foreign exchange	668	633	327	350
Note circulation	2,062	2,001	1,989	1,931
Bankers' deposits	248	310	305	482
<i>Commercial Banks :</i>				
Sight deposits	464	481	480	518
Time deposits	225	208	210	203
Domestic bills	308	333	402	421
<i>Caixa Geral de Depósitos :</i>				
Deposits	1,503	1,801	1,929	2,135
<i>Savings Banks :</i>				
Deposits	827	932	831	751

^a Calculated at the legal parity established in 1931.

It will be seen that the gold stock of the Bank of Portugal has more than trebled since the end of 1931 ; part of this increase was due to the conversion of foreign assets into gold. Gold and foreign exchange holdings combined amounted to 1,243 million escudos at the end of June 1934, as against 954 millions at the end of 1931.

It will also be observed that bankers' deposits at the Bank of Portugal by far exceed the cash balances of the commercial banks included in the Summary Table. The bulk of these deposits appears to represent the cash reserves of the Caixa Geral de Depósitos and of the savings banks. The substantial increase in the aggregate deposits of the banking system as a whole since 1931 has been accompanied by a decline in the note circulation, and may partly be attributed to the monetary reconstruction of 1931 and to the improvement of the public finances.

By a Decree of March 7th, 1932, the interest rates charged by the banks on loans and discounts must not exceed the official discount rate of the Bank of Portugal by more than 1.5 per cent. In March 1932, the official discount rate was reduced from 7 to 6.5 per cent, and further reductions were effected in March and December 1933, which brought the rate down to 5.5 per cent.

A Decree of December 24th., 1932, provided for a considerable extension of the scope and activities of the two clearing-houses at Lisbon and Oporto. On September 29th, 1933, a Decree was issued

¹ By the middle of 1934, this debt had been further reduced to 1,050 million escudos.

² In addition to granting rediscount credits to financial institutions, the Bank of Portugal also makes loans directly to private business firms.

PORTUGAL.

COMMERCIAL BANKS ^a

Table 18 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :			
	1929	1930	1931	1932
Number of Banks	23 ^a	22 ^a	23 ^a	25 ^a
ASSETS.				
Escudos (ooo,ooo's omitted)				
1. Cash				
(a) Gold, silver and small coins				
(b) Notes of inland banks, State notes and balances with the Central Bank	162	145	210	168
2. Other Items of a Cash Nature				
3. Bills discounted and bought	581	386	320	343
(a) Treasury bills	—	—	—	—
(b) Commercial bills, Inland	565	371	308	333
(c) Commercial bills, Foreign	16	15	12	10
4. Investments and Securities	91	85	72	70
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations	—	—	—	—
6. Due from Banks (Correspondents)	131	140	107	114
(a) At home	—	76	58	42
(b) Abroad	—	64	49	72
7. Loans and Advances	423	407	362	329
(a) On current account	—	—	—	—
(b) Other	—	—	—	—
8. Cover for Acceptances	—	—	—	—
9. Premises, etc.	588	40	51	50
10. Sundry Assets	—	197	256	444
11. Total Assets	1,976	1,400	1,378	1,518
LIABILITIES.				
12. Capital paid up	198	198	223	237
13. Reserve Funds	51	82	84	102
14. Profit-and-Loss Balances, etc.	23	17	15	17
15. Cheques and Drafts, etc., in circulation	14	17	16	11
16. Due to Banks (Correspondents)	119	76	62	45
(a) At home	—	39	32	21
(b) Abroad	—	37	30	24
17. Deposits	1,044	885	812	819
(a) Current accounts and sight deposits	481	389	464	481
(b) Savings accounts	—	—	—	—
(c) Time or fixed deposits	273	255	225	208
(d) Other deposits	290	241	123	130
18. Rediscounts and Other Borrowings	—	—	—	—
19. Acceptances and Endorsements	—	—	—	—
20. Sundry Liabilities	527	125	166	287
21. Total Liabilities	1,976	1,400	1,378	1,518
22. Value of currency in Swiss francs at the end of each year	0.23	0.23	0.17	0.16

^a Excluding the Banco Nacional Ultramarino and the Banco de Angola.

effecting a reduction of stamp duties on certain classes of credit instruments and banking documents with a view to encouraging the development of acceptance credit in particular, and of short-term investment paper in general, on the domestic money market.

The attached Summary Table is based on the official balance-sheet summaries published in the

Annuario Estatístico for 1929 and in the *Situação Bancaria* for 1930-1932. For reasons given in the previous edition of this *Memorandum*, the Banco Nacional Ultramarino and the Banco de Angola have been excluded from this table.

The official banking statistics do not contain any summary of the profit-and-loss accounts of commercial banks.

Balance-sheet Summary.

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

The joint amounts shown for these two items are composed as follows :

Escudos (000,000's)	1929	1930	1931	1932
Cash in hand.	80	73	126	77
Deposits in other banks . .	82	70	82	89
Foreign notes and coin . .	—	2	2	2
Total	162	145	210	168

Cash in hand consists exclusively of inland notes and coins. Balances with the Central Bank are not shown separately from deposits in other banks.

3. Bills discounted and bought.

The inland bill portfolio includes "bills receivable" in addition to bills discounted, as follows :

Escudos (000,000's)	1929	1930	1931	1932
Bills discounted	470	358	292	323
Bills receivable.	95	13	16	10
Total	565	371	308	333

6. Due from Banks (Correspondents).

Amounts due from banks abroad were not shown separately from domestic correspondents prior to 1930.

7. Loans and Advances.

The sums shown are composed as follows :

Escudos (000,000's)	1929	1930	1931	1932
Secured loans and advances	192	203	221	194
Sundry debtors :				
In national currency . . .	231	117	112	110
In foreign currency. . . .		87	29	25
Total	423	407	362	329

A minor proportion of the first item above consists of mortgage loans which, however, are not shown in detail.

10. Sundry Assets.

Since 1930, this item includes bills for collection, etc., previously included in the bill portfolio.

15. Cheques and Drafts in Circulation.

Amounts shown represent bills payable.

16. Due to Banks (Correspondents).

Amounts due to domestic and foreign banks are not shown separately prior to 1930.

17. Deposits.

The composition of deposits is shown in detail below :

Escudos (000,000's)	1929	1930	1931	1932
Demand deposits :				
National currency	—	356	433	451
Foreign currency.	—	33	31	30
Total (a)	481	389	464	481
Time deposits :				
National currency	—	250	221	206
Foreign currency.	—	5	4	2
Total (c)	273	255	225	208
Sundry creditors :				
National currency	—	182	82	74
Foreign currency.	—	59	41	56
Total (d)	290	241	123	130
Grand total	1,044	885	812	819

The nature of the "sundry creditors" is not indicated in the statistics, but, like "sundry debtors" shown under assets (see note to group (7) above), they would appear chiefly to represent current accounts of the business community. No distinction is made between deposits in national and in foreign currency before 1930.

ROUMANIA.

Introductory Note.

The Roumanian banking position remained strained during 1933-34. The majority of Roumanian credit institutions are still operating under a system of special protection pending reorganisation or final liquidation. The following summary of the principal accounts of the four leading banks¹ illustrates the stagnation of banking activity during 1933 :

Four leading banks Lei (ooo,ooo's)	1931	1932	1933
Cash, etc.	921	1,049	1,285
Bill portfolio	3,555	3,129	2,880
Loans and advances.	5,321	4,705	4,759
Securities and participations	812	778	767
Capital and reserves.	1,905	1,922	1,922
Net profits.	133	66	91
Deposits and creditors.	5,575	5,270	5,381
Rediscounts	3,154	2,758	2,568
Total balance-sheet	10,946	10,030	10,067

In 1933, deposits in the four leading banks showed no net movement, as compared with a slight decline in 1932. Deposits in two of the leading banks fell further, but this was slightly more than compensated by the improvement in the position of the two most important banks, the Banco Romaneasca and Banco de Credit Roman. The increase in the deposits of the Banco Romaneasca was applied almost exclusively to reducing its rediscount liabilities with the National Bank. All the four banks reduced their bill portfolio further and increased their cash resources by corresponding amounts.

An important piece of legislation affecting the banking system was passed on May 4th, 1934—namely, the Law for the Organisation and Control of Banking Business. The principal objectives of the law are the consolidation of the Roumanian credit system by means of amalgamation or forced liquidation, and the elimination of certain characteristics of mixed banking which had proved undesirable during the depression. The law lays down minimum capital requirements of 20 million lei for banks operating in Bucharest, 10 million in municipalities, 5 million in other urban districts, and at least 2 million lei in rural districts. It would appear that the effect of this provision will be to reduce very considerably the number of banks. Various restrictions are placed on the banks' credit activities, including a prohibition to engage in real estate and mortgage speculation

and to participate in industrial or commercial enterprises to the extent of more than 25 per cent of their capital and reserve funds.

Deposits may not exceed seven times the capital and reserves of each bank, and an amount equal to 10 per cent of aggregate sight deposits, sight bonds and travellers' cheques must be kept in cash or at the National Bank, and 33 per cent in short-term bills. The execution of the provisions of this law are entrusted to a newly created Supreme Banking Council, whose members include the Governor of the National Bank. All banks are to submit monthly statements to the National Bank, and they are obliged to publish half-yearly balance-sheets and profit-and-loss accounts according to a very detailed standard model prepared by the Supreme Banking Council. The Council took up its functions in July, and the law became effective as from September 27th, 1934, by which date all banks wishing to be inscribed on the public register had to submit to the Council detailed statements of their position.

Two other important laws were passed in the course of 1934. The first of these, dated April 7th, 1934, relates to the liquidation of agricultural and urban debts and abrogates the Laws of 1932 and 1933 referred to in the last issue of this *Memorandum*. It provides, *inter alia*, that agricultural debts shall be liquidated in seventeen years in the ratio of 50 per cent of their present capital value at 3 per cent interest, and that urban debts shall be liquidated in a period of ten years in the ratio of 80 per cent of their present capital value at 6 per cent interest. With a view to sharing losses, creditors affected by this law may ask their own creditors for a settlement out of court or by a Board of Arbitration. An important feature of the law is the Convention between the State and the National Bank compensating the latter (by means of 17½ annuities of 450 million lei each) for the losses on its bill portfolio resulting from the application of the law for the liquidation of debts². According to the report of the Adviser to the National Bank, dated July 30th, 1934, the total bill portfolio of the Bank remained practically unchanged at 18.3 milliard lei in the twelve months ended June 1934, and, of this total, 5.3 milliard lei consisted of illiquid agricultural and urban bills.

A second law, passed in September 1934, establishes a new regime for foreign trade with a view to increasing the favourable balance of trade. Though the system of foreign-exchange control has

¹ They are in the order of importance, indicated by their respective balance-sheet totals at the end of 1933 given in parentheses : the Banco Romaneasca (3,480), Banco de Credit Roman (3,456), Banco Commerciala Romana (1,768) and the Banco Commerciala Italiana Romana (1,354).

² See *Commercial Banks, 1925-1933*, page 183.

ROUMANIA.

COMMERCIAL BANKS

Table 19 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :			
	1929	1930	1931	1932
Number of Banks	1,097	1,102	1,037	953
ASSETS.				
Lei (ooo,ooo's omitted)				
1. Cash.				
(a) Gold, silver and small coins				
(b) Inland notes and balances with Central Bank	6,629	8,010	3,060	2,522
2. Other Items of a Cash Nature				
3. Bills discounted and bought	31,826	31,078	25,815	21,985
(a) Treasury bills.	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—
4. Investments and Securities.	2,781	2,804	2,625	2,227
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations	3,582	3,300	3,667	2,535
6. Due from Banks (Correspondents).	—	—	—	—
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
7. Loans and Advances	34,504	34,475	24,952	21,880
(a) On current account	28,907	28,114	21,047	18,083
(b) Other	5,597	6,361	3,905	3,797
8. Cover for Acceptances.	—	—	—	—
9. Premises, etc.	2,601	2,782	3,478	3,533
10. Sundry Assets	2,357	1,333	1,862	1,519
11. Total Assets	84,280	83,782	65,459	56,201
LIABILITIES.				
12. Capital paid up.	10,411	10,730	10,652	10,060
13. Reserve Funds	4,433	5,353	4,919	4,459
14. Profit-and-Loss Account, Undivided Profits, etc..	1,947	1,638	493	188
15. Cheques and Drafts in circulation	280	219	122	156
16. Due to Banks (Correspondents)	—	—	—	—
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
17. Deposits	51,314	53,323	30,206	26,183
(a) Current accounts and sight deposits	—	—	—	—
(b) Savings accounts	—	—	—	—
(c) Time or fixed deposits	—	—	—	—
(d) Other deposits	—	—	—	—
18. Rediscounts and Other Borrowings	12,170	10,033	16,258	14,454
19. Acceptances and Endorsements.	—	—	—	—
20. Sundry Liabilities.	3,725	2,486	2,809	701
21. Total Liabilities.	84,280	83,782	65,459	56,201
22. Value of currency in Swiss francs at the end of each year	0.031	0.031	0.031	0.031

remained in force since May 1932 and a substantial reduction in the transfer of the service of foreign debts has been obtained by the Agreement of March 1934 with the foreign creditors, the *Devisen* acquired by the National Bank have continually diminished in amount as a result of the steady decline in the export surplus from 6.4 milliard lei in 1931 to 4.7 and 2.4 milliard lei in 1932 and 1933 respectively. In the first eight months of 1934, the favourable trade balance shrank to 48 million lei, as compared with 1,258 millions in the first eight months of the previous year. This development is due to a steady increase in the value and quantum

of imports and a slight but steady decline in the value and quantum of exports. To remedy this situation, the new law establishes a compensation system to take effect as from November 15th, 1934. Its purpose is to ensure that imports do not exceed 60 per cent of the value of exports. Of the *Devisen* received from the export of certain staple Roumanian products, the National Bank is to retain 40 per cent. A similar amount is to be acquired by the National Bank for additional exports destined to settle the service on foreign debts or to liquidate arrears of merchandise debts.

Balance-sheet Summary.

1 and 2. Cash Assets.

The cash reserves of the Roumanian banks are composed as follows :

Lei (ooo,ooo's)	1929	1930	1931	1932
"Cash"	3,510	3,742	1,739	1,683
"Banks"	3,119	4,268	1,321	839
Total	6,629	8,010	3,060	2,522

3. Bills discounted and bought.

No distinction is made between Treasury bills and commercial paper ; nor are foreign bills shown separately.

7. Loans and Advances.

The sums given under (a) are shown in the official statistics as "current account debtors", and those given under (b) as "sundry advances". Current accounts include inter-bank accounts.

10. Sundry Assets.

The sums shown in this group of the Summary Table are composed as follows :

Lei (ooo,ooo's)	1929	1930	1931	1932
Merchandise	622	126	94	55
Collection accounts	1,440	870	606	146
Transitory accounts	114	89	462	163
Expenditure relating to following year	26	25	14	17
Losses	155	223	686	658
Net balance of guarantee accounts and sundries	—	—	—	480
Total	2,357	1,333	1,862	1,519

14. Profit and Loss, etc.

The total of the losses incurred by the banks and included in group 10 of the Summary Table should be deducted in order to arrive at the net profits of

the banking system as a whole. This is done in the following statement :

Lei (ooo,ooo's)	1929	1930	1931	1932
Net profit of individual banks	1,947	1,638	493	188
Losses of individual banks	155	222	686	658
Balance representing net profits of banking system	1,792	1,416	-193	-470

It will be noted that the banking system as a whole made a net loss in 1931 and 1932.

17. Deposits.

Deposits are not divided according to periods of maturity in the official statistics, but distinction is made between current-account creditors and other deposits as shown in the following table :

Lei (ooo,ooo's)	1929	1930	1931	1932
Current-account creditors	19,561	18,212	12,840	11,714
Deposits	31,753	35,111	17,366	14,469
Total	51,314	53,323	30,206	26,183

20. Sundry Liabilities.

The composition of the sums in this group of the Summary Table is shown below.

Lei (ooo,ooo's)	1929	1930	1931	1932
Depositors of bills for collection	1,575	774	769	340
Transitory accounts	683	524	789	222
Net balance of guarantee accounts and sundries	1,060	790	994	—
Unclaimed dividends	84	82	81	80
Earnings relating to following year	323	316	176	59
Total	3,725	2,486	2,809	701

SPAIN.¹

Introductory Note.

The commercial banking system of Spain, which experienced a rapid and continuous development between 1925 and 1930,² was not affected by the world depression until the second quarter of 1931. At the end of March 1931, deposits in all commercial banks amounted to 7,600 million pesetas, or slightly more than at the end of 1930. The European banking crisis of May 1931 led, however, to large-scale withdrawals, and by the end of June deposits in Spanish commercial banks had been reduced to 6,445 million pesetas, a fall of over 1,000 million pesetas in three months. The loss of confidence was confined to the commercial banks, deposits in savings banks showing but little fluctuation during the critical months. Ten commercial banks of secondary importance failed. The crisis appears to have reached its culmination in July; at the end of that month note circulation touched its highest level at 5,457 million pesetas, compared with 4,604 millions at the end of March. The commercial banks had extensive recourse to the Bank of Spain for rediscount and Lombard credits; in the second quarter of 1931, the Central Bank's total loans and discounts rose from 2,050 to 3,000 million pesetas. Confidence in the banks appears to have been restored by August or September; in the last quarter of 1931 there was a slight increase in bank deposits. Moreover, the note circulation of the Bank of Spain shows a steady contraction after July and the increase in its bill portfolio was arrested. Between the end of March and the end of August 1931, the peseta depreciated from 55 to 46 per cent of its gold parity, and by December 1931 it had fallen to 44 per cent.

During 1932, there was a return flow of deposits to the commercial banks, as is shown in the following table :³

Pesetas (000,000's) End of :	1929	1930	1931	1932	1933
	1. Ordinary savings banks.	1,703	1,882	2,014	2,158
2. Postal savings banks . . .	252	265	278	298	318
3. <i>Montes de Piedad</i>	365	370	409	423	443
4. Savings deposits in Private banks	1,287	1,301	1,021	1,026	1,114
5. Total savings deposits . . .	3,607	3,818	3,722	3,905	
6. Other deposits in Private banks	4,797	5,246	4,353	4,785	4,942
7. Total deposits.	8,404	9,064	8,075	8,692	

A year after the crisis, savings deposits and other deposits were higher than in 1929, and by the end of 1933 savings deposits had reached the high peak of 1930. During 1932, 1933 and the first half of 1934, the loans and advances of the Bank of Spain declined well below their 1931 level, and the note circulation showed a similar contraction. Both these items have remained, however, slightly above the levels reached in 1930.

The nature and extent of the improvement in the banking situation since the setback of 1931 is brought out more clearly by the accounts of the "inscribed banks". At the end of 1932, these banks held 90 per cent of all deposits, and were responsible for 88 per cent of the combined balance-sheets of all commercial banks in Spain. The following is a summary statement of their balance-sheets :⁴

¹ As it was not possible, for reasons of space, to give a full account of recent banking developments in Spain in the last edition of this volume, the present chapter covers the period since 1931.

² In 1925, there were 146 banks with a total balance-sheet of 8,100 million pesetas, and in 1930 the banks numbered 228 and their total balance-sheet amounted to 13,400 million pesetas. The growth of banking resources was particularly rapid — 65 per cent as measured by total balance-sheet — between the end of 1927 and the end of 1930. In the same period the note circulation of the Bank of Spain rose from 4,202 to 4,767 million pesetas, and the depreciation of the peseta in terms of U.S. dollars from 11 to 40 per cent.

³ As the complete figures on the savings deposits and other deposits of all the commercial banks given in the previous issue of this *Memorandum* are published with a delay of two years, the deposit figures of the "inscribed" banks have been used instead. At the end of 1932, these represented 90 per cent of all deposits held by the entire commercial banking system. Deposits of over one month have been taken to represent savings deposits, and "other deposits" are the sum of sight deposits, deposits in foreign currency, and deposits up to one month, shown separately in the balance-sheets of the "inscribed" banks given in the table on page 100.

⁴ These are published quarterly by the Supreme Banking Council in the *Balances trimestrales de la Banca inscrita*. Their classification and composition are identical with those of the more complete figures reproduced in the summary balance-sheets and explained in the notes.

End of :	Dec. 1929	Dec. 1930	Dec. 1931	June 1932	Dec. 1932	June 1933	Sept. 1933	Dec. 1933	June 1934	Sept. 1934
Number of banks	123	132	124	123	124	121	122	124	125	124
ASSETS.										
	Pesetas (ooo,ooo's)									
1. Cash balances with the Bank of Spain	965	1,001	1,049	1,022	1,057	1,087	1,017	1,137	1,201	1,027
2. Balances with other banks	577	583	563	568	580	543	587	544	548	580
3. Bill portfolio	1,662	1,708	1,396	1,475	1,515	1,485	1,483	1,473	1,486	1,501
4. Securities	3,550	3,922	3,739	3,911	3,867	3,946	3,947	3,988	4,071	4,244
<i>Of which: Public.</i>	(2,117)	(2,381)	(2,296)	(2,467)	(2,441)	(2,524)	(2,513)	(2,572)	(2,524)	(2,718)
5. Loans and advances	2,222	2,284	1,717	1,739	1,797	1,797	1,913	1,924	1,934	1,972
<i>Of which: On current account</i>	(448)	(437)	(375)	(404)	(414)	(425)	(474)	(487)	(490)	(519)
6. Cover for acceptances	114	133	96	87	80	78	75	76	88	86
7. Premises, etc.	243	255	261	265	276	276	285	288	286	281
8. Sundry assets	1,453	1,404	1,306	2,035	2,047	2,295	2,345	2,151	1,870	1,621
9. Total assets	10,785	11,290	10,127	11,101	11,219	11,507	11,653	11,581	11,484	11,311
LIABILITIES.										
1. Capital and reserves	1,307	1,394	1,413	1,424	1,447	1,432	1,452	1,419	1,470	1,451
2. Bills payable and other obligations	185	162	165	155	141	126	121	153	134	131
3. Due to banks	1,548	1,639	1,835	1,740	1,774	1,731	1,749	1,861	1,728	1,763
4. Deposits	6,084	6,568	5,374	5,736	5,812	5,983	6,052	6,056	6,284	6,315
(a) Sight	(3,197)	(3,425)	(2,707)	(2,875)	(2,922)	(2,933)	(2,972)	(2,962)	(3,066)	(3,097)
(b) In foreign currency	(408)	(474)	(307)	(295)	(275)	(250)	(255)	(287)	(264)	(262)
(c) Up to one month	(1,193)	(1,368)	(1,338)	(1,522)	(1,589)	(1,682)	(1,675)	(1,693)	(1,813)	(1,816)
(d) Over one month	(1,287)	(1,301)	(1,021)	(1,045)	(1,026)	(1,118)	(1,150)	(1,114)	(1,141)	(1,140)
5. Acceptances	114	133	96	87	80	78	75	76	88	86
6. Sundry liabilities	1,548	1,394	1,244	1,958	1,965	2,157	2,205	2,016	1,781	1,565
7. Total liabilities	10,785	11,290	10,127	11,101	11,219	11,507	11,653	11,581	11,484	11,311

The growth of deposits has been steady and has continued through the first half of 1934. Capital and reserves have risen appreciably since December 1930, despite a reduction in the number of banks reported. Since the middle of 1932, the bill portfolio has remained practically unchanged, while loans and advances — which, like bills

discounted, had shown a very sharp decline in 1931 — have steadily increased. It will be observed that, in recent months, the banks have greatly increased their cash deposits with the Bank of Spain. At the middle of 1934, the ratio of cash to total deposits amounted to nearly 20 per cent as compared with 15 per cent at the end of 1930.

Balance-sheet Summary.

Number of Banks.

The division of the total number of banks was as follows at the end of each year under review :

	1929	1930	1931	1932
Inscribed banks	123	132	124	124
Non-inscribed banks	80	85	82	87
Foreign banks	12	11	12	10
Total	215	228	218	221

1. Cash.

The amounts shown in the Summary Table consist of "cash and balances with the Bank of Spain".

2. Other Items of a Cash Nature.

The sums shown under this heading consist of cheques, etc., on other banks and small amounts of foreign money.

3. Bills discounted and bought.

The sums shown in the table consist entirely of commercial bills and are composed as follows :

Pesetas (ooo,ooo's)	Up to ninety days	Over ninety days	Total
1929	1,890	19	1,909
1930	1,928	22	1,950
1931	1,575	16	1,591
1932	1,656	17	1,673

7. Loans and Advances.

The sums shown are composed as follows :

Pesetas (ooo,ooo's)	1929	1930	1931	1932
Sight advances	580	577	495	530
Loans in foreign currencies	539	522	294	200
Total (a)	1,119	1,099	789	730
Time advances	683	719	531	585
Collateral advances	808	921	746	736
Total (b)	1,491	1,640	1,277	1,322
Grand total	2,610	2,738	2,066	2,051

SPAIN.

COMMERCIAL BANKS

Table 20 (a).

ACCOUNTS	SUMMARY OF POSITION AT END OF:			
	1929	1930	1931	1932
Number of banks	215	228	218	221
ASSETS.				
	Pesetas (ooo,ooo's omitted)			
1. Cash	1,111.3	1,146.7	1,232.9	1,193.3
(a) Gold, silver and small coins	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—
2. Other Items of a Cash Nature	888.8	852.5	772.4	779.4
3. Bills discounted and bought	1,909.4	1,949.5	1,590.7	1,672.9
(a) Treasury bills	—	—	—	—
(b) Commercial bills, inland	—	—	—	—
(c) Commercial bills, foreign	—	—	—	—
4. Investments and Securities	3,807.4	4,166.4	3,927.3	4,043.5
(a) Government	2,231.3	2,519.3	2,440.7	2,562.8
(b) Other	1,576.1	1,647.1	1,486.6	1,480.7
5. Participations	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—
(a) At home	—	—	—	—
(b) Abroad	—	—	—	—
7. Loans and Advances	2,610.2	2,738.3	2,065.5	2,051.4
(a) On current account	1,119.1	1,098.6	788.7	729.6
(b) Other	1,491.1	1,639.7	1,276.8	1,321.8
8. Cover for Acceptances	159.8	170.7	129.1	94.9
9. Premises, etc.	293.6	315.1	313.6	332.0
10. Sundry Assets	2,100.5	2,098.2	1,908.9	2,578.5
11. Total Assets	12,881.0	13,437.4	11,940.4	12,745.9
LIABILITIES.				
12. Capital paid up	1,050.5	1,092.8	1,058.3	1,045.3
13. Reserve Funds	418.3	457.9	526.0	531.7
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—
15. Notes in Circulation	—	—	—	—
16. Cheques and drafts, etc., in Circulation	208.6	183.3	189.6	158.5
17. Due to Banks (Correspondents)	1,865.2	1,919.6	2,061.3	1,960.6
(a) At home	—	—	—	—
(b) Abroad	—	—	—	—
18. Deposits	6,043.0	7,471.9	6,127.2	6,446.1
(a) Current accounts and sight deposits	4,206.2	4,538.6	3,553.8	3,623.2
(b) Savings accounts	—	—	—	—
(c) Time or fixed deposits	2,736.2	2,933.3	2,573.4	2,822.9
(d) Other deposits	—	—	—	—
19. Rediscounts and Other Borrowings	—	—	—	—
20. Acceptances and Endorsements	159.8	170.7	129.1	94.9
21. Sundry Liabilities	2,235.6	2,141.0	1,848.9	2,508.8
22. Total Liabilities	12,881.0	13,437.4	11,940.4	12,745.9
23. Value of currency in Swiss francs at the end of each year	0.71	0.55	0.43	0.42

11 and 22. *Total Assets and Liabilities.*

Not including unpaid capital or banks' holdings of own shares. These two items were as follows in the years under review :

Pesetas (000,000's)	Unpaid capital	Holding of own shares	Total
1929	160	435	596
1930	130	610	740
1931	156	585	741
1932	146	557	703

13. *Reserve Funds.*

For 1931 and 1932, this item includes a special fund of 96 and 126 million pesetas for currency fluctuations shown separately since 1931.

18. *Deposits.*

The amounts shown under (a) in the Summary Table consist of sight deposits and deposits in foreign currencies and those under (c) consist of deposits made for one month and for longer periods.

Pesetas (000,000's)	1929	1930	1931	1932
Sight deposits	3,694	3,916	3,148	3,302
Deposits in foreign currencies	512	623	406	321
Total (a)	4,206	4,539	3,554	3,623
Time deposits :				
Up to one month	1,290	1,473	1,430	1,681
Over one month	1,446	1,460	1,143	1,142
Total (c)	2,736	2,933	2,573	2,823
Grand total (a)+(c)	6,943	7,472	6,127	6,446

SWEDEN.

Introductory Note.¹

The following statement summarises the principal accounts of the commercial banks and the Riksbank from the end of 1932 to September 1934 :

Kronor (000,000's) End of :	1932	1933	Sept. 1934
<i>Commercial Banks :</i>			
Cash and other items of a cash nature	180	391	391
Domestic discounts ^a and loans	4,200	3,905	3,815
Deposits	3,556	3,628	3,648
Rediscounts with Riksbank	115	—	—
<i>Riksbank :</i>			
Note circulation	598	648	695
Gold at home and abroad ^b	206	370	374
<i>Riksbank and Commercial Banks :</i>			
Foreign assets (net holdings)	428	553	664

^a Excluding rediscounts.

^b Gold counted at legal mint parity, even after the suspension of the gold standard.

As may be seen from this table, the volume of loans and discounts continued its downward trend, though at a reduced rate, in the first nine months of 1934. The process of debt liquidation thus more than counterbalanced, in the volume of credit outstanding, the effects of the substantial revival of production and trade which took place in Sweden during the same period and which are reflected in the expansion of the note circulation. In consequence, the cash reserves of the commercial banks remained abnormally large in 1934 ; rediscounts with the Central Bank were negligible in amount ; and money rates stood at exceptionally low levels.² The slight increase in aggregate deposits with commercial banks in the first nine months of 1934 was due to an expansion of current accounts ; time and savings deposits declined by 25 million kronor. Between September 30th, 1933, and September 30th, 1934, current account and sight deposits increased from 654 to 718 million kronor, while time and savings accounts declined from 3,011 to 2,930 million kronor ; aggregate deposits at the end of September 1934 were thus 17 million kronor lower than a year before.

During the year ending September 30th, 1934, the aggregate net foreign assets of the Riksbank and the commercial banks combined rose from 442 to 664 million kronor. The commercial banks

accounted for nearly the whole of the increase of over 100 million kronor, which took place in the first nine months of 1934. Their net foreign claims, which had amounted to 100 million kronor at the end of September 1933, rose from 106 million kronor at the end of 1933 (after declining to 77 millions in March 1934) to 195 million kronor at the end of September 1934. This development represented a reversal of the policy pursued by the commercial banks in the preceding two years, when all foreign exchange received by them was, as a rule, immediately sold to the Riksbank and when, in consequence, the considerable increase which occurred in the total foreign assets of the Swedish banking system as a whole was mainly concentrated with the latter. The change of policy with regard to foreign holdings of commercial banks in 1934 appears to reflect, on the one hand, the insufficiency of short-term investment opportunities on the domestic market, in conjunction with the restrictions placed upon long-term investment by the new banking law³ which came into force on January 1st, 1934, and, on the other, the narrowing of the range of fluctuation of exchange rates (particularly after the provisional stabilisation of the dollar at the beginning of 1934).

In May 1934, one of the largest Swedish banks, the Skandinaviska Kreditaktiebolaget, which had been heavily involved in the breakdown of the Kreuger concern in 1932, was able to repay the last 20 million kronor of the State credit of 115 million kronor (secured by certain investment holdings of the bank), which it had received in 1932 for a period of ten years.⁴

In accordance with a resolution passed by the Swedish Parliament in June 1934, a semi-official banking institution for industrial credit was established in the autumn of 1934. The object of the new institute is to grant medium- and long-term credits — particularly to smaller industries lacking direct access to the capital market — and also, especially in view of recent banking legislation, to relieve the commercial banks of certain credits which are not short-term in character. The institute was formed as a joint-stock company with a share capital of 8 million kronor, of which 6 million kronor was subscribed by the State, the remainder being taken up by five of the larger commercial banks. The Government, through the

¹ In the last edition of this *Memorandum*, the Introductory Note to this section covered banking developments in Sweden up to the end of 1933 ; the present note therefore deals only with the changes which have taken place in 1934.

² Since December 1933, both the official discount rate and the market rate for three-months commercial paper have been 2.5 per cent.

³ The main provisions of this law were summarised in the preceding edition of this publication.

⁴ For further details, see *Commercial Banks 1925-1933*, pages 193 and 194.

National Debt Office, also put a guarantee fund of 12 million kronor, in the form of 4 per cent State bonds, at the disposal of the institute. These bonds, however, remain in the possession of the State, and will only be used if, in the event of liquidation of the institute, its own resources should prove insufficient. The institute is authorised to borrow funds of an amount equal to four times the

sum represented by this guarantee fund plus the reserves subsequently accumulated from operating profits. Together with its share capital, the institute thus possesses an initial lending capacity of 56 million kronor. Its dividends are limited to 5 per cent, and the majority of its shares must always remain in State ownership.

Balance-sheet Summary.

1. Cash.

The sums given under (a) represent exclusively gold. Silver and small coins are not shown separately from domestic bank-notes and sight balances with the Central Bank.

2. Other Items of a Cash Nature.

The sums given in this group consist of cheques and bills payable at sight and foreign bank notes.

3. Bills discounted and bought.

Treasury bills are included under securities given in group 4. Inland discounts in group 3(b) exclude bills rediscounted, which, in conformity with the procedure adopted in the Swedish statistics, are given in a special account (item 23 of the Summary Table) outside the balance-sheet proper. In the following statement, the inland discounts are shown, including the rediscounts in conformity with the practice followed in most other countries :

Kronor (000,000's)	1929	1930	1931	1932	1933
Inland bills :					
In portfolio	966	1,028	976	1,169	1,103
Rediscounted	254	199	327	116	1
Total	1,220	1,227	1,303	1,284	1,104

4. Investments and Securities.

Kronor (000,000's)	1929	1930	1931	1932	1933
Government securities and interest-bearing bonds :					
Inland	162	185	177	199	217
Foreign	135	173	126	98	63
Shares	98	103	108	129	182
Total	395	461	411	426	462

7. Loans and Advances.

The sums shown under (a) only represent amounts actually drawn ; the undrawn balances of the credits opened by the banks are not included in the balance-sheets proper in the Swedish banking statistics. On the other hand, the total amount of credits opened is shown in these statistics as a separate account outside the balance-sheet. The undrawn balances obtained by deducting the sums included from those shown outside the balance-

sheets are given separately in group 22 at the bottom of the Summary Table. In the following statement, the loans and advances, including the undrawn balances as above, are divided according to the nature of their cover :

Kronor (000,000's)	1929	1930	1931	1932	1933
Credits opened in current account :					
Actually drawn	732	849	792	650	542
Undrawn balances	310	269	257	238	254
Loans	2,471	2,559	2,600	2,381	2,260
Total	3,513	3,677	3,649	3,269	3,056
Thereof granted against :					
1. Mortgages	1,468	1,427	1,398	1,419	1,427
2. Shares	1,123	1,253	1,183	888	707
3. Bonds, goods or other real security	384	475	589	495	495
4. Personal guarantees	538	522	479	467	427
Total as above	3,513	3,677	3,649	3,269	3,056

17. Deposits.

The sums given under (a) include, in addition to sight accounts proper (giro and cheque accounts), deposits on less than one month's time or notice. In conformity with the principles adopted in the Swedish banking statistics, the potential sight liability represented by the unutilised balances of credits granted are not included under deposits in the Summary Table, but are shown as a separate account outside the balance-sheet. Had they been included, the sums under (a) would have been as follows :

Kronor (000,000's)	1929	1930	1931	1932	1933
Giro and cheque accounts	409	436	438	406	437
Unutilised balances of credits opened	310	269	257	238	254
Deposits under one month	250	245	172	219	237
Total	969	950	867	863	928

18. Rediscounts and Other Borrowings by the Banks.

The sums given in this group of the Summary Table are headed in the banking statistics " borrowings from other than banks and savings banks ". They include the bonds of a mixed commercial and mortgage bank (*Stockholms Inteckningsgaranti, A.B.*) and registered certificates

[Continued on page 106.]

SWEDEN.

COMMERCIAL BANKS

Table 21 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :					
	1929	1930	1931	1932	1933	1934
Number of : Banks	30	30	30	30	29	29
Branches and Sub-Branches.	1,015	1,015	1,016	1,012	1,011	
ASSETS.						
Kronor (ooo,ooo's omitted)						
1. Cash	84	89	88	133	333	287
(a) Gold, silver and small coins	1	1	1	1	1	1
(b) Inland notes and balances with Central Bank.	83	88	87	132	332	286
2. Other Items of a Cash Nature	43	46	47	47	58	62
3. Bills discounted and bought.	1,047	1,150	1,066	1,239	1,166	1,117
(a) Treasury bills	—	—	—	—	—	—
(b) Commercial bills, Inland.	966	1,028	976	1,169	1,103	1,045
(c) Commercial bills, Foreign	81	122	90	70	63	72
4. Investments and Securities.	395	461	411	426	462	640
(a) Government	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents).	302	208	170	266	229	215
(a) At home.	89	93	83	172	140	128
(b) Abroad	213	115	87	94	89	87
7. Loans and Advances.	3,203	3,408	3,392	3,031	2,802	2,749
(a) On current account	732	849	792	650	542	509
(b) Other	2,471	2,559	2,600	2,381	2,260	2,240
8. Cover for Acceptances.	—	—	—	—	—	—
9. Premises, etc.	89	87	88	94	98	96
10. Sundry Assets	220	258	230	453	506	221
11. Total Assets	5,383	5,707	5,492	5,689	5,654	5,387
LIABILITIES.						
12. Capital paid up.	514	514	525	525	505	486
13. Reserve Funds	312	321	309	293	204	202
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—	—
15. Cheques and Drafts in Circulation	93	82	76	61	72	78
16. Due to Banks (Correspondents)	319	458	320	334	354	309
(a) At home.	208	212	257	287	245	249
(b) Abroad	111	246	63	47	109	60
17. Deposits	3,481	3,631	3,553	3,556	3,628	3,553
(a) Current accounts and sight deposits	659	681	610	625	674	697
(b) Savings accounts	688	710	686	648	643	656
(c) Time or fixed deposits	2,134	2,240	2,257	2,283	2,311	2,200
(d) Other deposits	—	—	—	—	—	—
18. Borrowings by the Banks	207	314	325	532	487	421
19. Acceptances and Endorsements.	6	1	2	1	3	7
20. Sundry Liabilities.	361	386	382	387	401	331
21. Total Liabilities	5,383	5,707	5,492	5,689	5,654	5,387
22. Unutilised balances of credits granted	310	269	257	238	254	238
23. Rediscounts	254	199	327	116	1	—
24. Borrowings against own or pledged securities	41	28	25	129	91	13
25. Guarantees. . . . .	...	...	(265) ^a	151	156	134
26. Value of currency in Swiss francs at the end of each year.	1.39	1.39	0.95	0.93	0.87	0.78

^a January 30th, 1932.

SWEDEN.

COMMERCIAL BANKS

Table 21 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks.	30	30	30	30	29
	Kronor (000,000's omitted)				
Capital paid up.	514	514	525	525	505
Reserves and Undivided Profits	348	362	353	325	231
I. Gross Profits.	160.4	156.4	169.9	162.2	135.7
<i>To be deducted:</i>					
2. Expenses.	74.4	77.5	75.6	70.5	70.6
(a) Salaries, etc.	46.1	47.2	46.9	46.4	46.6
(b) Other working expenses	19.0	21.5	21.2	19.9	19.5
(c) Taxes, etc.	9.3	8.8	7.5	4.2	4.5
3. Reserved for Pension Funds, etc.	1.2	1.1	0.5	0.3	0.5
4. Written off on (Depreciation Accounts for)	19.8	38.6	61.9	236.8	47.1
(a) Premises, etc.	1.9	2.1	0.8	0.8	0.5
(b) Investments and securities	1.4	2.5	28.1	43.9	10.9
(c) Other assets	16.5	34.0	33.0	192.1	35.7
5. Remaining Net Profit (+) or Loss (—)	+ 65.0	+ 39.2	+ 31.9	—145.4	+17.5
6. Carried forward from preceding year	35.9	41.1	44.2	31.7	27.2
7. Taken from Reserves or Capital.	—	17.1	1.7	160.4	8.7
8. Total Amount disposed of for Dividends, etc.	100.9	97.4	77.8	46.7	53.4
9. Carried to Reserves.	8.8	3.8	11.4	0.4	0.3
10. Dividends	51.0	49.4	34.7	19.1	23.9
11. Directors' Fees, etc.	—	—	—	—	—
12. Carried forward to following year.	41.1	44.2	31.7	27.2	29.2
13. Total as above	100.9	97.4	77.8	46.7	53.4
14. Value of currency in Swiss francs at the end of each year.	1.39	1.39	0.95	0.93	0.87

(*förlagsbevis*) issued by some of the banks for the purpose of strengthening their position. In addition, the banks have frequent recourse to rediscounting of bills almost exclusively with the central bank. These bills and the liability incurred in respect of them are not included in the balance-sheet proper in the banking statistics. The borrowings of the banks against their own securities or securities received as collateral for loans are likewise excluded and are shown outside the balance-sheet. If these two items be added, the following totals are obtained :

Kronor (000,000's)	1929	1930	1931	1932	1933	1934
Borrowings from other than banks :						
Mortgage bonds	135	150	160	151	147	.
<i>Förlagsbevis</i>	156	159	159	258	256	256
Other borrowings	6	5	6	123	84	.
Total (group 18)	297	314	325	532	487	421
Rediscounts.	254	199	327	116	1	—
Borrowings against own or pledged securities.	41	28	25	129	91	13
Grand total.	592	541	677	777	579	434

SWITZERLAND.

Introductory Note.

The main features of the banking situation in Switzerland in the course of 1933-34 were the continued withdrawal of deposits, principally on foreign account, the suspension of payments by the Banque d'Escompte suisse and by two local banks, and the amalgamation and reorganisation of certain other banks. After reaching the record figure of 16.1 milliard francs in 1930, total deposits of all banks in Switzerland declined to 15.8 and 15.5 milliard francs at the end of 1931 and 1932 respectively. In the course of 1933, the rate of decline increased and total deposits dropped by 672 millions. This fall was confined exclusively to the commercial

banks, whose deposits fell by 720 million francs during 1933. (See deposit figures under Note 17 of the Balance-sheet Summary.) Of the three groups of institutions constituting the commercial banking system of Switzerland, the big banks suffered the heaviest loss of deposits — 627 million francs, as compared with 57 millions for the local banks and 36 millions for the cantonal banks. The contraction of the balance-sheet of the big banks is not, as the following summary of their principal accounts shows, to be attributed to any appreciable extent to the exclusion in 1933 of the accounts of the Banque d'Escompte suisse, now in liquidation :

Francs (000,000's)	End of :					
	1	2	3	4	5	6
	December 1930	December 1931	December 1932	December 1932	December 1933	June 1934
Number of banks	8	8	8	7	7	7
1. Cash, etc.	344	995	970	961	818	605
2. Bill portfolio	1,483	951	807	782	644	613
3. Securities, etc.	300	281	266	209	202	195
4. Correspondent debtors	1,651	718	538	497	392	427
5. Loans on current account	3,115	2,562	2,298	2,287	2,026	1,978
6. Capital, reserves, etc.	1,163	1,206	1,171	1,091	1,001	988
7. Correspondent creditors	850	470	376	298	321	300
8. Deposits	5,644	4,916	4,487	4,348	3,860	3,547
Of which :						
(a) Current accounts	(1,386)	(1,520)	(1,489)	(1,458)	(1,306)	(1,179)
(b) Time deposits	(2,580)	(1,782)	(1,433)	(1,400)	(1,205)	(1,129)
(c) Cash bonds	(1,678)	(1,614)	(1,565)	(1,490)	(1,349)	(1,239)
9. Acceptances	673	339	193	179	130	135
10. Total balance-sheet (including unpaid capital)	8,578	7,171	6,429	6,107	5,547	5,193

The 1932 accounts of the big banks are given twice in the above table, column 3 including the accounts of the Banque d'Escompte suisse and column 4 excluding them. This throws into relief the relative unimportance of the Banque d'Escompte suisse — its balance-sheet (322 million francs) represented less than 5 per cent of the total accounts of the eight big banks in 1932 — and permits a more accurate survey of the development of the big banks during 1933. Between 1932 and 1933, the deposits of the seven banks fell by 488 millions, current accounts and time deposits declining by 152 and 195 millions respectively and cash bonds showing a contraction of 141 million francs. Part of the reduction in cash bonds is due to redemption by the banks themselves.

Apart from this factor, the decline in deposits was mainly due to foreign withdrawals in the second half of 1933, which are reflected in further reductions in cash resources, foreign bills and correspondent debtors. (The apparent reduction

in loans on current account was largely due to amortisations.) The first item mentioned was the most important : bankers' balances with the National Bank fell from 825 millions at the end of 1932 to 521 millions at the end of 1933, and the gold reserves of the National Bank declined by 473 million francs during the same period.

In the course of 1933, there was a net export of gold from Switzerland amounting to 211 millions, as compared with a net import of 880 millions in the previous year. Despite a reduction of over 300 million francs in total bankers' balances with the National Bank, the cash resources of the seven big banks declined only by 143 millions. The difference is largely due to further acquisition of gold in the course of 1933. The net purchase of gold by the Swiss and foreign banks for their own account and for that of customers amounted to 278 millions, as compared with 140 millions in the previous year.¹

¹ *Das Schweizerische Bankwesen im Jahre 1933* (published by the Statistical Service of the National Bank of Switzerland), page 20.

The deposits of the seven big banks fell by another 416 million francs in the first nine months of 1934. The decline was particularly severe in the first six months of the year, when it amounted to 323 million francs. The stability of deposits with the cantonal banks, the further decline in current accounts with the big banks, and the fall of some 360 million francs in the gold holdings of the National Bank in the first six months of 1934 would suggest that this fall in deposits was also due principally to withdrawals by foreign depositors. An indication of the amount of foreign capital that has sought refuge in Switzerland is afforded by the fact that, despite withdrawals, largely on foreign account, of some 2,100 million francs of deposits from the big banks in the three and a-half years ended June 1934, Swiss balances and cash bonds still in foreign ownership are estimated¹ at between 1,200 and 1,500 million francs, and Swiss securities held by foreigners at 200 million francs.

The share of the big banks in the balance-sheet totals of all the three groups of commercial banks has fallen steadily from 43 per cent at the end of 1930 to 35 and 32 per cent at the end of 1932 and 1933 respectively. The discounts, loans and advances of the big banks fell by 2,204 million francs between 1930 and 1933. Part of this fall was no doubt due to the reduction of current account loans abroad, but most of it must have been brought about by a contraction of domestic credit *pari passu* with the deterioration of economic conditions.

The reorganisation of banks between 1931 and 1934 was described in some detail in the last issue of this *Memorandum*. One of the principal features of this reorganisation was the scheme for the reconstruction of the Banque d'Escompte suisse, outlined in the last edition of this volume. This scheme broke down in April 1934, and the bank suspended payments at the end of that month.

In the course of 1933 and 1934 there were two other bank failures. The Volksbank Reiden of Reiden, one of the bigger local banks, closed its doors in July 1933 and the Banque commerciale valaisanne of Monthey, one of the smaller local banks, did the same in May 1934.

The capital reductions and amortisation of assets effected by the Basler Handelsbank, the Banque Fédérale, the Société de Banque suisse and the Banque populaire suisse were mentioned in the last edition. In March 1934, another big bank, Leu and Co., was authorised to reduce its capital by 20 million francs.

Aggregate assets written off by the six largest banks amounted to 175 million francs; the greater part was due to the Banque populaire. This bank showed a loss of 130.5 million francs, of which 95 million francs represented losses on account of foreign commitments.

The Federal Law for the Protection of Savings and for the Control of Banks, outlined in the last edition of this volume, was passed towards the end of 1934.

Balance-sheet Summary.

1. Cash.

The official Swiss banking statistics do not distinguish between gold and other metallic currency on the one hand, and notes and balances with the Banque Nationale on the other hand. Figures of bankers' balances with the central bank are, however, available from the reports of that institution, and they are compared with the total cash resources shown by all Swiss banks (including savings and co-operative banks as well as commercial banks) in the following statement:

Francs (000,000's)	1. Total cash holdings of all Swiss banks	2. Balances with the National Bank	3. Difference between 1 and 2
1930	467	203	264
1931	1,290	813	477
1932	1,254	825	429
1933	1,040	521	519

The last column represents the Swiss banks' holdings of small coin, notes and gold. As it is unlikely that the first two items would have increased since

1929 — rather the contrary — it would appear that the whole of the increase shown in that item in recent years is to be ascribed to the accumulation of gold by the banks.

4 and 5. Investments and Participations.

The Swiss banks do not participate directly in industrial enterprises. In special statements, comprising all cantonal banks, six of the big banks, and most local banks, the annual statistical reports give the following details with regard to the composition of the investment portfolio:

Francs (000,000's)	1930	1931	1932	1933
<i>Swiss securities:</i>				
Bonds	894	951	979	921
Shares	189	190	202	182
Total	1,083	1,141	1,181	1,103
<i>Foreign securities:</i>				
Bonds	91	74	60	41
Shares	51	60	56	35
Total	142	134	116	76
Grand total	1,225	1,275	1,297	1,179

[Balance-sheet Summary continued on page III.]

¹ F. SOMARY, "The Present Position of Switzerland", in *Lloyds Bank Monthly Review*, October 1934.

SWITZERLAND.

COMMERCIAL BANKS

Table 22 (a)

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of banks	212	217	217	216	223
ASSETS.					
Francs (ooo,ooo's omitted)					
1. Cash	367	459	1,278	1,236	1,018
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—	—
3. Bills discounted and bought	1,915	2,018	1,382	1,154	948
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities					
(a) Government	1,165	1,351	1,405	1,409	1,274
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	2,177	2,352	1,114	842	716
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	13,056	13,443	13,203	13,161	12,945
(a) On current account	5,947	5,023	4,475	4,113	3,700
(b) Other	7,109	8,420	8,728	9,048	9,245
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	171	180	187	197	197
10. Sundry Assets	214	183	207	189	178
11. Total Assets	19,065	19,986	18,776	18,188	17,276
LIABILITIES.					
12. Capital paid up	1,850	1,869	1,897	1,883	1,699
13. Reserve Funds	541	565	569	577	537
14. Profit-and-Loss and Dividend Accounts, etc.	—	10	10	10	3
15. Cheques and Drafts, etc., in circulation	—	44	35	28	28
16. Due to Banks (Correspondents)	1,346	1,143	692	563	567
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	13,678	14,719	14,229	13,909	13,189
(a) Current accounts and sight deposits	3,756	2,287	2,449	2,418	2,191
(b) Savings accounts	3,294	4,422	4,575	4,680	4,591
(c) Time or fixed deposits	1,283	2,139	1,453	1,123	1,035
(d) Other deposits	5,345	5,871	5,752	5,688	5,372
18. Rediscounts and Other Borrowings	665	659	734	789	871
19. Acceptances and Endorsements	702	733	385	235	165
20. Sundry Liabilities	283	244	225	194	217
21. Total Liabilities	19,065	19,986	18,776	18,188	17,276

SWITZERLAND.

COMMERCIAL BANKS

Table 22 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1929	1930	1931	1932	1933
Number of banks	212	217	217	216	223
	Francs (ooo,ooo's omitted)				
Capital paid up	1,849.8	1,869.0	1,897.3	1,882.3	1,698.0
Reserves and Undivided Profits	551.9	575.0	578.9	586.8	540.2
1. Gross Profits	360.7	361.6	361.0	322.8	294.4
<i>To be deducted:</i>					
2. Expenses	173.6	179.3	179.0	165.5	151.7
(a) Salaries, etc.	150.2	154.4	154.3	144.9	134.3
(b) Other working expenses	23.4	24.9	24.7	20.6	17.4
(c) Taxes, etc.	—	1.2	1.0	1.2	0.4
3. Reserved for Pension Funds, etc.	—	1.2	1.0	1.2	0.4
4. Written off on (Depreciation Accounts for)	23.4	21.6	91.7	117.8	174.6
(a) Premises, etc.	—	—	—	—	—
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit (—) or Loss	163.7	159.5	89.3	38.3	—32.3
6. Carried forward from preceding year	10.9	10.0	9.9	9.7	2.7
7. Taken from Reserves or Capital	—	—	30.2	70.9	138.5
8. Total Amount disposed of for Dividends, etc.	174.6	169.5	129.4	118.9	108.9
9. Carried to Reserves	26.3	24.2	8.4	10.6	10.9
10. Dividends	131.5	131.2	108.8	102.7	90.6
11. Directors' Fees, etc.	3.6	3.2	1.7	1.2	1.1
12. Other purposes	2.0	1.0	0.8	1.7	1.9
13. Carried forward to following year	11.2	9.9	9.7	2.7	5.0
14. Total as above	174.6	169.5	129.4	118.9	108.9

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

The composition of gross profits by sources of revenue is shown opposite.

4, 5 and 7. *Depreciation Accounts, Net Profit or Loss, and taken from Reserves or Capital.*

The 1933 figures for these items are affected principally by the reorganisation of the Banque populaire, whose losses amounted to 130.5 million francs (see Introductory Note).

Francs (ooo,ooo's)	1930	1931	1932	1933
Discounts	80.9	73.6	59.0	50.0
Net interest and commissions	190.2	196.8	172.5	160.0
Securities and participations	76.8	74.3	69.0	61.9
Other sources	12.8	15.8	21.6	22.3
Recovered from assets previously written down	0.9	0.5	0.7	0.2
Total	361.6	361.0	322.8	294.4
Sources not specified	—	—	—	—
Grand total	361.6	361.0	322.8	294.4

Balance sheet Summary, continued from page 108.]

The composition of the Swiss portfolio is shown in the following statement, which includes all cantonal banks, but a smaller number of big banks and local banks than the preceding statement :

Francs (ooo,ooo's)	1930	1931	1932	1933
<i>Bonds of :</i>				
Federal Government and				
Railways	208	200	225	214
Cantons	168	186	174	180
Municipalities	97	89	88	84
Public Authorities				
total	473	475	487	478
<i>Bonds of :</i>				
Banks	310	372	352	312
Trust companies	22	23	19	15
Other enterprises	89	81	121	116
Private undertakings				
total	421	476	492	443
Total bonds	894	951	979	921
<i>Shares in :</i>				
Banks	60	67	78	69
Trust companies	57	46	48	43
Other enterprises	72	77	76	70
Total shares	189	190	202	182
Grand total	1,083	1,141	1,181	1,103

7. Loans and Advances.

The amounts shown under (a) are given in the official statistics as debtors on current account without further subdivision. The following statement, covering all banks (savings banks, Raiffeisen banks' association, in addition to commercial banks), enables an estimate to be made

of the importance of overdrafts in the total of current accounts and fixed loans and advances :

Francs (ooo,ooo's)	Current accounts and fixed loans		
	Covered	Uncovered	Total
1930 ^a	5,763	1,491	7,254
1931 ^a	5,466	1,259	6,725
1932	5,200	1,224	6,424
1933	4,842	1,161	6,003

^a Excluding Raiffeisenkassen.

Loans on current account include cover for acceptances.

The following is the composition of the amounts shown under (b) since 1930 :

Francs (ooo,ooo's)	1930	1931	1932	1933
Contangos	62	15	19	29
Long-term advances :				
Ordinary	1,472	1,479	1,384	1,340
Against mortgages	665	679	754	754
Mortgage loans	6,221	6,555	6,891	7,122
Total	8,420	8,728	9,048	9,245

17. Deposits, etc.

The sums given under (d) in this group of the Summary Table represent bank cash bonds (*Obligationen*) which, in Switzerland, largely take the place of time deposits.

In the following comparative statement, the figures given under I refer to the commercial banks and those under II refer to the savings banks, the Raiffeisen banks and the mortgage banks :

Francs (ooo,ooo's)	Current accounts			Savings accounts			Time deposits			Bank bonds			Total deposits		
	I	II	Total	I	II	Total	I	II	Total	I	II	Total	I	II	Total
1929	3,756	52	3,808	3,294	1,010	4,304	1,283	21	1,304	5,345	240	5,585	13,678	1,323	15,001
1930	2,287	44	2,331	4,422	1,095	5,517	2,139	10	2,149	5,871	276	6,147	14,719	1,425	16,144
1931	2,449	47	2,496	4,575	1,189	5,764	1,453	14	1,467	5,752	280	6,032	14,229	1,530	15,759
1932	2,418	47	2,465	4,680	1,265	5,945	1,123	16	1,139	5,688	280	5,968	13,909	1,608	15,517
1933	2,191	46	2,237	4,591	1,313	5,904	1,035	17	1,052	5,372	280	5,652	13,189	1,656	14,845

18. Rediscounts and Other Borrowings.

The sums given in this group of the Summary Table consist of bonds representing "fixed

loans" raised by the banks (*feste Anleihen*) and of the long-term mortgage bonds issued since 1931.

TURKEY.

The commercial banking system of Turkey is composed of four main elements : (1) the Turkish joint-stock banks, (2) the Caisse d'Épargne et de Consignation of Istanbul, (3) the Ottoman Bank and the Bank of Salonika, which, though incorporated in Turkey, are controlled by foreign capital and carry on important business in other countries, and (4) the branches of foreign banks. In addition three public banks, the Sümer Bank, the Banque des Municipalités and the Banque populaire, have been created with a view to encouraging thrift and financing industry and trade.

From the middle of the nineteenth century to the establishment of the Republic in 1923 the Ottoman Bank, the Bank of Salonika and the branches of foreign banks constituted the most important part of the Turkish commercial banking system. The Ottoman Bank, in particular, has occupied a unique position in Turkish banking and economy, both on account of its extensive privileges and the magnitude of its resources. The second bank to be founded on Turkish soil, it was established in 1856 by a group of British capitalists with a share capital of £500,000. Its predecessor, the Bank of Constantinople, was created in 1845, but had a short existence and was liquidated in 1853. In addition to its ordinary banking operations, the Ottoman Bank extended credits to the Government of the Sublime Porte, and was entrusted with the regulation of the monetary supply. Six years after its foundation, it was transformed, with the participation of French interests, into the Imperial Ottoman Bank, and its capital was raised to £4.1 million. In 1863, the Sublime Porte granted it for a period of thirty years the sole right of note-issue and certain other privileges in exchange for the right to discount short-term Government paper to a maximum of 12.5 million francs. In 1875, the Government experienced financial difficulties, and the concession of the Bank was extended for another fifty years up to 1925. Its privileges were widened so as to cover, in particular, the sole right of Treasury operations. With the creation of the " Dette publique ottomane " in 1881, the Bank was further entrusted with the collection and transfer of the service of the Ottoman foreign debt. In addition to these activities, the Imperial Ottoman Bank engaged in ordinary banking

operations, promoted the construction of railways and harbours, and sponsored other banks, such as the Société générale de l'Empire ottoman, the Banque austro-ottomane, the Crédit général ottoman and other banking houses which no longer exist. The Bank gradually extended its activities outside Turkey proper; it established branches in Egypt, Cyprus, Palestine, Iraq, Greece, Persia and Arabia and was instrumental in the creation of the Bank of Roumania and the Bank of Syria and Greater Lebanon.

When Turkey entered the war, the Imperial Ottoman Bank neither granted increased credit facilities to the Government nor extended its note-issue. The Government proceeded to issue its own notes. The note circulation rose in the course of the war from about £11.3 million to £1160 million¹. The Imperial Ottoman Bank maintained its note-issue, but its legal position remained uncertain until after the establishment of the Republic. The Convention of 1924 extended the concession of the Bank for another ten years. Its right of note-issue was confirmed, but it was not to be exercised until the Turkish pound was re-established on gold. The note-issue then outstanding was to have the force of legal tender. The Convention also provided for the opening of a credit of £17 million for the account of the Government and the Agricultural Bank. A new agreement signed in June 1933 prolonged the concession of the Bank until 1952, recognised its notes as legal tender, exempted the Bank from taxation other than that imposed on purely Turkish banks, and provided for the extension of a temporary credit of £1.25 million sterling to the Treasury and the granting of a loan of £15 million to the Sümer Bank for a period of five years.

Despite the rapid development of Turkish banks and the competition of the branches of foreign banks, the Ottoman Bank still holds an important position in the commercial banking system of the country. At the end of 1933, its paid-up capital and reserves (£148.6 million) were nearly as high as those of forty-two Turkish joint-stock banks (£154.3 million). The Ottoman Bank does not publish a separate statement of its operations in Turkey, but these no doubt account for an important part of its aggregate accounts, which are summarised in the following table.

¹ Before the war the monetary circulation in Turkey consisted almost exclusively of coin.

£ sterling (000,000's)	1926	1927	1928	1929	1930	1931	1932	1933
1. Cash assets	4.0	3.2	4.1	3.9	3.3	6.6	5.5	5.4
2. Bill portfolio	4.5	4.1	4.0	4.9	4.1	6.0	5.6	5.6
3. Loans and advances	10.8	11.0	11.1	10.7	9.9	6.8	6.1	7.0
<i>Of which :</i>								
(a) On current account	(8.0)	(7.8)	(7.5)	(7.7)	(8.1)	(4.9)	(4.3)	(5.1)
(b) On securities	(2.8)	(3.2)	(3.6)	(3.0)	(1.8)	(1.9)	(1.8)	(1.9)
4. Investments	3.5	2.9	3.2	1.4	1.4	1.7	2.1	1.5
5. Notes in circulation	0.6	0.6	0.5	0.4	0.4	0.4	0.4	0.4
6. Deposits	15.2	13.5	15.7	14.4	13.3	14.7	12.9	13.2
<i>Of which :</i>								
(a) On current account	(13.6)	(11.6)	(12.6)	(11.8)	(11.3)	(13.1)	(11.2)	(11.7)
(b) Fixed	(1.6)	(1.9)	(3.1)	(2.6)	(2.0)	(1.6)	(1.7)	(1.5)
7. Total balance-sheet	23.3	21.9	24.8	23.8	21.9	23.0	21.0	20.9

The Bank has a capital of £10 million, half of which is paid up, and keeps a statutory reserve of £1.25 million at its head office in Istanbul. Its notes outstanding, which are legal tender only in Turkey, have varied little in amount in terms of sterling. It has been stated¹ that a substantial part of the notes issued by the Ottoman Bank have disappeared from circulation on account of the premium they command in terms of the fiduciary notes. The essentially commercial nature of its operations is brought out by the high level of its current account deposits and the preponderant share of current account debtors and discounts in total assets.

The Bank of Salonika and the branches of foreign banks have also occupied an important place in Turkish banking. The Bank of Salonika, also non-Turkish in capital and administration, was established in that city in 1888; after the Greek occupation of Salonika in 1913 the bank transferred its headquarters to Istanbul. From its foundation until the armistice, this bank was important in financing Levantine industry and trade. Its capital of 30 million francs is now controlled principally by the French "Société générale". The combined Turkish and Greek accounts of the bank amounted to 394 million francs at the end of 1933.

Though the Crédit Lyonnais opened a branch in Istanbul as early as 1871, the majority of foreign banks did not establish branches in Turkey until the beginning of the twentieth century. The

German banks opened branches or created affiliates both in the capital and in other parts of the Empire. The French, Russian and Belgian banks confined their activities principally to Istanbul. The Italian, Dutch and American banks opened no branches until after the armistice. Since the war, many foreign banks have closed their offices in Turkey. By the end of 1933, only eight banks² had Turkish branches and the total Turkish balance-sheet of seven of these banks amounted to £T56.4 million.

Religious and social considerations³ until recently prevented Turks from establishing their own banks. The Caisse d'Épargne et de Consignation of Istanbul and the Agricultural Bank were created in 1868 and 1888 respectively, largely at the instance of the Government, but the majority and the most important of the forty-two existing joint-stock banks were founded after the establishment of the Republic in October 1923. The State has played a predominant rôle, both in the creation and in the development of these banks. Though all the joint-stock banks are autonomous, they have been regarded as national institutions, and have been called upon to assist in the execution of the industrialisation and development plans of the Government. The relative position of the Turkish banks is illustrated by the following table, which summarises the principal accounts⁴ for 1933 of the four groups of institutions constituting the commercial banking system of Turkey.

¹ "Turkey", U.S. Trade Promotion Series, 1926. According to this source, in 1925, an Ottoman Bank note of £T1 was worth £T2.5 of fiduciary notes.

² These banks are, in order of importance of their Turkish balance-sheet total (given in parentheses in £T million): The Banca Commerciale Italiana (17.7), Banco di Roma (14.6), Deutsche Orientbank (10.6), Hollandsche Bank Unie (5.1), Deutsche Bank und Diskonto Gesellschaft (4.3), Banque pour le Commerce extérieur de l'U.R.S.S. (3.4), Banque Chrissoveloni (0.6), and the Commercial Bank of the Near East. The last bank does not publish separate accounts for its operations in Turkey; its total balance-sheet at the same date amounted to £0.6 million sterling.

³ The "Sheriyat" (religious law) which until recently constituted the most important part of civil law forbade the taking of interest.

⁴ Compiled by the Central Bank of the Republic of Turkey and published in its *Bulletin* of April-June 1934.

	1 Forty-two Turkish joint-stock banks ^a	2 Caisse d'Épargne et de Consignation of Istanbul	3 Seven foreign banks publishing separate accounts	4 Total (1+2+3)	Three banks operating in Turkey but not publishing separate accounts ^b
Number of branches	349	—	4	353	83
1. Paid-up Capital and Reserves.					
Amount (£T000,000's)	54.3	—	6.7	61.0	48.6
Percentage share	89.0	—	11.0	100.0	—
2. Deposits.					
Amount (£T000,000's)	118.9	20.7	21.0	160.6	102.8
Percentage share	74.0	12.9	13.1	100.0	—
3. Loans, Discounts, Investments and Participations.					
Amount (£T000,000's)	128.0	9.8	24.0	161.8	119.2
Percentage share	79.1	6.1	14.8	100.0	—
4. Total Balance-sheet.					
Amount (£T000,000's)	360.5	23.0	56.4	439.9	182.0
Percentage share	82.0	5.2	12.8	100.0	—

^a Excluding two public banks, the Sümer Bank and the Banque des Municipalités.

^b These are the Ottoman Bank, the Bank of Salonika and the Commercial Bank of the Near East. The accounts of the first and last are in sterling and those of the second in French francs. Their accounts have been converted to £T at the rate of exchange at the end of 1933.

The Turkish joint-stock banks account for 82 per cent of the balance-sheet total of all institutions publishing separate accounts of operations in Turkey, and probably over 50 per cent of the aggregate accounts of all banks, including the Ottoman Bank and the Bank of Salonika. The majority of these banks are small local institutions; 31 of the 42 have a share capital of £T30 to 500 thousand, and only four a capital in excess of £T1 million. Turkish joint-stock banks are, with few exceptions, only in part commercial banks; along with their ordinary banking activities, they carry on important mortgage operations and are intimately connected with industrial and

commercial enterprise. Part of the amounts shown as deposits ¹ represent the funds of special "creditors" and a substantial portion of loans and advances consist of long-term mortgage and industrial loans. As a rule, investments and participations are more important than discounts.

These characteristics hold particularly for the six large banks, which do about 90 per cent of the business of all Turkish banks. The combined balance-sheets of the principal banks and of the Caisse d'Épargne of Istanbul as compiled by the Central Bank of the Republic of Turkey ² are given in the following table.

¹ The following data are given in the Turkish Statistical Year-Book, 1932-33, with regard to savings deposits, time and fixed accounts. No mention is made of the number of the institutions covered by these figures.

	Number of accounts (in thousands)	Amount of deposits (£T000,000's)		
		In Turkish banks	In foreign banks	Total
1920	2	0.6	1.1	1.7
1921	3	1.1	1.3	2.4
1922	4	1.3	1.3	2.6
1923	8	2.3	1.6	3.9
1924	11	3.6	2.2	5.8
1925	14	4.9	2.6	7.5
1926	17	7.2	3.1	10.3
1927	28	12.7	4.2	16.9
1928	39	17.5	5.0	22.5
1929	60	22.2	5.0	27.2
1930	83	27.1	5.2	32.3
1931	106	34.2	1.7	35.9
1932	119	37.5	2.2	39.7

² Bulletin, No. 11, April-June 1934, page 32.

£T (000,000's)	1928	1929	1930	1931	1932	1933 ^b
Number of banks	9	9	9	8 ^a	8	7 ^c
<i>Assets.</i>						
Cash and balances with banks	46.9	65.7	56.2	51.6	51.0	51.0
Bill portfolio	13.0	15.4	16.2	13.9	16.7	15.6
Securities and participations	7.8	14.0	14.6	17.6	21.5	18.1
Correspondents, etc.	78.1	83.0	105.6	102.5	95.8	98.2
Premises, etc.	5.9	11.7	13.7	13.5	14.5	13.2
Sundry assets	253.7	227.7	211.2	188.8	154.8	.
<i>Liabilities.</i>						
Paid-up capital	42.6	46.7	51.1	53.3	55.0	47.5
Reserve funds	2.1	3.6	5.7	4.6	4.9	3.9
Profit-and-loss account	4.5	5.4	3.1	2.2	2.7	1.3
Deposits and creditors	88.0	128.2	130.6	134.5	132.0	139.3 ^d
Sundry liabilities	268.1	233.6	227.2	193.3	159.7	.
Total balance-sheet	405.2	417.5	417.6	387.8	354.2	359.1

^a Excluding the Banque turque pour le Commerce et l'Industrie, in liquidation.

^b The accounts of the Agricultural Bank and the Caisse d'Epargne for 1933 are provisional.

^c For 1933, the accounts of the Banque industrielle et des Mines have been deducted from the data given by the *Bulletin* of the Central Bank on account of the reorganisation of this institution as a State bank under the name of "Sümer Bankasi". Figures for sundry assets and liabilities of the new bank are not available.

^d As only the deposits of the Sümer Bank have been deducted from the aggregate of deposits and creditors given in the *Bulletin*, this figure may be somewhat too high.

Of the six large banks, the most important are the Agricultural Bank, the Banque d'Affaires and the Banque Immobilière et des Orphelins. The Agricultural Bank, though originally a semi-public institution confining itself almost exclusively to granting rural credits, was transformed into an important autonomous bank in 1924. In addition to its agricultural banking activities, the bank engages extensively in ordinary commercial banking operations. It assists the Government in developing producers' and consumers' co-operatives and in regulating the export of the country's staple products. At the end of 1933, it had 260 branches and its total balance-sheet amounted to £T164 million. The Banque d'Affaires (Ish Bankasi), the second important bank, was established in 1924 with a capital of £T1 million. Together with the Banque industrielle et des Mines (transformed into a State bank in 1933), it was instrumental in promoting many industrial and commercial enterprises. Within six years of its establishment, the Banque d'Affaires had more than quadrupled its capital and reserves out of the profits accruing from participations and investments. At the end of 1933 it had forty-five branches and its total balance-sheet amounted to £T88 million. The Banque Immobilière et des Orphelins was established in 1926, and is predominantly a mortgage bank. Its accounts at the end of 1933 totalled £T68 million.

During 1933, the Government established three public banks. The most important of these is the Sümer Bank, which took over the accounts of the Banque industrielle et des Mines, one of the big joint-stock banks, and was charged with the functions previously exercised by two public organisations, the Office d'Etat pour l'Industrie and the Banque de Crédit industriel de Turquie. In

addition to managing the existing State industries and participations, the Bank was chosen as the principal organism for the execution of the Government Plan of June 1934 for the extensive industrialisation of the country. The Bank has a share capital of £T20 million and obtained a loan of £T5 million from the Ottoman Bank. The Banque des Municipalités was constituted with a share capital of £T15 million with the object of aiding various municipalities to carry out their development projects. The Banque populaire was created by the Ministry of National Economy with a view to establishing savings banks (Caisses populaires) throughout the country. It has a capital of £T3 million.

Until recently, all banks operating in Turkey were subject merely to the provisions of the charters or conventions under which they were created and to the regulations relating to commercial enterprises. The Law of June 5th, 1933, relating to the Protection of Deposits may be said to constitute the only piece of general banking legislation in Turkey. It provides, *inter alia*, minimum capital requirements ranging from £T50,000 to £T1 million according to the population of the locality; minimum reserves to be held against various classes of deposits; and places certain limitations on the amount of credit granted to individuals or corporations. All banks are required to submit quarterly and annual balance-sheets to the Ministry of Finance and Economy according to detailed standard models, and to publish them in the Official Journal and at least one newspaper. A Banking Control Council, known officially as the "Contrôleurs des Banques", is also established; its members are appointed by Government.

Turkey did not re-establish the gold standard after the war. As a result of the rise in the fiduciary note-issue in the course of the war from £T1.3 to £T160 million and the unfavourable trade balance, the exchange value of the Turkish pound in terms of United States dollars declined from \$4.40 in 1915 to \$1.50 in November 1918. The decline continued after the war and the Turkish pound fell gradually to \$0.47 in February 1930 ; since then it has been kept fairly stable by means of exchange control. This control is exercised by the Central Bank of the Republic of Turkey, which was

established in October 1931. The principal objects of the Bank are to fix the discount rate, to control the value and the circulation of money, to act as Government banker, and to work out, together with the Government, measures to stabilise the Turkish currency. The note-issue, which it took over from the Government, has declined steadily from £T171 million on January 7th, 1932, to £T158 million at the end of June 1934, and the effective circulation during the same period has fallen from £T165 to £T141 million.

UNION OF SOVIET SOCIALIST REPUBLICS.

I.

The origins of banking in Russia go back to the second half of the eighteenth century, when various attempts were made by the State to establish credit institutions on the model of those of Western Europe. The only bank which survived that experimental period was the State Commercial Bank, which in 1860 was transformed into the State Bank and took over the note-issuing functions hitherto exercised by the Treasury. The State Bank remained, however, the principal source of commercial credit until long after the first private commercial bank was founded at St. Petersburg in 1864. Nevertheless, private commercial banks rapidly gained in importance, and by 1900 their number had increased to thirty-nine. After that year, there was a tendency towards concentration, especially among provincial institutions, while the volume of banking resources increased at an accelerated pace, particularly in the seven years prior to the outbreak of the war. The further increase which took place during the war itself was mainly due to war finance and to the progressive depreciation of the currency.

The pre-war banking structure in Russia was largely under the control of foreign capital. It has been estimated that, of the total share capital of the private joint-stock banks, amounting to 585 million roubles at the end of 1913, 231 million roubles were held by French, 158 millions owned by German and 45 millions by British interests.¹ Moreover, the Russian banks — especially those of St. Petersburg — made extensive use of funds borrowed from foreign correspondents.

The joint-stock banks maintained on the whole close relations with industry, financing long-term investment as well as short-term commercial requirements. A large number of small credit associations and several large mortgage banks provided agricultural credit. In many cases these owed their origin to the various measures of land reform enacted after the abolition of serfdom in 1861.

II.

This banking system was completely liquidated after the October revolution of 1917. By a Decree of December 27th, banking was declared a State monopoly. All private banks were either nationalised, and converted into branches of the State Bank (renamed People's Bank), or, more

frequently, liquidated. Only the small co-operative credit institutions were allowed to maintain separate existence, but their activities, along with all other credit transactions, were severely affected by the progressive depreciation of the currency resulting from the issue of paper money to cover budgetary deficits. The People's Bank itself was liquidated in January 1920, and its note-issuing department transferred to the Commissariat of Finance.

The depreciation of the rouble and curtailment of the credit system were regarded at the time as steps in the direction of the complete abolition of money in the socialist economy. The nationalised enterprises were encouraged to introduce mutual clearing arrangements without the use of money. Taxation, wage-payments, etc., were increasingly effected in kind.

The New Economic Policy which was introduced in 1921 implied, not only an enlargement of the scope of the free market with a view to stimulating productive activity, but also a reversal of policy with regard to money and credit. The desirability of limiting the note-issue in order to secure monetary stability was officially recognised at the end of 1921; and, in October 1921, the present State Bank (Gosbank) was founded. As the new institution formed part of the Commissariat of Finance, it was directly subordinate, in all matters of management and general policy, to the Commissary of Finance. It received its initial capital in the form of a grant from the Government, and its main object was defined as the development of industry, commerce and agriculture by means of loans and other banking operations.

In the second half of 1922, it was decided to undertake a drastic reform of the currency. As a first step, the State Bank was empowered by a Decree of November 4th, 1922, to issue legal-tender bank-notes in terms of a new monetary unit called *chervonetz*, equal to ten pre-war gold roubles. These notes had to be covered as to one-fourth of their value by precious metals or foreign exchange, and as to the remainder by merchandise, bills of exchange, or other securities. Owing to these restrictions, the new *chervonetz* notes (which were primarily intended to facilitate the credit business of the State Bank) remained comparatively stable in value. Side by side with the *chervonetz*, however, the paper roubles of the Government continued in circulation at an ever-decreasing value. A Decree of October 11th, 1922, had prohibited the further issue of currency by the

¹ Cf. WANAG: "Das Finanzkapital in Russland vor dem Kriege".

constituent republics of the Soviet Union, and transferred their rights of issue to the central Government. But the central Government continued to print notes to meet budgetary needs. In consequence, Russia possessed for a time two independent currencies — viz., the chervonetz note-issue of the State Bank and the paper currency of the Government.

This situation was brought to an end in the first half of 1924. By a series of decrees in February and March of that year, the issue of paper money by the Government was terminated, and the depreciated rouble notes ceased to be legal tender on May 31st, 1924 ; they were withdrawn from circulation in exchange for new Treasury notes in terms of gold roubles (10 gold roubles = 1 chervonetz) at the rate of one gold rouble note to 50,000 paper roubles issued in 1923, and 50 milliard paper roubles issued before that year. The issue of the new Treasury rouble-notes was limited to one-half of the value of chervonetz notes in circulation. Chervonetz and rouble notes were declared interchangeable, without limitation, at the rate of one to ten. In addition, token coins were issued for small denominations in terms of copecks (100 copecks = 1 rouble). No part of the monetary circulation was made convertible into gold.

III.

On the basis of the stable currency created by the monetary reform of 1922-1924, there occurred a rapid development of banking and credit. In addition to the State Bank, which soon built up an extensive network of branches and agencies, a number of new banks were established. In September 1922, the important "Bank for Trade and Industry", which later came to be known as the "Prombank", was set up in the form of a joint-stock company, its share capital being taken up by State institutions and enterprises. In the same year the All-Russian Co-operative Bank ("Vsekokbank") was founded by various co-operative organisations. A number of municipal banks sprang up in the larger towns, of which the most important was the Moscow City Bank, established in 1923. In 1924 the Central Agricultural Bank, the Bank for Foreign Trade, and the Elektrobank and in 1925, the Central Bank for Municipal Economy and Building (the "Tzekombank") were formed.

All these banks, though similar in form to private joint-stock banks in other countries, were virtually State institutions ; those whose share capital was not provided by State undertakings and organisations (including the State Bank), received their initial capital in the form of direct grants from the

Treasury.¹ Their functions consisted in the provision of bank credit to replace the previous direct budgetary allocations to industrial and other State enterprises.

The new banks accepted deposits — from public undertakings and institutions as well as from private persons and organisations — which they could use at their own discretion in discounting bills of exchange, granting current-account loans, long-term credits, etc. Certain budgetary funds administered by them had to be used for definite purposes prescribed by the State.

The re-establishment of the banking system was soon followed by a tendency towards concentration, of which the most important instance was the fusion in 1927 of the Elektrobank with the Prombank, whose full title was changed to "Bank of Long-Term Credits for Industry and Electrification of the U.S.S.R." At the same time, a movement towards specialisation — in order to abolish overlapping of the functions of the different banks — found its expression in the transfer of the short-term credit business of the Prombank to the State Bank, while the latter handed over its long-term assets and "frozen" short-term claims to the Prombank. The policy of the financial authorities was to make the Prombank the chief distributor of long-term funds for capital construction and to concentrate the provision of liquid capital with the State Bank as the sole source of short-term commercial credit.

The gradual extension of State planning over the various economic activities of the Union affected both the functions of the banks and the technique of their business. On the one hand, the practice of the State determining in advance the volume and distribution of the credits to be granted became generalised, especially after the introduction of the five-year plan ; on the other, the banks acquired to an increasing extent a responsibility for controlling the accounting and auditing of the whole economy, and indeed for supervising the production process through all its stages. This function of control led to the substitution of direct advances to the purchasers of goods for indirect credit based on the bill of exchange and to the reform of the whole credit system which was effected in 1930-1931.

This reform was due in part to the existence of credit outside the banking system. The State enterprises themselves frequently granted credits to one another, chiefly, again, in the form of bills of exchange for goods delivered and services rendered. These credits, of course, completely escaped the control of the banks. Moreover, in the case of the large industrial trusts and syndicates of the State, the credit requirements of their constituent units of production were largely dealt

¹ The few unimportant private banks and mutual credit societies which were founded in this period were transformed or liquidated in the following years.

with by the central offices of the various organisations in question, and the possibilities of banking control were thereby further restricted.

IV.

The broad principles of the reorganisation of the credit system were laid down in a Decree of January 30th, 1930. This Decree made it illegal for all State undertakings and co-operative organisations to supply goods or services to one another on credit; by a supplementary regulation, all existing indebtedness, including open book-accounts, between the socialised economic units was to be liquidated by June 30th, 1930. All such mutual credit relations had to be replaced exclusively by banking credit. Moreover, it was decreed that bank credits should be granted *directly* to the organisations entitled to receive them on the basis of their approved plans, without intermediaries of any form. In particular, the new Decree required all industrial concerns and trusts to establish, within the limits of total credit set for them by agreement between the Supreme Council of National Economy and the State Bank, credit plans for each of their constituent enterprises. On the basis of these plans, the State Bank was to finance the individual units directly through its branches. Only in exceptional cases, and only by agreement with the bank, was a concern or trust to be allowed to redistribute among its member organisations the total credit allotted to it.

All economic organisations and individual enterprises were required after the credit reform of 1930 to hold their liquid cash balances at the State Bank, and to effect cash payments between them through transfers on their current accounts at the State Bank or its branches. The Cheque Law of 1929, which came into force on January 15th, 1930, had laid down detailed regulations for such book-transfers and clearings through the banking system.

The Decree of January 1930 also contained provisions for a further concentration of short-term resources with the State Bank. The commercial financing of consumers' co-operative organisations was taken over by the State Bank from the Vseko-bank, and the branches of the latter were liquidated or merged with those of the State Bank. In addition, the Decree established a scheme of reorganisation of agricultural credit, mainly with a view to aiding the development of collective farming. All independent agricultural banks existing as public institutions in the different republics were converted into branches of the Central Agricultural Bank, while private agricultural credit societies were liquidated.

The working of the credit system as modified at the beginning of 1930 revealed, however, serious deficiencies in practice, which rendered difficult the

desired "control by the rouble". The custom grew up of an automatic granting of credit by the State Bank to its clients up to the full limits fixed for the latter by the approved plans, and regardless of the actual execution of the production or marketing plans for which the credits were intended. Contractual relations between the economic units for the sale or purchase of goods practically ceased; the bank account of a client was automatically credited on the strength of invoices showing the delivery of goods to another enterprise, the latter's account being debited to an equal amount. In many cases the consignee refused to take delivery of the goods, if they did not correspond in quality or quantity to his requirements, as frequently happened in the absence of previous agreement. Payments were not made in such cases, and the loss fell upon the State Bank; credits became "frozen", and, in order not to interfere with the working of other parts of the national economic plan, the Bank had to replenish its resources by recourse to note-issue. Accordingly, the note circulation rose steadily in this period. Similar defects in the long-term credit system became apparent: funds provided by the construction plans were in certain cases made available regardless of the progress of the work.

Further, the regime of "automatic credit" adversely affected the financial responsibility of the enterprises. The view was widely held that no distinction was now necessary between funds received by way of credit and the funds belonging to the enterprises since the State Bank had become the central reservoir of all short-term resources for circulating capital.

With a view to correcting these deficiencies, a series of decrees was issued in 1931 (January 14th, March 20th, May 3rd, July 31st, August 15th) dealing with the reorganisation of the financial system. The first two decrees were mainly directed against the credit "automatism" which had developed during the previous year. It was laid down that credits granted by the banks should be conditional on the progress of the fulfilment of plans and that the credit totals figuring in the plans should be regarded as maximum limits, which could be attained only if the plan were completely realised. According to the same two decrees, the movement of goods was to be regulated in advance by contracts and orders between the units concerned, and invoices endorsed by the consignee before payment might be made by the State Bank. Any loss suffered by an enterprise in this connection could in no circumstances be covered by the Bank. All credits of the Bank were unconditionally repayable when due.

Every enterprise was required to draw a sharp distinction between bank credits used by it and its own working funds. The latter were not subject to the same degree of control by the Bank. In the books of the Bank, each enterprise was henceforward

to have two separate accounts : one for its own funds and another for its credit resources. Every enterprise was made responsible for its own working funds. It was intended thereby to promote interest in sound financial management and the economical organisation of production. With the same end in view, the Decree of May 5th, 1931, sharply reduced the percentage of profits — hitherto generally about 80 per cent — which the enterprises had to give up to the State, to be redirected through the budget and the banking system to the various branches of the national economy. Each unit of production was now permitted to retain a substantial portion of its profits for its own expansion as well as for the benefit of its workers in the form of premiums, cultural institutions, etc.

The legislation of 1931, it may be observed, left the broad principles of the credit reform of January 1930 entirely intact and indeed reinforced their application in practice. The three chief points of that reform — all of which had the object of more effective banking control in common — were : the abolition of credit outside the banking system, the application of methods of direct crediting by the banks, and the widest possible utilisation of the banking system for payments without the use of cash. The authorities continued to suppress all credit relationships between the separate units of the national economy. Bank credit increasingly assumed the form of direct current account advances. Only with regard to the third point was there any relaxation in 1931 : a minimum of 100 roubles was fixed for accounting transfers through the State Bank, but this regulation was only introduced with a view to relieving the Bank of certain types of petty transactions.

As a result of the measures taken in 1931, banking control of production and trade was greatly strengthened. The State Bank, with its extensive organisation of branch offices throughout the country, was enabled to insist on the reduction of costs and the elimination of waste, on the universal application of strict economy and sound accounting principles. Its " signalling function " was emphasised : in all cases of neglect or non-conformity to plan on the part of the enterprises, it was obliged to report to the central organs of direction.

It would appear that the modifications introduced in 1931 secured in large measure the results desired. This is reflected in the fact that, in a large number of cases, the credits allotted to enterprises by plan were not fully used, as the disbursement of credits was made conditional upon the actual execution of plans. The increase of the note circulation slowed down appreciably, and it has been officially stated that, in the course of

1933, the note circulation was reduced by about 1.5 milliard roubles; it stood at 6,862 million roubles at the end of that year.

V.

The State Bank having become the sole source of short-term credit, a Decree was issued on May 5th, 1932, to define the activities of the four long-term investment banks, which, in distinction from the State Bank, came to be called Special Banks. These are : the bank for the financing of capital construction for industry and electrification (Prombank), the bank for the financing of municipal and housing construction (Tsekombank), the agricultural bank (Selkhosbank), and the bank for capital construction of co-operative enterprise (Vsekobank).

The most important of the special banks is the Prombank. In 1933, it was also entrusted with the task of transport development (road and railway building, etc.), for which it set up a special department. The Tsekombank finances the construction of dwellings, municipal public utilities (waterworks, hospitals, etc.) and cultural institutions. Unlike the other special banks and the State Bank, it has no branches of its own, but conducts its operations through the local municipal banks. The Selkhosbank deals with the provision of capital equipment in agriculture (*i.e.*, chiefly for the State and collective farms). The Vsekobank now finances only the capital constructions of the various co-operative organisations (except housing co-operatives).

With the exception of the Vsekobank (which is owned and administered by its shareholders, the co-operative societies), the special banks are State institutions. They grant long-term, interest-bearing loans only to the extent of their initial capital and own reserve funds.¹ The banks receive a certain percentage of the profits of the enterprises financed by them. But the great bulk of their resources is received by them from the national budget. The greater part of the revenue of the State is derived from its enterprises, in the form of the profits of the latter, and from the turnover tax (which, after the fiscal reform of 1930, displaced most other forms of taxation). Over two-thirds of the budgetary expenditure is directed back to the socialised economy for the purposes of extension and capital construction. The investment of these funds proceeds almost entirely through the special banks, whose function it is to see that these budgetary allocations are used according to plan. Their task is to check accounts and estimates, to watch over the actual progress of the works, to report all deficiencies, to reduce

¹ In this respect also, the Vsekobank forms an exception, as it invests, not only its share capital, but its total resources in the form of repayable, interest-bearing loans.

building costs to a minimum by seeing that strict economy is enforced, etc.

The special banks are obliged to hold all their liquid cash balances with the State Bank (and the latter, to that extent, may be said to be a "bankers' bank"). They grant credits or pay out State funds to the building enterprises, contractors, etc., by cheques on the State Bank.

The above-mentioned budgetary appropriations for capital construction are non-repayable and bear no interest. The absence of the interest rate is not unnatural in the conditions of the Soviet economy, where the distribution of funds is strictly rationed. It is true that, in the case of the loans of the State Bank — *i.e.*, for short-term credit — interest is maintained; but, since the distribution of short-term resources is also determined beforehand, its function is to act as a kind of turnover tax for the increase of circulating resources, to compel enterprises to reduce their other costs, and to accelerate the movement of goods through the productive process.

In conclusion, mention must be made of two features of the Russian banking system which have not been touched upon in the foregoing sketch — *viz.*, the savings banks, and the financing of foreign trade. There exists a widespread network of savings banks. They are Government institutions. The deposits which they receive from private individuals are directed through the

national budget towards the financing of capital construction. Estimates of the increase of savings deposits are set up in advance and incorporated in the general financial plan. The following figures¹ show the development of the savings banks from 1924 to 1933.

	Number of savings banks (in thousands)	Number of depositors (in millions)	Total deposits (in millions of roubles)
1924	4.5	0.5	11.2
1925	7.4	0.8	33.5
1926	12.0	1.3	90.5
1927	14.4	2.2	187.0
1928	16.4	3.8	335.8
1929	20.4	7.6	496.1
1930	28.0	12.9	753.8
1931	35.2	14.3	807.6
1932	58.2	23.4	1,172.1
1933	57.6	24.9	1,412.6

The financing of the country's foreign trade is practically a monopoly of the State Bank, which is the sole centre of foreign exchange reserves. To facilitate trading operations, banks are maintained by the U.S.S.R. in foreign centres (London, Paris, Berlin, Copenhagen, Teheran, etc.). Owing to the State monopoly of foreign trade, and the consequent absence of a foreign exchange market, a rate of exchange between the Russian currency and that of other countries would have little, if any, significance.

¹ Published in *Sotsialisticheskoe stroitelstvo S.S.S.R., Statisticheski ezhegodnik (Statistical Year-Book)*, 1934, pages 471 and 478. The figures for the years 1924 to 1930 refer to October 1st of each year, while those for 1931 to 1933 refer to January 1st.

UNITED KINGDOM AND IRISH FREE STATE.

Introductory Note.

The most important change which emerges from an analysis of the accounts of the London Clearing Banks since September 1933 (the last month covered in the previous edition of this volume) is a sharp contraction in the volume of bank credit, illustrated in a decline of £110 million in total deposits between August 1933 and August 1934. A rapid expansion in bank deposits set in early in 1932 and persisted until the middle of 1933; between February 1932 and July 1933, the aggregate deposits

of the ten London Clearing Banks increased by £315 million.

The recent contraction of bank credit may be analysed on the basis of the following figures, which refer to the ten London Clearing Banks. The table shows both absolute figures for the banks' principal accounts and the percentage which each of the main groups of assets constituted of total deposit liabilities in the months covered.

Average weekly figures	August 1933	August 1934	November 1934	August 1933	August 1934	November 1934
	£ (000,000's)			Per cent of total deposits		
1. Cash, etc.	208	196	210	10.6	10.6	11.0
2. Balances with other banks	40	41	44	2.0	2.2	2.3
3. Money at call, etc.	92	140	135	4.7	7.5	7.1
4. Discounts	359	221	232	18.3	11.9	12.1
5. Investments	563	557	589	28.6	30.0	30.8
6. Advances, etc.	760	757	755	38.7	40.8	39.5
7. Acceptances, etc.	106	109	122	5.4	5.9	6.4
8. Current, deposits and other accounts. .	1,966	1,856	1,911	.	.	.

The fall in deposits by 5.6 per cent between August 1933 and 1934 was exactly proportionate to the decline in the banks' cash reserves during this twelve-month period considered as a whole. Thus the cash ratio was the same at the end as at the beginning of the period.

During this period, the estimated net circulation of notes and coins in the hands of the public in Great Britain and Ireland rose from £366.5 to £375.1 million. This increase suggests that the fall in bank deposits is not to be interpreted as a deflationary contraction; and this view receives further confirmation in the clearing figures, which show a more active turnover of bank credit. In the first eight months of 1934, town clearings were 13 per cent higher than in the corresponding period of 1933, and metropolitan and country clearings respectively were 6 and 9 per cent higher. Provincial clearing-house returns for this period were nearly 5 per cent higher than for the corresponding period of 1933. The turnover on current accounts at the Clearing Banks was 6½ per cent higher.

On the assets side of the Clearing Banks' balance-sheets, the contraction in credit can be entirely accounted for by the reduction in their holdings of Treasury bills, included in the first table above under discounts. This item fell by over £138 million between August 1933 and August 1934, and represented less than 12 per cent of total deposits in the latter month as compared with over 18 per cent a year earlier. The expansion of credit during 1932 and the first part of 1933,

which was stimulated by the easy-money policy of the Bank of England and greatly reinforced by the Government's conversion operations, took the form of large purchases of Treasury bills and long-term Government securities by the joint-stock banks; in August 1933, aggregate discounts of the ten London Clearing Banks were £120 million higher than in February 1932, and their aggregate investments — chiefly Government bonds — were £285 million higher. The effect of these purchases was, of course, to depress the level of interest, and particularly of money, rates.

During the year under review, the Government funded a large part of its floating debt. In April 1934, an issue of £150 million of 3 per cent Funding Loan was made, and, in the year ending August 1934, the floating debt was reduced by £159 million. This last figure must not be taken as a measure of the decline in the volume of bills available for the market, as the changes in the amount of Treasury bills held by Government departments are not known. The figure may, however, usefully be compared with the decline of £138 million in the Clearing Banks' holdings of bills. The effect of the funding of the Government debt was to bring about a contraction of bank deposits in so far as fresh bills (which constitute a very attractive asset for the banks on account of their short maturity and freedom from the risk of depreciation) were not available to replace those maturing. The volume of commercial bills outstanding is estimated by the *Economist* to

have fallen from £250 million in 1929 to about £100 million in October 1934; of this latter amount, about £30 million are thought to be standstill bills. While the supply of Treasury and commercial bills

was thus sharply reduced, the demand for this liquid paper was strong, and rates, as illustrated in the following table, fell to low levels.

	Second half 1931	First half 1932	Second half 1932	First half 1933	Second half 1933	First half 1934
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Average Bank rate	5 0 4	4 0 6	2 0 0	2 0 0	2 0 0	2 0 0
Average Treasury bill allotment rate	4 13 1	2 12 8	13 7	13 1	11 11	17 4
Average market rate (fine three months' bills)	4 15 2	2 19 11	16 3	14 6	13 6	19 5
London deposit rate ^a	3 2 0	2 0 6	10 0	10 0	10 0	10 0
Average rate on stock exchange loans	5 10 4	4 10 6	2 15 0	2 15 0	2 15 0	2 15 0

^a This rate should not be taken as representative of the average bankers' allowance on deposits; it is the rate agreed upon by the Clearing Banks for deposit-account money in London at seven days' notice.

In August 1933, the average allotment rate on Treasury bills was 0.30 per cent, and in the middle of September it fell to less than 0.25 per cent; late that month the Clearing Banks agreed not to buy bills below certain minimum rates, which were raised by stages to over 1 per cent. Though market rates rose, they remained below the banks' minimum buying rates, and this, in addition to the absolute reduction in the supply of Treasury bills available resulting from the funding operations, is partly responsible for the reduction in the banks' bill holdings.

Late in October 1934, one of the Clearing Banks announced its withdrawal from the "gentlemen's agreement" regarding Treasury-bill rates, and the pact broke down. The average tender rate on Treasury bills fell from $\frac{3}{4}$ per cent on October 19th to about $\frac{1}{2}$ per cent in November — the lowest rate since the end-of-year maturity of September 1933.

The continued pressure of cheap money is further illustrated in the Clearing Banks' decision, taken at the beginning of November 1934, to reduce their call loan rate, which had remained fixed at 1 per cent by agreement since 1932, to $\frac{1}{2}$ per cent in the case of loans on paper eligible for borrowing at the Bank of England, while maintaining it at 1 per cent for other loans. This decision was no doubt motivated both by a desire to accommodate the discount market and by the apprehension that the fall in open-market rates to be expected from the breakdown of the banks' agreement regarding minimum rates for "Treasuries" would result in the repayment of a large part of their call loans with cheaper money derived from outside sources.

In the year ending August 1934, money at call and short notice increased by nearly £50 million. It would appear that this was largely due to increased Stock Exchange accommodation. As already mentioned, funding operations resulted in a reduction in the floating debt and the continued stagnation of international trade precludes the

possibility of any appreciable increase of commercial bills carried by the market. It may also, however, be due in part to the fact that, as bill rates tended to rise, non-clearing-bank money was invested to an increasing extent in bills; as this cheap money ceased to be available, the market had recourse to the Clearing Banks to an increasing extent. Neither investments (representing chiefly gilt-edged securities) nor advances (representing the bulk of commercial accommodation) showed any appreciable change for the year ending August 1934 considered as a whole. The failure of advances to increase in the face of the considerable recovery of trade which characterised this period is somewhat remarkable. It would appear to be due to a large extent to the inducement to bank borrowers to realise on their investments, which were selling at high prices, and repay bank advances. Moreover, with the fall in rates in the market for new capital issues, business men were able to raise long-term resources on advantageous terms and repay bank advances. Finally, there was some tendency to substitute acceptance facilities and other forms of non-bank borrowing for bank credit.

Between August and November 1934, the banks added to their holdings of investments and bills, and their total deposits were increased by £55 million. In the last month mentioned, investments at £589 million stood at the highest figure ever recorded. By October 1934, bill holdings had fallen to £216 million, and the sharp increase in November reflects the competitive buying on the part of the banks after the breakdown of the "gentlemen's agreement" regarding rates in October. This buying was reduced in the latter part of November and in December, and, by the middle of the latter month, the average tender rate of Treasury bills had risen to 0.75 per cent.

The fall in money rates and in the yield of Government bonds, combined with the large proportion of banking assets held in the form of Treasury bills and gilt-edged securities, had, of

course, the effect of reducing the margin between the rates earned by the banks and the rates paid on deposits. On the other hand, the banks benefited from the rise in the capital value of their Government stocks. In 1933, the joint-stock banks of England and Wales disclosed slightly higher profits than in 1932; as, however, undisclosed appropriations for contingencies, bad and doubtful debts, etc., are made before the figures for profits are published, too much reliance should not be placed on them. Of the big five, two banks showed lower profits and three showed higher; dividend rates were in all cases unchanged.

Since the last issue of this volume, steps have been taken to establish an industrial bank to grant medium- and long-term credit to industry. The Macmillan Committee had pointed out the need for such an institution in its report submitted in 1931. At the end of April 1934, it was announced that the United Dominions Trust was organising a company to be known as "Credit for Industry, Ltd.", with an original paid-up capital of £250,000; its resources will, if necessary, be increased by further capital subscriptions or by the issue of debentures or by loans from the joint-stock banks. The new institution will grant loans up to £50,000 for periods running from two to twenty years. Its business is complementary, therefore, to that of the joint-stock banks and not competitive with it. It will cater particularly for small and medium-sized concerns, but it will not finance new inventions or the acquisition of existing businesses.

Scottish Banks.

Deposits in the Scottish banks continued to rise during 1933; the banks added still further to their already large holdings of gilt-edged securities and continued to reduce their loan and overdraft accounts. The following table shows the percentage which each of the more important items of the balance-sheet was of total deposits at the end of

1929, 1932 and 1933:

£ (000,000's)	1929	1932	1933
Cash	15.9	15.1	14.5
Money at call	8.7	9.3	9.1
Bill portfolio	8.5	7.3	7.8
Investments	32.9	49.1	56.0
Loans and advances	52.2	36.9	30.6
Acceptances	2.6	1.8	2.2

In January 1933, the Scottish Agricultural Securities Corporation was established with a share capital of £100,000, subscribed by four Scottish banks — namely, the Royal Bank of Scotland, the British Linen Bank, the Commercial Bank of Scotland, and the National Bank of Scotland. The purpose of this corporation is to make long-term loans to farmers to enable them to purchase their holdings and to proprietors to undertake developments under the Improvement of Lands Act. The Government gave a guarantee of £125,000 and is represented on the directorate. In December 1933, the Corporation made an issue of £500,000 $\frac{3}{4}$ per cent debentures at 95. At the annual meeting held in May 1934, it was announced that, during the first financial year, applications for loans to the extent of over £450,000 had been received and loans granted to the extent of nearly £80,000. The short-term credit requirements of farmers are met by the ordinary joint-stock banks.

Banks in the Irish Free State and Northern Ireland.

The following table shows the principal accounts of the banks of the Irish Free State; the figures refer to a selected date in each quarter. It should be noted that, of the nine banks operating in the Irish Free State, only two confine their operations there. Of the remaining seven, four have their head offices outside the Irish Free State, and two have important offices in London. The statistics published by the Irish Currency Commission show separately, however, assets and liabilities within and outside the Irish Free State.

£ (000,000's)	December quarter 1932		December quarter 1933		September quarter 1934	
	Within Free State	Elsewhere	Within Free State	Elsewhere	Within Free State	Elsewhere
1. Cash and bank balances	4.9	10.6	5.2	10.0	5.0	7.6
2. Money at call	—	10.9	—	10.7	—	9.1
3. Bills	7.4	4.5	5.7	2.4	5.6	1.6
4. Loans and advances	43.9	26.3	42.7	25.0	43.9	25.1
5. Investments	5.2	83.4	5.6	85.1	7.8	82.0
Total assets	64.7	142.3	62.7	137.8	65.7	129.9
6. Capital and reserves	13.1	3.8	13.1	3.8	13.2	3.9
7. Notes in circulation	5.1	2.9	5.1	3.1	5.1	3.2
8. Deposits	131.6	45.4	123.8	46.1	120.9	44.5
Total liabilities	153.0	53.0	145.7	54.8	142.4	53.2
<i>Excess of assets outside Irish Free State over liabilities outside Irish Free State</i>		88.3		83.0		76.8

The outstanding development during 1933 was the continued growth of investments, chiefly in British Government securities, in the face of a decline in deposits and in loans and advances. The decline in deposits was due in part to the repatriation of American capital, in part to increased buying of British industrial shares by Irish depositors, and in part to the financing of a larger import surplus. It continued, though at a reduced rate, during the first nine months of 1934. In that period, the banks increased their advances and investments in the Irish Free State and reduced their cash and bill holdings and money at call and investments abroad. The last line of the above table illustrates the unfavourable development of the Irish Free State balance of payments during 1933 and 1934. The excess of non-Irish Free State banking assets over liabilities (largely sterling reserves) reached a maximum of £92 million during the first quarter of 1933 and fell by £9 million during the rest of the year. In the first nine months of 1934, this excess fell by a further £6 million.

During the first three quarters of 1934, the average daily debits of Irish Free State banks to ordinary accounts amounted to £1.45 million as compared with £1.40 million in the corresponding period of 1933.

At the end of October 1934, the Free State Government set up a special Commission to "examine and report on the system in the Irish Free State of currency, banking credit, public borrowing and lending and the pledging of State credit on behalf of agriculture, industry and the social services, and to consider and report what changes, if any, are necessary or desirable to promote the social and economic welfare of the community and the interests of agriculture and industry". The foreign experts nominated to serve on this Commission included an official of the Bank for International Settlements.

The above figures relate to nine banks and include the accounts of two Northern Irish banks holding shares in the Currency Commission — namely, the Northern Bank, Limited, and the Ulster Bank, Limited. The following statement shows separately the principal accounts of these two banks and of the Belfast Banking Company, Limited, and therefore gives a more accurate reflection of banking developments in Northern Ireland in the course of 1933 :

£ (000,000's)	1932	1933
Cash in hand, etc.	8.0	5.7
Discounts and advances	31.8	27.3
Investments.	21.5	25.6
Deposits	53.9	51.2

Discount Companies.

The following table summarises the position of the three leading London discount companies :

£ (000,000's) Discount Houses	1929	1930	1931	1932	1933
ASSETS.					
1. Cash at bankers	2.6	2.7	2.4	2.7	2.7
2. Investments	13.5	17.2	13.7	20.2	28.4
3. Bills discounted	121.6	125.6	111.2	117.0	111.5
4. Loans and sundry accounts	2.5	1.8	1.2	2.8	1.8
5. Total assets	140.2	147.3	128.5	142.7	144.4
LIABILITIES.					
6. Capital and reserves	6.2	7.0	7.0	7.0	7.0
7. Loans, deposits, etc. (including undivided profits)	92.4	98.5	86.4	105.0	111.7
8. Bills rediscounted	40.3	40.5	33.7	28.9	24.9
9. Rebate, etc.	1.3	1.3	1.4	1.8	0.8
10. Total liabilities	140.2	147.3	128.5	142.7	144.4

The shift from the discount on bills of exchange to the purchase of Government securities during 1933 is explained by the very low level of discount rates prevailing during most of the year. The continued stagnation of international commerce brought about by trade and exchange restrictions resulted in a contraction in the volume of bills on London, while at the same time the Government continued to fund the floating debt and thus reduce the volume of Treasury bills outstanding. At the same time there were heavy foreign acquisitions of sterling, and the Exchange Account was forced to buy gold in order to keep sterling down. A part or the whole of this gold (valued in the Bank of England statement at approximately £70 million) was passed on to the bank in order to replenish the available supplies of sterling in the Exchange Account. One result of the decline in bill rates was that there were a few retirements from and amalgamations in the bill market.

Savings Banks.

The development of deposits in savings banks is shown in the following table :

£ (000,000's)	Savings banks			National savings certificates
	Trustee savings banks	Post-office savings banks	Total	
1929	124.5	95.0	409.5	487.9
1930	133.2	290.2	423.4	506.7
1931	142.9	289.4	432.3	489.3
1932	154.7	305.7	460.4	478.9
1933	171.4	326.7	498.1	484.4

Recent monetary policy by lowering the rates obtainable on money in the market and the commercial banks has drawn funds into the savings banks, where a fixed rate of 2½ per cent is still obtainable. In 1933, the downward trend of savings certificates in evidence since 1930 was reversed, and there was a slight increase in the volume outstanding.

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 (a).

I. JOINT-STOCK BANKS IN ENGLAND AND WALES.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of : Banks	16	16	16	16	16
Branches and Sub-Bran­ches	9,815	10,082	10,178	10,066	10,060
ASSETS.					
£ (000,000's omitted)					
I. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	481.3	472.4	414.5	446.2	446.1
2. Other Items of a Cash Nature					
3. Bills discounted and bought.	224.3	316.4	234.1	389.2	292.8
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities.	260.7	303.4	304.7	496.6	587.6
(a) Government	232.5	275.6	275.6	459.0	544.1
(b) Other	28.2	27.8	29.1	37.6	43.5
5. Participations	24.4	25.9	24.8	24.3	24.7
6. Due from Banks (Correspondents).	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances.	1,026.5	964.6	931.7	799.1	764.2
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	179.3	128.0	109.7	96.7	122.0
9. Premises, etc.	42.3	45.0	52.0	50.2	51.5
10. Sundry Assets	42.3	45.0	52.0	50.2	51.5
II. Total Assets	2,238.8	2,255.7	2,071.5	2,302.3	2,288.9
LIABILITIES.					
12. Capital paid up.	78.1	80.0	80.0	80.0	80.0
13. Reserve Funds	63.5	64.4	54.5	55.3	55.4
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	6.6	6.2	6.0	5.9	6.2
15. Notes in circulation	0.1	0.1	0.1	0.1	0.1
16. Cheques and Drafts, etc., in circulation	—	—	—	—	—
17. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	1,911.0	1,976.8	1,821.0	2,064.3	2,025.2
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
19. Acceptances and Endorsements.	179.3	128.0	109.7	96.7	122.0
20. Sundry Liabilities.	0.2	0.2	0.2	—	—
21. Total Liabilities	2,238.8	2,255.7	2,071.5	2,302.3	2,288.9
22. Value of currency in Swiss francs at the end of each year	25.22	25.22	17.24	17.02	16.91

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 (a).

II. SCOTTISH JOINT-STOCK BANKS.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of : Banks	8	8	8	8	8
Branches and Sub-Branches	1,633	1,659	1,718	1,663	1,826
ASSETS.					
	£ (000,000's omitted)				
1. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	62.3	63.8	60.4	68.1	66.6
2. Other Items of a Cash Nature					
3. Bills discounted and bought.	21.6	21.6	28.8	30.3	22.0
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities.	83.7	98.1	101.4	136.7	157.7
(a) Government	76.6	88.9	91.5	125.0	143.6
(b) Other	7.1	9.2	9.9	11.7	14.1
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	—	—	—	—	—
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	132.5	124.5	104.3	92.6	86.3
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances.	6.5	4.8	4.8	5.1	6.3
9. Premises, etc.	4.8	4.7	4.7	4.8	4.7
10. Sundry Assets	4.8	4.7	4.7	4.8	4.7
11. Total Assets	311.4	317.5	304.4	337.6	343.6
LIABILITIES.					
12. Capital paid up.	12.0	13.1	13.5	13.5	13.5
13. Reserve Funds	15.7	17.0	17.2	17.3	17.4
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	1.9	2.0	1.9	1.9	2.0
15. Notes in circulation.	21.4	21.4	21.4	21.0	19.2
16. Cheques and Drafts, etc., in circulation	3.0	3.1	2.1	2.3	1.5
17. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	250.9	256.1	243.5	276.5	281.7
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits.	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
19. Acceptances and Endorsements.	6.5	4.8	4.8	5.1	6.3
20. Sundry Liabilities.	—	—	—	—	—
21. Total Liabilities	311.4	317.5	304.4	337.6	343.6
22. Value of currency in Swiss francs at the end of each year	25.22	25.22	17.24	17.02	16.91

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 (a).

III. IRISH JOINT-STOCK BANKS.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:					
	1929	1930	1931	1932	1933	
Number of : Banks	9	9	9	9	9	
Branches and Sub-Branches	1,064	1,063	1,071	1,079	1,077	
ASSETS.		£ (000,000's omitted)				
1. Cash						
(a) Gold, silver and small coins.						
(b) Inland notes and balances with Central Bank	22.3	20.7	23.4	29.5	24.3	
2. Other Items of a Cash Nature						
3. Bills discounted and bought	4.9	26.0	26.1	29.0	24.8	
(a) Treasury bills	—	—	—	—	—	
(b) Commercial bills, Inland	—	—	—	—	—	
(c) Commercial bills, Foreign	—	—	—	—	—	
4. Investments and Securities	85.6	89.2	85.5	98.3	94.8	
(a) Government	—	—	—	—	—	
(b) Other	—	—	—	—	—	
5. Participations	—	—	—	—	—	
6. Due from Banks (Correspondents).	—	—	—	—	—	
(a) At home.	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
7. Loans and Advances	92.1	69.1	68.9	63.8	63.7	
(a) On current account	—	—	—	—	—	
(b) Other	—	—	—	—	—	
8. Cover for Acceptances	0.1	0.1	0.1	0.2	0.4	
9. Premises, etc.	—	—	—	—	—	
10. Sundry Assets	3.0	3.1	3.3	3.1	3.0	
11. Total Assets	208.0	208.2	207.3	223.9	211.0	
LIABILITIES.						
12. Capital paid up.	8.6	8.7	8.7	8.6	8.7	
13. Reserve Funds	9.7	10.0	8.9	8.9	9.0	
14. Profit and Loss Accounts, Dividend Accounts, etc.	1.0	1.0	0.8	0.9	0.9	
15. Notes in circulation.	10.2	9.4	8.7	8.8	8.9	
16. Cheques and Drafts, etc., in circulation	—	—	—	—	—	
17. Due to Banks (Correspondents)	—	—	—	—	—	
(a) At home.	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
18. Deposits	176.4	177.1	178.0	196.3	183.0	
(a) Current accounts and sight deposits	—	—	—	—	—	
(b) Savings accounts	—	—	—	—	—	
(c) Time or fixed deposits.	—	—	—	—	—	
(d) Other deposits	—	—	—	—	—	
19. Acceptances and Endorsements	0.1	0.1	0.1	0.2	0.4	
20. Sundry Liabilities.	2.0	1.9	2.1	0.2	0.1	
21. Total Liabilities	208.0	208.2	207.3	223.9	211.0	
22. Value of currency in Swiss francs at the end of each year.	25.22	25.22	17.24	17.02	16.91	

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 (b).

I. JOINT-STOCK BANKS IN ENGLAND AND WALES.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks.	12	12	12	12	12
	£ (000,000's omitted)				
Capital paid up.	74.9	75.8	75.8	75.8	75.8
Reserves and Undivided Profits	67.4	67.8	57.6	58.3	58.3
I. Gross Profits.	13.98	11.94	10.89	9.88	10.04
<i>To be deducted :</i>					
2. Expenses	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.89	0.66	0.37	0.37	0.42
4. Written off on (Depreciation Accounts for)	1.48	0.73	0.03	0.25	0.20
(a) Premises, etc.	1.48	0.73	0.03	0.25	0.20
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit	11.61	10.55	10.49	9.26	9.42
6. Carried forward from preceding year	6.19	6.06	5.84	5.96	5.89
7. Taken from Reserves or Capital	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	17.80	16.61	16.33	15.22	15.31
9. Carried to Reserves.	1.28	0.86	1.43	0.73	0.73
10. Dividends	10.46	9.91	8.94	8.60	8.58
11. Directors' Fees, etc.	—	—	—	—	—
12. Carried forward to following year.	6.06	5.84	5.96	5.89	6.00
13. Total as above	17.80	16.61	16.33	15.22	15.31
14. Value of currency in Swiss francs at the end of each year	25.22	25.22	17.24	17.02	16.91

Balance-sheet Summary.

1 and 2. *Cash Assets, etc.*

The combined sums shown for the first two groups of the Summary Table include the following items: (a) "Cash in hand" consisting of coin, bank and currency notes and balances with the Bank of England; (b) balances with, and cheques in the course of collection on, other banks;

(c) money at call and short notice. The balance-sheet form employed for the statistical summaries of the *Economist* distinguishes between (c) and the total of (a) and (b) wherever (c) is shown separately in the published accounts. It is, in fact, shown separately by all the leading banks throughout the period under review. In the case of the banks not showing money at call as a separate item, the total of (a), (b) and (c) has

been included in the first column of the statement below :

£ (000,000's)	Cash in hand and at the Bank of England : Balances with and cheques on other banks	Money at call and short notice	Total (corresponding to the sums shown in Summary Table)						
End of									
I. Joint-Stock Banks in England and Wales.									
1929	328.4	152.9	481.3						
1930	325.6	146.8	472.4						
1931	288.7	125.8	414.5						
1932	296.9	149.3	446.2						
1933	300.8	145.3	446.1						
II. Scottish Banks.									
1929	40.2	22.1	62.3						
1930	40.2	23.6	63.8						
1931	39.3	21.1	60.4						
1932	42.0	26.1	68.1						
1933	40.9	25.7	66.6						
III. Irish Banks.*									
	F.	N.	T.	F.	N.	T.	F.	N.	T.
1929	8.9	6.2	15.1	7.2	—	7.2	16.1	6.2	22.3
1930	8.2	5.8	14.0	6.7	—	6.7	14.9	5.8	20.7
1931	7.7	5.8	13.5	9.9	—	9.9	17.6	5.8	23.4
1932	9.7	8.0	17.7	11.8	—	11.8	21.5	8.0	29.5
1933	9.7	5.7	15.4	8.9	—	8.9	18.6	5.7	24.3

* F. = Irish Free State. N. = Northern Ireland. T. = Total.

3. Bills discounted and bought.

The figures given for "bills discounted and bought" in balance-sheet summaries do not represent the total bill holdings of all the banks, because some of the minor banks include Treasury bills in their figures for Government securities (group 4 (a) of the balance-sheet summary). In addition, a few banks do not show discounts separately from loans and advances and in such cases they are included in group 7 of the Summary Table.

4 and 5. Investments and Securities; Participations.

The banks do not give full details of the composition of their investments. A few of the minor banks in England and Wales do not show Government securities separately in their published accounts. In such cases these are included under 4 (b) in the Summary Table. As mentioned above, a minor portion of the sums shown under (a) consists of Treasury bills not shown separately by some banks. The "other investments" are mainly gilt-edged and do not, as a rule, include stocks, shares and debentures of industrial companies. The sums shown in group 5 of the Summary Table for England and Wales represent the investments in affiliations of the "Big Five".

They consist mainly of capital participation in Scottish and Irish banks, and to a less extent in foreign and other auxiliary financial institutions. There is practically no direct participation in industry and trade.

6. Due from Banks.

Sight balances with, and the cheques in course of collection on, other banks are reported only by the London clearing banks and are included in their cash assets. Correspondent accounts are, as a rule, merged with loans and advances under assets and with deposits under liabilities in the published statements of the joint stock banks.

7. Loans and Advances.

As already mentioned, this item includes discounts not shown separately by some of the minor banks, and part of the correspondent accounts.

9 and 10. Premises and Sundry Assets.

Premises are not shown separately in the statistics of the *Economist*, but they constitute practically the whole of the joint sums shown in the balance-sheet summaries. It is generally recognised that the market value of the premises of the banks exceeds their book value and that important reserves are therefore concealed in this item of the aggregate balance-sheet.

13. Reserve Funds.

In addition to the ordinary reserve fund shown in the Summary Table, other reserves are maintained to meet emergencies. These other reserves are included under deposits in the published statements. Moreover, additional resources are concealed by the fact that the premises and the investments of the banks are booked below their actual market value.

15. Notes in Circulation.

Joint-stock banks do not possess the right of note issue in England and Wales. The small note circulation shown in the Summary Table for England and Wales refers exclusively to the Isle of Man, which is not governed by the English currency legislation. The legislation governing the note-issue in Scotland and Ireland was set out in detail in the first edition of this *Memorandum*.

17. Due to Banks.

The correspondent accounts as a rule are not shown separately but are merged in the deposits in the published statements of the banks.

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 (b).

II. SCOTTISH JOINT-STOCK BANKS.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks.	8	8	8	8	8
	£ (ooo,ooo's omitted)				
Capital paid up	12.0	13.1	13.5	13.5	13.5
Reserves and Undivided Profits	17.7	19.1	19.3	19.4	19.5
1. Gross Profits	2.79	2.87	2.74	2.73	2.71
<i>To be deducted :</i>					
2. Expenses	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.23	0.23	0.15	0.13	0.16
4. Written off on Depreciation Accounts for	0.26	0.27	0.22	0.22	0.16
(a) Premises, etc.	0.26	0.27	0.22	0.22	0.16
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit	2.30	2.37	2.37	2.38	2.39
6. Carried forward from preceding year	2.00	2.06	2.09	2.05	2.08
7. Taken from Reserves or Capital.	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	4.30	4.43	4.46	4.43	4.47
9. Carried to Reserves	0.53	0.52	0.57	0.53	0.53
10. Dividends	1.71	1.82	1.84	1.82	1.82
11. Director's Fees, etc.	—	—	—	—	—
12. Carried forward to following year	2.06	2.09	2.05	2.08	2.12
13. Total as above	4.30	4.43	4.46	4.43	4.47
14. Value of currency in Swiss francs at the end of each year	25.22	25.22	17.24	17.02	16.91

18. Deposits.

The banking statistics as regularly published in English sources do not show current accounts separately from deposit accounts. The report of the Macmillan Committee gave these details for the deposits of the London Clearing Banks for the period January 1919-March 1931, and a continuation of these series is published currently in the Bank of England *Statistical Summary* and in the League of Nations *Monthly Bulletin of Statistics*. The division of total deposits into current accounts

and deposit accounts for the years covered by the Summary Table is shown below :

£ (ooo,ooo's)	Monthly averages, December				
	1929	1930	1931	1932	1933
Current ac- counts . . .	957.7	991.8	865.1	991.6	1,015.4
Deposit ac- counts . . .	815.1	846.6	845.8	962.8	900.2
Total . . .	1,772.8	1,838.4	1,710.9	1,954.4	1,915.6

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 (b).

III. IRISH JOINT-STOCK BANKS

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1929	1930	1931	1932	1933
Number of Banks.	9	9	9	9	9
	£ (000,000's omitted)				
Capital paid up	8.6	8.7	8.7	8.6	8.7
Reserves and Undivided Profits	10.1	10.5	9.3	9.3	9.4
1. Gross Profits	1.72	1.74	1.62	1.43	1.34
<i>To be deducted:</i>					
2. Expenses	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.02	0.02	0.02	0.02	—
4. Written off on (Depreciation Accounts for)	0.09	0.08	0.04	0.03	—
(a) Premises, etc.	0.09	0.08	0.04	0.03	—
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit	1.61	1.64	1.56	1.38	1.34
6. Carried forward from preceding year	0.44	0.49	0.44	0.40	0.44
7. Taken from Reserves or Capital	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	2.05	2.13	2.00	1.78	1.78
9. Carried to Reserves	0.40	0.43	0.48	0.38	0.35
10. Dividends	1.16	1.26	1.12	0.96	0.95
11. Director's Fees, etc.	—	—	—	—	—
12. Carried forward to following year	0.49	0.44	0.40	0.44	0.48
13. Total as above	2.05	2.13	2.00	1.78	1.78
14. Value of currency in Swiss francs at the end of each year	25.22	25.22	17.24	17.02	16.91

19. Acceptances and Endorsements.

The greater part of the sums given represents bills accepted by the banks on behalf of their customers. These are almost entirely foreign bills accepted on behalf of home importers.

The figures shown in the Irish Summary Table refer almost exclusively to the Northern Irish banks, the acceptance business of the Free State banks being insignificant.

Summary of Profit-and-Loss Accounts.

Some of the minor English joint-stock banks are omitted from the profit-and-loss statistics of the *Economist*, on which the Summary Table is based. The banks included are, however, fully representative, the aggregate of their capital and

reserves constituting over 99 per cent of the total capital and reserves of all the banks included in the Balance-sheet Summary Table in 1933. The profit-and-loss statistics for the Scottish and Irish banks are complete.

1 and 2. *Gross Profits and Expenses.*

As most of the banks in the United Kingdom and the Irish Free State adhere to the practice of deducting working expenses and income tax before disclosing their profit, these items have been excluded throughout. In recent years, the banks have disclosed their profits "after making appropriations to contingency accounts out of which provision has been made for bad and doubtful debts". It is impossible to tell from this vague phrase to what extent depreciation of assets has been covered out of earnings, and to what extent out of undisclosed reserves. The amount shown as profits is entirely at the discretion of the directors.

It is evident, then, that the sums shown under 1 in the Summary Table do not represent gross profits in a true sense and are not comparable with the corresponding figures given in the profit and loss summaries for other countries.

3. *Reserved for Pension Funds.*

This item of the Summary Table is headed "Staff" in the statistics of the *Economist* and includes all allocations for the benefit of the banking staff, which are shown separately by the banks.

4. *Depreciation.*

As mentioned in the note to group 1 above, the banks do not show depreciation of investments in their published accounts.

6 and 12. *Sums carried forward.*

The amounts shown in the summary for Scottish banks include the "Rest" (i.e., the Reserve Funds) of the Royal Bank of Scotland.

10. *Dividends.*

The dividend figures given include a certain proportion of income tax not deducted from the sums distributed to shareholders by a number of banks.

YUGOSLAVIA^{1 2}.

Introductory Note.

The European banking and currency crisis of 1931 had serious repercussions on the Yugoslav joint-stock banks. Their relative importance in the credit structure of the country can be seen from the following figures showing the paid-up capital and reserves and total liabilities of all credit institutions in 1932 :

	Capital paid up and reserves		Total liabilities
	Dinara (000,000's)	Per cent	
639 joint-stock banks . . .	3,845	15.587	58
State Mortgage Bank . . .	117	4,230	16
4,552 co-operative credit societies	700	3,100	11
60 savings banks	148	2,437	9
Post Office Savings Bank .	46	1,485	6
Total	4,856	26,839	100

The Austrian Credit-Anstalt crisis of May 1931, the temporary closing of the German banks in July of the same year, and the three-day bank holiday in Hungary which followed the German moratorium affected the confidence of the Yugoslav depositor for two reasons. First, the fact that many Yugoslav banks were intimately connected with Austrian and German credit institutions was well known to the public. Second, the legal stabilisation of the dinar after the prolonged currency vicissitudes of the post-war period had only been effected in May 1931 in the full swing of general economic depression. It was, therefore, natural that the banking crisis in Yugoslavia, which had already begun in the form of heavy withdrawals of deposits during July and August, should have been aggravated by the suspension of the gold standard by the United Kingdom in September 1931. In the absence of comprehensive recent figures of total deposits³, the intensity and development of the crisis can be judged better from the following table showing the sum of the bill portfolio and loans and advances of

all credit institutions — except the Central Bank — since 1930 :

Dinara (000,000's)	1930	1931	1932	1933
End of :				
Joint-stock banks	15,225	13,684	11,702	10,413
State Mortgage Bank . . .	3,060	3,221	3,252	3,224
Co-operative credit societies	2,622	2,380	2,023	1,821
Savings banks	1,468	1,332	1,050	934
Post Office Savings Bank .	564	559	679	678
Total	22,921	21,176	18,706	17,070

From the end of 1930 to the end of 1933, total credits outstanding declined by 4,851 million dinara, or 21 per cent. This decline was confined almost exclusively to the joint-stock banks, the outstanding credits of which fell by 4,812 million dinara, or a third. The credits granted by the other private institutions, the co-operative societies and the savings banks show, however, the same proportionate decrease. On the other hand, the public institutions, the State Mortgage Bank and the Post Office, maintained and even increased their credits outstanding during and after the crisis.

Available deposit figures reveal the same tendencies⁴. Ordinary deposits in all banks and savings institutions decreased steadily from 14.2 milliard dinara at the beginning of June 1931 to 9.7 milliard at the beginning of December 1933, a decline of almost a third. Cheque accounts and savings deposits at the Post Office increased from 1,134 million dinara at the end of 1931 to 1,722 at the end of 1933, while private deposits at the State Mortgage Bank increased during the same period from 616 to 871 million dinara. The decline of 4.6 milliard dinara in aggregate deposits of all banks was about equally distributed between the twenty leading joint-stock banks and all other institutions included in the statistics of the National Bank. As, however, deposits rose perceptibly in the two public institutions — the Postal Savings Banks and the State Mortgage Bank — it is clear

¹ As it was not possible, for reasons of space, to give a full account of recent banking developments in Yugoslavia in the last edition of this volume, the present chapter covers the period since 1931.

² A memorandum on the structure and position of Yugoslav banking kindly supplied by the National Bank of Yugoslavia has been found of great value in the preparation of this chapter. It has made possible, in particular, the extension of the data for the years prior to 1933 given in the summary balance-sheets, and the provision of profit-and-loss accounts. While the more important individual items of the present Summary Table are strictly comparable with those published in the previous issues of this *Memorandum*, it should not be overlooked that certain items are either given for the first time or have been completed by the additional data now made available. Figures for the end of 1933 have been obtained from the *Bulletin*, No. 4, 1934, of the National Bank.

³ The quarterly figures of the deposits of all banks published in the *Bulletin* of the National Bank refer only to ordinary deposits and exclude "sundry creditors", which constitute on the average some 30 per cent of the total deposits of joint-stock banks.

⁴ See also the deposit figures of the twenty leading joint-stock banks given below in the note to item 17 of the Summary Table.

that the smaller joint-stock banks were particularly exposed during the banking crisis ; these banks numbered 612 at the end of 1932. Between the end of 1929 and the end of 1932, the share of the twenty leading institutions in total deposits of all joint-stock banks increased from 56 to 61 per cent.

The situation of the private joint-stock banks would have deteriorated even more seriously had it not been for two measures of relief afforded them in the course of 1932. The first of these, Article 5 of the Law of April 19th on Agricultural Indebtedness, provided that all banks whose assets exceeded their liabilities could obtain a provisional moratorium on old liabilities. The creditors of the bank could, however, receive each quarter a partial payment, fixed by a State agent. Liabilities contracted after the enforcement of the law were exempted from moratorium.

The second measure, the Regulation of December 26th, 1932, enabled banks to apply to the Government to establish a scale for the repayment of deposits. Under this regulation, each depositor was repaid a percentage which varied in inverse proportion to his total deposits. By the end of 1933, 149 of the 694 joint-stock, private, municipal and communal banks were under protection, 69 having applied the provisions of the first and 80 those of the second measure. The total number of banks under protection increased to 170 by the autumn of 1934, and, of these, 154 were working under a system of deferred payments. Among the 170 banks under protection figure seven of the twenty leading banks. These seven big banks together had at the end of 1931 paid-up capital amounting to about 329 million and deposits (including "Kreditoren") amounting to about 2,785 million dinara ¹.

It has been estimated that "frozen" agricultural credits represent about 49 per cent of the total

credits of the provincial banks and about 12 per cent of those of the principal banks of the country ².

The position of the banks tended to become more stable by the middle of 1933. The decline in the ordinary deposits of all banks and in the total deposits of the twenty leading banks in the last two quarters of the year was relatively small. The uncertainty resulting from the temporary character of the measures affecting the banks hampered their activities. The definite settlement of the question of agricultural debts on November 22nd and the Order of December 4th, 1933, for the Protection of Banks and their Creditors clarified the position. The latter provided for the termination, by March 4th, 1934, of the provisional protection enjoyed by some banks and for new protection in one of three forms. For banks with active but immediately unrealisable assets, an extension of the moratorium on payments not to exceed five years is provided. Banks whose assets are actually much lower in value than shown in the balance-sheets are allowed to liquidate under favourable conditions and without declaring themselves bankrupt. Finally, insolvent banks of economic and national importance may declare a moratorium, cancel their liabilities up to 50 per cent, or transform 50 per cent of their deposits into shares with the consent of the majority of depositors. Detailed provisions for the establishment of balance-sheets and for the procedure of the Government Banking Reorganisation Commission are also given. The Order is obligatory for all the 170 banks under protection, but other banks are allowed to avail themselves of its provisions. Accompanying the Order are regulations for the protection of the co-operative credit societies, for the reduction of the general charges of the banks under protection and of other institutions and for the fixation of maximum rates of interest.

Balance-sheet Summary.

I. Cash.

The sums shown under this heading are composed as follows :

Dinara (000,000's)	1930	1931	1932	1933
Cash in hand.	510	414	341	...
Balances with the National Bank and Post Office . .	262	214	189	...
Total cash.	772	628	530	596

2. Other Items of a Cash Nature.

This item consists of foreign notes and exchange, and coupons.

3, 4, 5 and 6. Bills discounted and bought, Investments and Securities, Participations and due from Banks.

No details are available with regard to the composition of these items.

7. Loans and Advances.

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

Dinara (000,000's)	1930	1931	1932	1933
Loans against securities . .	497	210	123	154
Mortgage loans.	712	1,039	997	852
Total	1,209	1,249	1,120	1,006

¹ This information has been collected from the *Compass Financial Year Book* for 1933 and 1934. The banks in order of importance of their deposits and "Kreditoren" liabilities are the following : The First Croatian Savings Bank, the Union Bank of Yugoslavia, the Lubliana Credit Bank, the Banque d'Escompte, the Cattara Bank and Savings Bank, the Bank of Belgrade, and the "Merkur" Bank of Belgrade.

² W. W. ROSENBERG : "La question bancaire en Yougoslavie" in *Revue économique internationale*, March 1934, pages 578-587.

YUGOSLAVIA.

COMMERCIAL BANKS

Table 24(a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:			
	1930	1931	1932	1933
Number of Banks	649	639	632	620
ASSETS.				
Dinara (ooo,ooo's omitted)				
I. Cash	772	628	530	596
(a) Gold, silver and small coins	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—
2. Other Items of a Cash Nature	47	68	21	...
3. Bills discounted and bought.	5,600	5,328	4,336	4,117
(a) Treasury bills	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—
4. Investments and Securities	1,293	1,196	1,088	1,013
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations	274	256	223	...
6. Due from Banks (Correspondents).	852	338	227	...
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
7. Loans and Advances	9,625	8,356	7,366	6,473
(a) On current account	8,416	7,107	6,246	5,467
(b) Other	1,209	1,249	1,120	1,006
8. Cover for Acceptances	73	74	81	76
9. Premises, etc.	842	854	866	...
10. Sundry Assets	501	854	849	...
11. Total Assets	19,879	17,952	15,587	...
LIABILITIES.				
12. Capital paid up	2,960	2,968	2,952	2,785
13. Reserve Funds	924	898	893	...
14. Profit-and-Loss Account, Undivided Profits, etc.	230	172	55	...
15. Cheques and Drafts in circulation	—	—	—	—
16. Due to Banks (Correspondents)	—	—	—	—
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
17. Deposits	14,172	11,733	9,556	8,682
(a) Current accounts and sight deposits	2,709	1,936	1,426	6,360
(b) Savings accounts	7,597	6,867	5,343	—
(c) Time or fixed deposits	—	—	—	—
(d) Other deposits	3,886	2,930	2,787	2,322
18. Rediscounts and other Borrowings	779	1,374	1,482	1,449
19. Acceptances and Endorsements	73	74	81	76
20. Sundry Liabilities	741	733	568	...
21. Total Liabilities	19,879	17,952	15,587	...
22. Guarantees.	8,302	7,718	6,671	...
23. Value of currency in Swiss francs at the end of each year	0.091	0.091	0.069	0.070

YUGOSLAVIA.

COMMERCIAL BANKS

Table 24 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS			
	1930	1931	1932	1933
Number of Banks.	649	639	632	620
	Dinara (ooo,ooo's omitted)			
Capital paid up.	2,960	2,968	2,952	2,785
Reserves and Undivided Profits	1,954	1,070	948	...
1. Gross Profits	1,571	1,510	1,169	
<i>To be deducted:</i>				
2. Expenses.	1,249	1,289	1,049	...
(a) Salaries, etc.	1,031	1,055	818	...
(b) Other working expenses	114	149	170	...
(c) Taxes, etc.	104	85	61	...
3. Reserved for Pension Funds, etc.	16	14	8	...
4. Written off on Depreciation Accounts for.				
(a) Premises, etc.	50	32	49	...
(b) Investments and securities				
(c) Other assets				
5. Remaining Net Profit or Loss (—).	256	175	63	...
6. Carried forward from preceding year.	—	—	—	
7. Taken from Reserves or Capital.	24	32	49	...
8. Total Amount disposed of for Dividends, etc.	280	207	112	...
9. Carried to Reserves	63	78	34	...
10. Dividends	189	110	71	...
11. Directors' Fees, etc.	28	19	7	...
12. Carried forward to following year	—	—	—	
13. Total as above	280	207	112	...
14. Value of currency in Swiss francs at the end of each year.	0.091	0.091	0.069	0.070

8. Cover for Acceptances.

This item is not given in the statistics furnished by the National Bank. Sums equal to the acceptances as shown under liabilities have been added under the present heading and the same amounts have been deducted from "Sundry Assets".

9. Premises, etc.

This item includes both property used in the business of the banks and other fixed property held by them.

10. Sundry Assets.

The sums shown in this group are made up as follows :

Dinara (ooo,ooo's)	1930	1931	1932	1933
Merchandise	25	42	24	...
Balance of inter-branch accounts.	—	—	12	...
Transitory accounts.	64	39	39	...
Sundry assets	412	773	774	...
Total	501	854	849	...

13. Reserve Funds.

The sums given under this heading are composed of ordinary reserve funds and special reserves — "Caisse de retraite" — as shown below :

Dinara (ooo,ooo's)	1930	1931	1932	1933
Reserve fund.	819	769	774	926
Special reserves	105	129	119	...
Total reserve funds . .	924	898	893	...

14. Profit-and-Loss Account, etc.

This sum has been arrived at by deducting from the total net profits as shown under liabilities the amounts shown as losses under assets. In the years prior to 1933, these latter amounted to 50, 31 and 56 million dinara.

It should be noted that the amounts shown as net profits and as losses in the accounts of the operations of the joint-stock banks do not tally with those given in the profit-and-loss accounts.

17. Deposits.

The detailed specification of deposits shown under (a), (c) and (d) of the Summary Table is that provided by the data furnished by the National Bank, item (d) (Other Deposits), representing the various "Kreditoren" accounts.

The deposits of the twenty leading joint-stock banks, which at the end of 1932 accounted for 61 per cent of the deposits held by the 632 joint-stock banks, are given below with a view to showing the most recent movements¹:

Twenty leading banks Dinara (ooo,ooo's)	Current accounts	Savings deposits	Various creditors	Total deposits
December 31st, 1930 . . .	1,759	3,775	2,368	7,902
December 31st, 1931 . . .	1,218	3,366	2,404	6,988
December 31st, 1932 . . .	1,020	2,558	2,313	5,891
July 31st, 1933	958	2,417	2,275	5,640
December 31st, 1933 . . .	834	2,340	2,268	5,442
July 31st, 1934	923	2,326	1,970	5,219

Summary of Profit-and-Loss Accounts.

This is the first summary of profit-and-loss accounts of the joint-stock banks of Yugoslavia to be published in the series of *Memoranda on Commercial Banks*. It has been prepared from the data supplied by the National Bank of Yugoslavia. The Summary Table relates to the same number of banks as the Balance-Sheet Summary, and the figures on paid-up capital and reserves and undivided profits of the latter have, therefore, been used also for the table on profit-and-loss accounts.

Except for items 4, 5 and 7, all the specifications shown in the table correspond to the data as supplied by the National Bank. Item 4

The volume of deposits held in the more important credit institutions not included in the Summary Table will be seen from the following statement :

Dinara (ooo,ooo's)	1929	1930	1931	1932	1933
Post office (savings and cheque accounts) . .	1,021	1,189	1,134	1,387	1,722
State Mortgage Bank (total private deposits)	455	529	616	725	871
Municipal savings banks (Slavonia) . .	1,025	1,242	1,368	1,168	...
Total public banks	2,501	2,960	3,118	3,280	...
Total commercial banks	13,186	14,172	11,734	9,556	8,682
Grand total ^a	15,687	17,132	14,744	12,736	...

^a The grand total involves certain double counting.

In addition to the above public institutions, there are 60 savings banks and 4,552 co-operative credit societies. The total outstanding credits of these two groups at the end of 1933 amounted to 934 and 1,821 million dinara respectively.

18. Rediscounts and Other Borrowings.

The sums shown are made up as follows :

Dinara (ooo,ooo's)	1930	1931	1932	1933
Rediscounts	738	1,336	1,447	1,280
Mortgage debts	41	38	35	169
Total	779	1,374	1,482	1,449

20. Sundry Liabilities.

The sums shown under this group are composed as follows :

Dinara (ooo,ooo's)	1930	1931	1932	1933
Balance of inter-branch accounts	85	49	—	...
Transitory accounts	143	103	170	...
Sundry liabilities	513	581	397	...
Total	741	733	567	...

(Depreciation Account) represents an item entitled "Losses", which has been taken as the sum of amortisations on various accounts. After the deduction of expenses, reserves for pensions funds, etc., and amortisation, the remaining net profit (item 5) is in each of the years under review smaller than the total amount disposed in reserves, dividends, and directors' fees, etc., as shown by the original figures. This difference has therefore been accounted for by item 7 (Taken from Reserves or Capital), which is not given in the original data. This sum may be taken to represent the uncovered losses of the banks which failed in the course of 1930, 1931 and 1932.

¹ These data represent a new series published in the *Quarterly Bulletin* of the National Bank as from No. 3, 1933. They are not comparable with those published in the previous numbers of the *Bulletin* and reproduced in the last issue of this *Memorandum*.

CANADA

Introductory Note.

The most important events affecting Canadian banking since the last issue of this volume are the passing of the Bank of Canada Act establishing a Central Bank in the Dominion and the regular decennial revision of the Bank Act postponed from 1933.

The Royal (Macmillan) Commission, appointed in the summer of 1933 to enquire into the Canadian banking and monetary system, recommended in its report that a Central Bank should forthwith be established¹. A Bill to implement this recommendation was introduced in February 1934 and passed through its final stages in June and July of that year. The purpose of the bank is stated in the preamble to the Act to be "to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action".

The bank is a private institution ; its original share capital (\$5 million) was offered for public subscription. The Governor-in-Council, however, appointed the first principal officers of the bank, who are hereafter to be appointed or reappointed by the directors with the approval of the Governor-in-Council. The directors, to be chosen by the shareholders, are to be selected from diversified occupations ; but no director of or shareholder in a chartered bank may be a director of the Bank of Canada. The Executive Committee of the bank, which is empowered to take decisions when the Board is not sitting, consists of the Governor, Deputy Governor, one director selected by the Board and (*ex officio* and without voting right) the Deputy Minister of Finance. No decision of the Board or of the Executive Committee is to be operative without the concurrence of the Governor.

The bank is authorised to buy and sell gold, silver and foreign exchange, to accept non-interest-

bearing deposits from banks and from the Dominion and provincial Governments, to buy, sell and rediscount bills of exchange of defined types and maturities endorsed by a chartered bank, to make loans or advances of defined types to banks, Dominion and provincial Governments, to engage in open-market operations, etc. It may also hold shares in the Bank for International Settlements and open accounts in that institution and in the Central Bank of any country.

The right to issue notes is vested in the Bank of Canada. From the day on which the Central Bank is authorised to commence operations, the maximum amount of notes of a chartered bank in circulation is not to exceed the unimpaired paid-up capital of the bank.² At the beginning of each year, for five years from 1936, the maximum amount outstanding is to be reduced by 5 per cent, and for five years from 1941 by 10 per cent. The chartered banks may thereafter keep notes equivalent to 25 per cent of their unimpaired paid-up capital in circulation.

The liability for Dominion notes outstanding is to be assumed by the Central Bank when it begins operations, and the Minister of Finance is to transfer to the bank the gold and silver held against those notes and the balance in 3 per cent Government securities. No limit is set on the note issue of the Central Bank, but it is required to sell gold (in the form of bars containing approximately 400 ounces) for legal tender.³ The bank must keep a reserve equivalent to not less than 25 per cent of its note and deposit liabilities ; in addition to gold coin and bullion, the reserve may consist in part of silver bullion⁴ and foreign exchange.

The chartered banks are required to maintain in the form of non-interest-bearing deposits with the Bank of Canada, or notes of that institution, a cash reserve equivalent to 5 per cent of their total deposit liabilities in Canada. The chartered banks are also required to surrender to the Bank of Canada all gold held by them in Canada. The gold is to be paid for at the old mint parity, except in so far

¹ See *Commercial Banks, 1925-1933*, page 230.

² In the last issue of this volume (*Commercial Banks, 1925-1933*, page 227, footnote 2), it was incorrectly stated that (prior, that is, to the revision of 1934) notes might be issued by the chartered banks against their general credit "up to the amount of their unimpaired paid-up capital and reserve funds ; an additional 15 per cent may be issued during the crop-moving season". The statement should have been that notes might be issued against the general credit of the banks "up to the amount of their unimpaired paid-up capital ; during the crop-moving season an additional 15 per cent of unimpaired paid-up capital and reserve funds may be issued".

³ The Governor-in-Council has the power to suspend the operation of this provision.

⁴ The bank is required, during 1935, 1936 and 1937, to purchase and hold newly mined Canadian silver as directed to do so by the Minister of Finance, but the Bank shall never be required to purchase more than 1,671,802 fine ounces in any year. It may be recalled that Canada was one of the parties to the International Silver Agreement of 1933.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1930	1931	1932	1933
Number of : Banks	11	11	10	10	10
Branches and Sub-Branches	4,069	4,083	3,970	3,772	
ASSETS.					
	Dollars (000,000's omitted)				
1. Cash	290.4	272.5	242.0	250.9	232.5
(a) Gold, silver and small coins	87.9	97.7	76.5	64.3	55.1
(b) Inland notes and balances with Central Bank	202.5	174.8	165.5	186.6	177.4
2. Other Items of a Cash Nature	172.2	142.2	114.0	92.5	97.1
3. Bills discounted and bought	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	448.4	604.1	694.0	778.2	861.1
(a) Government	391.0	536.7	632.0	729.3	809.2
(b) Other	57.4	67.4	62.0	48.9	51.9
5. Participations	9.8	12.0	14.3	13.2	13.0
6. Due from Banks (Correspondents)	107.9	94.4	113.8	117.0	86.2
(a) At home	6.3	4.6	4.1	4.3	3.5
(b) Abroad	101.6	89.8	109.7	112.7	82.7
7. Loans and Advances	2,282.5	1,839.7	1,659.6	1,450.2	1,369.8
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	112.6	78.4	55.5	42.6	49.4
9. Premises, etc.	75.2	78.6	79.8	78.7	78.3
10. Sundry Assets	22.1	21.9	24.7	28.8	28.3
11. Total Assets	3,521.1	3,143.8	2,997.7	2,852.1	2,815.7
LIABILITIES.					
12. Capital paid up	142.9	145.0	144.5	144.5	144.5
13. Reserve Funds	158.1	162.2	162.0	162.0	132.5
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	17.7	15.4	15.9	10.1	10.0
15. Notes in circulation	175.5	148.0	141.0	127.1	132.0
16. Cheques and Drafts, etc., in circulation	8.2	5.3	3.2	0.6	0.9
17. Due to Banks (Correspondents)	122.9	77.9	58.5	61.1	51.4
(a) At home	14.9	12.8	11.4	12.3	13.1
(b) Abroad	108.0	65.1	47.1	48.8	38.3
18. Deposits	2,696.9	2,487.3	2,367.6	2,244.5	2,242.2
(a) Current accounts and sight deposits	820.9	689.2	697.5	538.3	563.1
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	1,434.4	1,425.8	1,360.0	1,377.5	1,356.9
(d) Other deposits	441.6	372.3	310.1	328.7	322.2
19. Rediscounts and other Borrowings	81.7	20.5	46.5	57.0	50.4
20. Acceptances and Endorsements	112.6	78.4	55.5	42.6	49.4
21. Sundry Liabilities	4.6	3.8	3.0	2.6	2.4
22. Total Liabilities	3,521.1	3,143.8	2,997.7	2,852.1	2,815.7
23. Value of currency in Swiss francs at the end of each year	5.18	5.18	4.21	4.47	3.32

as the Governor-in-Council is satisfied that it was held against liabilities elsewhere than in Canada, and the profit on the gold transfers is to accrue to the Consolidated Revenue of the Dominion.

The principal revisions to the Bank Act (regulating the operations of the chartered banks), in addition to those mentioned, may be briefly summarised.¹ The additional liability of bank shareholders in excess of the unpaid portion of their shares in the event of insolvency is reduced from the par value of the shares (*i.e.*, double liability) to the proportion of the par value which notes in circulation bear to the paid-up capital of the bank. The banks are prohibited from allowing their name to appear on any prospectus or advertisement not issued on behalf of a public or semi-public body, except as a banker for receiving applications, unless the securities in question are guaranteed by the Government of Canada or any province. The rate of interest which may be charged on bank loans in Canada is limited to 7 per cent per annum.² Other sections of the Act remain substantially unchanged; the Canadian Bankers' Association continues to be charged with certain important duties and responsibilities.

In accordance with the recommendation of the Macmillan Commission, a special official enquiry has been instituted into the problem of providing short and intermediate term rural credits.

An examination of the accounts of the chartered banks reveals no very significant changes since the last issue of this volume. The recovery which took place in Canada after 1932 was financed less by an expansion of bank credit than by the utilisation of the accumulated resources of business concerns. Some of the important accounts of the chartered banks are summarised as follows:

\$ (000,000's)	Dec. 1932	Sept. 1933	Dec. 1933	Sept. 1934
Dominion notes held by banks.	153	127	140	158
Current loans in Canada . .	964	905	808	880
Government securities. . .	562	663	651	711
Notes in circulation. . . .	127	141	132	148
Demand deposits in Canada	466	402	502	523
Savings deposits in Canada.	1,378	1,372	1,357	1,377

The recent rise in the chartered banks' holdings of Dominion notes must be considered in conjunction with the amendment to the Dominion Notes Act, which increased the note-issuing power of the Government by about \$50 million; a large part of the additional notes issued went to increase the cash reserves of the commercial banks. Their current loans in Canada, however, declined steadily until July 1934, when they touched the low figure of \$851 million; during the next two months there was some slight increase. On the other hand, the banks have continued to add to their holdings of Government securities, which rose by \$100 million in the first nine months of 1933 and an additional \$50 million during the next year. Demand deposits in Canada have shown some tendency to rise, but savings deposits have shown only slight fluctuation. In consequence partly of the accumulation of cash reserves and general increase in the liquidity of the banks' position, the rate of interest allowed on savings deposits was reduced from 2½ to 2 per cent at the beginning of November 1934.

Bank debits to individual accounts increased from \$21.8 milliard in the first nine months of 1933 to \$23.3 milliard in the corresponding period of 1934 — *i.e.*, by 7 per cent.

Balance-sheet Summary.

I. Cash.

The sums shown under cash in the Summary Table include the following amounts held on deposit with the Minister of Finance for the security of the note circulation.

\$ (000,000's)	Circul. Redemp. Fund	Central Gold Reserves	Total
1929.	6.4	56.6	63.0
1930.	6.8	32.6	39.4
1931.	6.8	25.7	32.5
1932.	6.6	19.9	26.5
1933.	6.5	17.8	24.3

¹ The main provisions of the Bank Act of 1923 were given in *Commercial Banks, 1913-1929*, pages 312 and 313.

² A similar provision was already incorporated in the earlier Bank Act, but its legal import was equivocal. The majority of the Macmillan Commission recommended that the limitation be abolished, but it is reinforced and made unequivocal in the present Act.

The composition of "cash" was as follows in the years under review :

\$ (000,000's)	1929	1930	1931	1932	1933
1. Current gold and subsidiary coin in hands of banks	73.3	84.0	65.8	53.2	49.9
At home	(46.9)	(47.4)	(46.0)	(38.0)	(39.3)
Abroad	(26.4)	(35.6)	(19.8)	(15.2)	(10.6)
2. Gold deposits in central gold reserves	14.6	13.7	10.7	11.1	5.2
3. Total metallic reserve (1-2)	87.9	97.7	76.5	64.3	55.1
4. Dominion notes in hands of banks	130.9	126.9	128.9	153.2	139.7
5. Dominion notes deposited in central gold reserves	41.5	18.9	15.1	8.8	12.6
6. Bank circulation redemption fund	6.4	6.8	6.8	6.6	6.5
7. U. S. and other foreign notes	23.7	22.2	14.7	17.9	18.6
8. Total non-metallic reserve (4-7)	202.5	174.8	165.5	186.5	177.4

2. Other Items of a Cash Nature.

This item consists of notes of, and cheques on, other Canadian banks which have not yet been presented for clearing.

\$ (000,000's)	Notes of other banks	Cheques on other banks	Total
1929	20.0	152.2	172.2
1930	15.0	127.2	142.2
1931	11.9	102.1	114.0
1932	12.2	80.4	92.6
1933	11.4	85.7	97.1

3. Bills discounted and bought.

The Canadian official statistics do not show discounts separately from loans. They are therefore included under advances in group (7) of the Summary Table.

4. Investments and Securities.

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

\$ (000,000's)	Dom. and Prov. Gov. Securities	Mun. and other Public Securities	Total
1929	297.0	94.0	391.0
1930	408.6	128.1	536.7
1931	477.9	154.1	632.0
1932	562.4	166.9	729.3
1933	651.1	158.1	809.2

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

5. Participations.

The figures given in the Summary Table represent the chartered banks' shares in, and long-term loans to, controlled companies. The latter are frequently loan or trust companies.

6. Due from Banks (Correspondents).

The division of foreign correspondents between amounts due from banks in the United Kingdom and sums due from banks elsewhere in the years under review was as follows :

\$ (000,000's)	U. K.	Elsewhere	Total
1929	5.2	96.4	101.6
1930	9.0	80.8	89.8
1931	5.0	104.7	109.7
1932	7.8	104.9	112.7
1933	12.2	70.5	82.7

7. Loans and Advances.

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

\$ (000,000's)	1929	1930	1931	1932	1933
(1) Call and short (up to 30 days) loans :					
In Canada	262.3	204.8	134.7	103.2	105.9
Elsewhere	245.1	145.9	83.1	91.5	90.1
Total (1)	507.4	350.7	217.8	194.7	196.0
(2) Other current loans and discounts :					
In Canada	1,402.8	1,149.2	1,082.1	964.0	898.2
Elsewhere	250.6	213.9	188.4	151.7	138.0
Total (2)	1,653.4	1,363.1	1,270.5	1,115.7	1,036.2
Total (1+2)	2,160.8	1,713.8	1,488.3	1,310.4	1,232.2
(3) Loans to Public Bodies :					
Provincial Governments	25.0	29.7	45.6	28.3	28.8
Others	96.7	96.2	125.7	111.5	108.8
Total (3)	121.7	125.9	171.3	139.8	137.6
Grand total (1+2+3)	2,282.5	1,839.7	1,659.6	1,450.2	1,369.8

The grand total of loans and advances as shown in the statement above and in group (7) of the Summary Table does not include overdue debts, classified in the official statistics as "non-current loans" ; these are included in sundry assets.

9. Premises.

The sums shown in this group of the Summary Table represent premises in actual use in the business of the banks. Other real estate and mortgages on real estate sold are included under sundry assets and shown separately in the following note.

10. Sundry Assets.

This item includes overdue debts, real estate other than bank premises, mortgages on real estate sold and various transitory accounts.

14. Profit and Loss, Undivided Profits, etc.

No official profit-and-loss statistics of the banks are published in Canada. The balance of the profit-and-loss accounts is not included in the returns of the chartered banks and has been calculated by taking the difference between total assets and total liabilities (including capital and reserves), which are shown in the official returns.

15. Notes in Circulation.

The amounts shown in the Summary Table constitute the gross note circulation of the chartered banks — *i.e.*, they include both notes in the hands of the public and the notes of other banks held by the banks themselves. Group (2) above includes the banks' holdings of each other's notes. The net circulation in the years under review was as follows :

\$ (000,000's)	1929	1930	1931	1932	1933
Gross circulation	175.5	148.0	141.0	127.1	132.0
Less notes in tills of other banks	20.0	15.0	11.9	12.1	11.4
Net circulation	155.5	133.0	129.1	115.0	120.6

17. Due to Banks (Correspondents).

The sums due to banks and banking correspondents abroad are divided in the official statistics as follows :

\$ (000,000's)	U. K.	Elsewhere	Total
1929	26.7	81.3	108.0
1930	5.8	59.3	65.1
1931	4.8	42.3	47.1
1932	7.4	41.4	48.8
1933	4.9	33.4	38.3

18. Deposits.

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

\$ (000,000's)	Sight Deposits made by the public in Canada	Balances due to Governments :			Grand Total
		Dom. Govt.	Prov. Govt.	Total	
1929	729.3	60.0	31.6	91.6	820.9
1930	641.7	26.9	20.6	47.5	689.2
1931	566.6	111.1	19.8	130.9	697.5
1932	466.2	53.1	19.0	72.1	538.3
1933	501.9	33.3	27.9	61.2	563.1

Savings deposits are not shown separately from other time deposits in the official statistics, but the great bulk of the sums shown in the Summary Table under (c) represent savings deposits. Theoretically, they are generally subject to 15 days' notice, but in practice they are payable on demand.

The deposits shown under (a) and (c) in the Summary Table are all held in Canada.

"Other deposits" (d) represent deposits made in the foreign branches of Canadian banks. The official statistics do not subdivide these deposits into sight and time deposits.

19. Rediscounts and Other Borrowings.

The sums shown in this group of the Summary Table are given in the official statistics under the heading "Advances under the Finance Act" and represent borrowings by the banks from the Dominion Government under the Finance Act of 1914.

UNITED STATES OF AMERICA.

Introductory Note.

The last edition of this volume analysed the trends of banking in the United States from the beginning of the economic depression in 1929 up to the end of 1933. A full account was there given of the origin and development of the banking crisis of 1933, of the gradual reopening of the banks after March of that year, of the accumulation of large excess cash reserves as a result of the open-market operations undertaken by the Federal Reserve Banks between May and October, and of the various pieces of banking legislation enacted, including the Banking Act of 1933, which provided, *inter alia*, for the establishment of a Federal system of deposit insurance.

The present analysis may begin with a consideration of the recent changes in the physical structure of the commercial banking system — *i.e.*, in the number of banks and in the relative importance of the various categories of institutions. At the end of 1932, there were 18,390 banks in the United States, or some 12,000 fewer than at the end of 1922. This figure (18,390) includes 6,816 banks members of the Federal Reserve system and 11,574 non-member banks. Of the latter, the bulk were commercial banks and trust companies operating under the jurisdiction of one of the individual States; about 1,000 mutual and stock savings banks are also included. Of the 6,816 member banks, 6,011 were national banks — *i.e.*, banks operating under the jurisdiction of Congress, for whom membership in the Federal Reserve system is obligatory, and the remainder State commercial banks for whom membership is voluntary.

By Presidential proclamation of March 4th, 1933, a nation-wide bank holiday was declared for a period of four days. On March 9th, the holiday was indefinitely extended, and the following day the Secretary of the Treasury was empowered to license member banks found to be in satisfactory condition to carry on usual banking operations with exceptions as to paying out gold and currency for hoarding; and similar authority was granted to the State authorities with respect to banks not members of the Federal Reserve system. On April 12th, 1933, when the first comprehensive figures became available, it was found that 4,200 member and non-member banks which had been open prior to the bank holiday were still unlicensed; deposits aggregating nearly \$4,000 million were tied up in these banks. The progressive licensing of banks in subsequent months is illustrated in Table 1.

By the end of August 1934, only 432 banks which had been open before the bank holiday had not been either authorised to resume operations, absorbed by other banks or finally liquidated; these banks held deposits amounting to \$250 million, or considerably less than 1 per cent of the aggregate

Table 1. — BANKS LICENSED AND NOT LICENSED.

Date	Number of banks			
	Licensed		Not licensed	
	Mem-ber	Non-mem-ber	Mem-ber	Non-mem-ber
April 12th, 1933	5,425	7,392	1,256	2,959
June 30th, 1933	5,606	8,188	1,095	1,983
December 30th, 1933	6,011	8,333	512	1,257
June 30th, 1934	6,375	8,629	113	509
August 22nd, 1934	6,407	8,713	68	364
	Deposits : \$ (000,000's)			
April 12th, 1933	25,986	5,020	2,660	1,321
June 30th, 1933	26,564	5,072	1,266	1,064
December 30th, 1933	27,167	5,062	528	497
June 30th, 1934	31,012	4,979	112	234
August 22nd, 1934	31,027	4,981	72	179

deposits of banks in operation before the banking holiday. It will be observed that a considerably smaller proportion of member banks remained unlicensed than non-member banks; of the 68 member banks not licensed in August 1934, 58 were national banks and 10 were State banks.

Not all banks licensed to reopen continued to carry on business. Some went into voluntary liquidation, others were again closed or failed, and others lost their identity through amalgamation. On the other hand, not all deposits in unlicensed banks remained indefinitely tied up. Under the Bank Conservation Act of March 9th, 1933, the Comptroller of the Currency was authorised to appoint conservators of national banks, who might proceed to reorganise them and facilitate the prompt release of deposits through the instrumentality of a new bank organised to take over part of the business of each of the closed banks. The reopening of banks was further facilitated through borrowing from the Reconstruction Finance Corporation, and many of the member banks licensed to reopen after the banking holiday first strengthened their capital resources in this way. Receivers and liquidating agents of closed banks also borrowed from the R.F.C. in releasing funds to depositors, and in October 1933 this process was accelerated through the establishment of the Deposit Liquidation Board; from that month until the end of the year, the R.F.C. had authorised, through it, 776 loans aggregating \$300 million. Between March 16th, 1933, and the end of the year, 221 banks which had been licensed to reopen after the bank holiday suspended payments or were placed in liquidation or receivership or authorised to transact business only on a restricted basis; all but 15 of these were non-member banks, and their deposits amounted in aggregate to \$132 million. In the same period, 1,100 non-

licensed banks, with deposits of \$1,900 million, were placed in liquidation or receivership or absorbed or succeeded by other banks.

In the preceding edition of this volume, details were given regarding the Federal Deposit Insurance Corporation set up through the Banking Act of 1933. The Act provided for a temporary fund, insuring deposits up to \$2,500, to become effective on January 1st, 1934, and a permanent fund, insuring deposits up to \$5,000, to become effective on June 30th, 1934. (By an Act of June 16th, 1934, the temporary plan was extended for a year and the limit of insured deposits raised to \$ 5,000.) Licensed member banks were required to participate in the insurance fund, and non-licensed banks were authorized to apply for membership and were eligible if certified by the State authorities to have assets sufficient to cover deposit and other liabilities.

By June 30th, 1934, 14,170 banks had joined the temporary deposit insurance fund ; this number included 7,555 non-member commercial banks and 235 mutual savings banks. On that date — *i.e.*, when the fund became permanent — 21 non-member commercial banks announced their intention of withdrawing, as did 167 mutual savings banks. Of the latter, the great majority were New York institutions which preferred to join the recently established State insurance fund for mutual savings banks.

An aspect of the Federal Deposit Insurance scheme worthy of particular stress is the provision that, after July 1st, 1936, all insured banks must be members of the Federal Reserve system. As the Deposit Insurance Corporation now embraces over 90 per cent of all commercial banks in the United States (while the Federal Reserve system embraces only 40 per cent of the total number of commercial banks and 82 per cent of deposits), it would appear that a much larger section of American commercial banking than hitherto will in this way come under the unified supervision of the Federal Reserve authorities.

The growing importance of the member banks in the American commercial banking system during 1933 is brought out in Table 2 below, which shows

Table 2. — ALL BANKS * : LOANS AND INVESTMENTS (A) AND DEPOSITS (B), 1932-1934.

* (000,000's)	Total		Member banks		Non-member banks	
	A	B	A	B	A	B
31.XII.1932	44,946	41,643	27,469	24,803	10,182	16,840
30.VI.1933 ^b	40,089	38,011	24,786	23,338	10,044	14,674
30.XII.1933 ^b	40,419	38,594	25,220	23,771	9,989	14,824
30.VI.1934 ^b			27,175	26,615		
Change						
30.VI.1933- 30.VI.1934	Amount . . .		+2,380	+3,277		
	Per cent . . .		+9.6	+14.0		

* Including mutual and stock savings banks in addition to national banks, State banks, trust companies and private banks.

^b Beginning June 30th, 1933, figures relate to licensed banks only, with some exceptions as to non-member banks.

the movements of loans and investments and of deposits of all banks from the end of 1932 to the middle of 1934.

At the end of 1933, aggregate deposits, exclusive of inter-bank deposits, in all licensed banks in the United States were over \$3,000 million lower than at the end of the preceding year. Deposits in member banks were \$1,000 million, or 4 per cent, lower, while deposits in non-member banks were \$2,000 million, or 12 per cent, lower. At the end of 1933, the member banks accounted for 62 per cent of aggregate deposits of all banks, including mutual and stock savings banks, as compared with less than 60 per cent at the end of 1932.

The rapid growth in member-bank deposits in the year ending June 30th, 1934, is chiefly due to accessions to active membership, imports of gold following the passing of the Gold Reserve Act of 1934, and expenditure by the Treasury from its cash balances. The increase in net demand and time deposits during this year amounted to \$3,300 million, of which \$850 million represented United States Government deposits. It is estimated ¹ that, at the middle of 1934, total deposits (including inter-bank deposits) in member banks were \$7,500 million higher than just before the banking holiday in March 1933.

An examination of Table 2 will show that, in the year ending June 30th, 1934, net demand and time deposits of member banks increased by almost \$1,000 million more than total loans and investments. This difference is illustrative of the accumulation of unused cash resources by the commercial banks in the course of this year and of their desire to maintain their assets in the most liquid form possible. The growth of liquidity is, indeed, the most salient feature of American commercial banking during the year under review ; it manifests itself in several ways — *viz.*, in the accumulation of large excess cash reserves, in the repayment of indebtedness at the Federal Reserve banks and in the composition of the member banks' earning assets.

The accumulation of excess cash reserves and the repayment of indebtedness to the Federal Reserve banks are illustrated in Table 3.

Table 3. — EXCESS CASH RESERVES OF MEMBER BANKS AND BILLS DISCOUNTED AT FEDERAL RESERVE BANKS, 1933 AND 1934.

Averages of daily figures \$ (000,000's)	Excess reserves				Bills dis- coun- ted
	Total all mem- ber banks	New York City	Other Re- serve cities	"Coun- try" banks	
June 1933.	363	69	198	96	250
December 1933. . . .	766	96	473	197	117
March 1934	1,375	432	645	297	55
June 1934.	1,685	532	800	353	28

¹ Federal Reserve Bulletin, August 1934.

In the year ending June 1934, the excess cash reserves of member banks increased by \$1,320 million, while their bills discounted were reduced from \$250 to \$28 million — *i.e.*, by over \$220 million. It is particularly worthy of note that this increase in excess reserves was not concentrated in New York, but was fairly evenly distributed throughout the country. A special survey of the distribution of excess reserves during November 1933 showed that over half of all member banks held reserves

at least 20 per cent above legal requirements, while only 6 per cent were deficient in reserves.

It is of interest to enquire where the funds used by member banks to accumulate cash reserves and retire their rediscounts at the Federal Reserve banks came from. Some light is thrown on this question by Table 4 below, which shows the changes in certain related factors between June 1933 and June 1934.

Table 4. — ITEMS RELATED TO MEMBER BANK RESERVES.

Averages of daily figures \$ (100,000's)	Federal Reserve banks' holdings of :			Money in circulation	Bills discounted by Federal Reserve banks	Member-bank reserve balances	
	U.S. Govt. securities	Bills	Monetary gold stock			Total	Excess
June 1933.	1,933	13	4,317	5,742	250	2,160	363
June 1934.	2,424	7	5,021 ^a	5,341	28	3,790	1,685
Change	+491	-6	+704	-401	-222	+1,630	+1,322

^a Excluding profits of revaluation (\$2,800 million).

The Federal Reserve bank purchases of securities in the open market, which took place chiefly between the months of May and October 1933, were mentioned in the last edition of this volume; during the year under review, these purchases aggregated nearly \$500 million. The Gold Reserve Act of January 31st, 1934, reduced the gold value of the dollar to 59.06 per cent of its old gold parity, while its value in the exchange market, in relation to foreign currencies, was 63 per cent of par. This disparity, which persisted for some time, made it profitable to ship gold to the United States: during February, \$45 million of gold was imported and \$68 million released from earmark, and during the next four months almost \$400 million was imported. The increase in the monetary gold stock, as shown in Table 4, was over \$700 million from June 1933 to June 1934. As money was paid out by the Federal Reserve banks to purchase this gold, it was deposited in commercial banks and became available for the reduction of indebtedness and the building-up of excess cash reserves. Finally, money in circulation was reduced by \$400 million during this year, representing partly dehoarding of currency¹. Through these three sources (open-market purchases, gold imports and dehoarding) the banks had available \$1,600 million of Federal Reserve money, which they used chiefly to accumulate legal and excess reserves. Additional funds were created by the expenditure by the Treasury of part of its profit of \$2,800 million acquired through the revaluation of gold. Whether used to support the market in Government securities or to acquire foreign currencies with a view to limiting a rise in the dollar, such expenditure has,

of course, the result of enlarging the total volume of cash in the banking system.

The tendency towards increased liquidity through a change in the character of bank assets is further disclosed in Table 5, which shows in detail the changes which took place in the volume and distribution of credit extended by banks members of the Federal Reserve system from June 30th, 1933, to June 30th, 1934.

The increase in member banks' total loans and investments in the year ending June 30th, 1934, was entirely due to purchases of Government and other securities. Total investments increased by \$2,725 million, while total loans declined by \$335 million. Government securities alone rose by 33 per cent during this year, and at the middle of 1934 constituted more than one-third of the total earning assets of the member banks, as compared with 28 per cent a year earlier and 11 per cent in 1929. From June 30th, 1933, to June 30th, 1934, the gross United States Government debt increased from \$22,539 to \$27,053 million — *i.e.*, by \$4,500 million; it is apparent that half of this increase was absorbed by member banks. At the end of June 1934, the latter held over one-third of the gross amount of all United States Government securities outstanding.

The rise of \$475 million in securities other than Government bonds is entirely due to purchases of Government-guaranteed obligations issued by various State agencies. All classes of customers' loans were lower in June 1934 than in June 1933; the decline was most marked for security loans; "all other" loans, which include the bulk of genuine short-term commercial credits extended by

¹ The greater part of the reduction, however, is due to the fact that "gold coin in circulation" is excluded from "money in circulation" in the figure for June 1934. The amount is estimated at \$287 million. But a corresponding figure is also excluded from "monetary gold stocks", so the present calculation is not affected by the exclusion.

Table 5. — MEMBER BANKS : LOANS AND INVESTMENTS BY CLASSES, JUNE 30TH, 1933, AND JUNE 30TH, 1934.

Accounts	June 30th, 1933	June 30th, 1934	Difference		Percentage distribution of loans and investments		
	\$ (000,000's)	\$ (000,000's)	\$ (000,000's)	%	October 4th, 1929	June 30th, 1933	June 30th, 1934
1. Total loans	12,858	12,523	- 335	- 3	73.9	51.9	46.1
(a) Loans to customers :							
(i) Security loans . .	3,916	3,516	- 400	- 10	22.6	15.8	12.9
(ii) Real estate loans .	2,372	2,357	- 15	- 1	8.8	9.6	8.7
(iii) " All other " loans.	5,049	4,933	- 118	- 2	33.3	21.2	18.1
(b) Loans to banks	330	153	- 177	- 53	1.9	1.3	0.6
(c) Open market loans	1,191	1,566	+ 375	+ 31	6.3	4.8	5.8
2. Total investments	11,928	14,652	+ 2,724	+ 23	27.1	48.1	53.9
(a) U.S. Government securities	6,887	9,137	+ 2,250	+ 33	11.2	27.8	33.6
(b) Other securities	5,041	5,515	+ 474	+ 9	15.9	20.3	20.3
Total loans and investments	24,786	27,175	+ 2,389	+ 10	100.0	100.0	100.0

the banks, declined by \$100 million in the course of the year and constituted 18 per cent of the total earning assets of member banks in 1934, compared with over 21 per cent in 1933 and 33½ per cent in 1929. Loans to banks fell away by over 50 per cent, no doubt reflecting both the growing liquidity of banks and the increased importance of governmental institutions in supplying their credit requirements. Open-market loans, on the other hand, increased by \$375 million, or over 30 per cent, during this year, and constituted nearly as high a proportion of total loans and investments in 1934 as in 1929. The increase was chiefly due to loans to brokers, which rose from \$788 to \$1,084 million — i.e., by almost \$300 million ; the rise was especially marked during the second quarter of 1934. The banks also increased their purchases of

commercial paper in the open market, but their holdings of acceptances were reduced.

It is not necessary to insist further upon the high degree of liquidity represented by the figures given in Table 5. At the end of June 1934, member banks' cash reserves plus Government securities constituted well over half their aggregate deposit liabilities (over 80 per cent of their sight deposit liabilities), and a substantial part of the remainder was represented by items with the Federal Reserve banks in course of collection, balances due from other banks, exchanges for clearing-house and similar readily realisable items.

The movement of bank accounts since the end of June 1934 may be examined on the basis of Table 6, which shows the principal accounts of reporting member banks in 91 leading cities.

Table 6. — REPORTING MEMBER BANKS IN LEADING CITIES ; PRINCIPAL ACCOUNTS.

\$ (000,000's)	Total loans and investments	Loans		Investments		Deposits		
		On securities	All other	U.S. Govt.	Other	Net demand	Time	Govt.
1934 : June 27th	17,737	3,529	4,485	6,665	3,058	12,504	4,501	1,357
July 25th	17,728	3,493	4,445	6,671	3,119	12,755	4,501	1,296
August 29th	17,708	3,247	4,555	6,627	3,279	12,926	4,510	1,203
September 26th	17,789	3,110	4,713	6,631	3,365	13,112	4,471	1,092
October 31st	17,837	3,051	4,756	6,639	3,391	13,476	4,474	851

The increase in deposits continued during the third quarter of 1934 ; while aggregate loans and investments of reporting member banks remained substantially unchanged, marked variations occurred in certain items. Particularly worthy of note are the increases in " all other loans ", amounting to \$110 million in August and \$160 million in September. The amounts are not large, but these represent almost the first reversal in the uniformly downward trend of this item (which represents the bulk of the banks' commercial

credit outstanding) since the beginning of the depression. The increase is largely due to the higher prices of farm crops. Loans on securities, on the other hand, fell by \$450 during this quarter. The steady increase in Government securities which had characterised the preceding period was stopped, but the banks added substantially to their holdings of other securities. At the end of August, excess cash reserves reached the record figure of \$1,900 million ; but, as a result of the seasonal increase in the demand for currency and an increase

in the volume of Government deposits with the Reserve banks, they fell to \$1,750 million during September.

In spite of the large increase in commercial bank deposits which occurred during the second half of 1933 and in 1934 — a reflection chiefly of the excess of governmental expenditure over receipts — the increase in the volume of bank transactions was by no means in correspondence. This is shown in Table 7 below, which gives the monthly average of debits to individual accounts by six-monthly periods for 140 cities, excluding New York City.

Table 7. — BANK DEBITS TO INDIVIDUAL ACCOUNTS.

Monthly average	\$ (000,000's)	
	January-June	July-December
1929	26,725	28,598
1930	24,251	21,969
1931	19,348	16,907
1932	13,710	12,024
1933	11,510	12,785
1934	13,699	16,419

Though average monthly debits touched their lowest point in the first half of 1933 (when they were 45 per cent lower than in 1929) and have risen somewhat since then, they still remain very low, particularly when regard is had to the fact that total deposits in the second half of 1934 were not much below the 1929 level. This is due, of course, to a fall in the velocity of circulation of bank deposits; the trend of this index during 1934 along with the movement of deposits in member banks is shown in Table 8.

Table 8. — DEPOSITS IN MEMBER BANKS AND THEIR VELOCITY OF CIRCULATION, 1934.

1934	Net demand and time deposits in member banks		Velocity of circulation of demand deposits	
	New York City	Out-side New York City	New York City	Out-side New York City
	\$ (000,000's)		1919-1925 = 100	
January	6,348	17,900	53	72
February	6,370	18,304	59	72
March	6,671	18,617	54	72
April	6,992	19,017	63	72
May	7,001	19,362	51	72
June	7,168	19,530	53	73
July	7,236	19,837	52	72
August	7,252	20,058	48	68
September	7,300	20,315	45	66
October	7,409	20,625	41	63
November	7,465	22,899	40	64
December	7,512	21,026	47	71

It will be recalled that the rapid expansion of business activity in the United States in the spring and early summer of 1933 was financed less by an expansion of bank credit than by a more effective utilisation of existing credit — *i.e.*, by an increase in the velocity of circulation of bank deposits. In July 1933, the indices of velocity stood at 75 for New York City and 90 for the rest of the country, as compared with 44 and 73 at the beginning of the year. By the end of the year, the index of velocity outside New York City had fallen back to 72, and it remained at that level until August 1934, when it fell to 68, the lowest figure recorded since. The New York index also dropped to a low level in August. It is apparent, then, that the recent rise in bank deposits, brought about chiefly through the direct and indirect repercussions of governmental and Federal Reserve bank activity, has been partly compensated by a decline in the effective rate of use of private deposits, reflected in the low level and downward trend of the indices representing the velocity of circulation of demand deposits.

It has already been shown in Table 4 above that the accumulation of large cash reserves in excess of legal requirements was accompanied by a contraction in member banks' borrowings from the Federal Reserve banks. At the end of October 1934, excess reserves of member banks stood at \$1,750 million and were nearly as high as legal reserves. The banks were practically free of debt to the Federal Reserve banks; bills discounted stood at \$11 million, compared with \$115 million a year earlier and nearly \$1,500 million at the height of the banking crisis in March 1933. The figure for bills discounted was the lowest reached since the first days of the Federal Reserve system. The commercial banks also repaid part of their borrowings from the Reconstruction Finance Corporation during this period. The outstanding loans of the latter to banks and trust companies, including receivers, liquidating agents and conservators, reached the high level of \$719 million at the end of 1933; by the end of August 1934 they had fallen to \$595 million¹. Some of the liquidation of indebtedness may reflect the purchase by the Reconstruction Finance Corporation of preferred stock and capital notes of banks, which are not included in the above figures; these aggregated \$780 million at the last date mentioned. It would seem, however, that most of the banks which sold the R.F.C. their own capital obligations were out of debt; this is indicated in the large amounts of preferred stock sold by New York banks.

The increase in bank deposits and accumulation of large excess cash reserves could not fail to exercise a depressing effect on the interest and

¹ The aggregate amount of loans disbursed by the R.F.C. to banks from its establishment in February 1932 to the end of September 1934 is \$1,680 million; total disbursements for all purposes exceeded \$5,000 million.

money rates, and these sank to very low levels in 1933 and 1934. The following table shows the movement of the principal money rates in New York in recent years.

Table 9. — MONEY RATES IN NEW YORK.

Per cent per annum	Jan. 1933	March 1933	July 1933	Jan. 1934	July 1934
Federal Reserve Bank of New York rediscount rate . . .	2½	3½	2½	2	1½
Stock Exchange call loans . . .	1	3.32	1	1	1
Prime commercial paper, 4 to 6 months . . .	1½—1½	1½—4½	1½—1¾	1½	¾—1
Prime bankers' acceptances, 90 days . . .	½—½	1½—3¾	½—½	½	½—½
Customers' rate on commercial loans	4.12	4.98	3.93	3.58	3.30
Average yield on Treasury bills	0.21	2.20	0.35	0.66	0.07

By the middle of 1933, money rates had fallen back to the low levels prevailing before the banking crisis, and during the next year their trend was, in spite of heavy Government borrowing, still further downward.

Apart from the Gold Reserve Act and the Silver Purchase Act of 1934, the most important piece of legislation directly affecting commercial banking passed since the last issue of this volume is the amendment to the Federal Reserve Act of June 19th, 1934, authorising the Federal Reserve banks to supply working capital to industrial and commercial enterprises within prescribed limitations. The Federal Reserve banks may discount or buy from "any bank, trust company, mortgage company, credit corporation for industry, or other financing institute" obligations maturing within five years entered into for the above-mentioned purpose. The financing institution must itself advance at least 20 per cent of the working capital or must obligate itself for at least 20 per cent of any loss suffered by the Federal Reserve Bank. In exceptional circumstances, the Federal Reserve banks may make direct working capital advances to established private industries. The aggregate amount of credit which may be outstanding at any time under these provisions is limited to the combined surplus of the Reserve banks as at July 1st, 1934 (\$280 million), plus amounts paid to the banks by the Secretary of the Treasury for the purpose. At the end of October 1934, working capital loans outstanding amounted to \$5 million.

The Reconstruction Finance Corporation Act was also amended to permit the Corporation to make direct loans to commercial and industrial businesses established before 1934 in cases where credit at

prevailing bank rates is not otherwise available at banks. The loans may not be of more than five years' maturity; they must be adequately secured; they may be made either directly or in co-operation with banks; the aggregate amount of loans to any one borrower is fixed at a maximum of \$500,000; and the Corporation's loans of this type outstanding at any one time are not to exceed \$300 million. The amount outstanding at the end of August 1934 was \$275,000.

As in previous editions of this *Memorandum*, the attached summary tables are based upon statistics published in the Annual Reports of the Comptroller of the Currency. The various State authorities do not impose uniform methods of classification of accounts upon the banks operating under their respective jurisdictions, and the addition of the reports of the various State institutions necessarily entails certain errors or discrepancies. For the first time, a uniform balance-sheet statement covering the great majority of the commercial banks in the United States has recently become available, and is reproduced below. The report is issued by the Chairman of the Federal Deposit Insurance Corporation and shows the situation, as at June 30th, 1934, of the 13,867 commercial banks which are members of the Federal Deposit Insurance Fund. These banks represent over 90 per cent of all licensed commercial banks in the United States.

ASSETS.		LIABILITIES.	
\$(1,000,000's)		\$(1,000,000's)	
Cash in vault . . .	621.2	Capital stock, notes, debentures	3,310.6
Balances with Federal Reserve banks and in course of collection . .	4,335.1	Surplus	1,959.0
Due from domestic banks . . .	4,171.5	Undivided profits	469.2
Due from foreign banks	237.1	Reserves	491.4
U. S. Government securities	10,295.7	Demand deposits	14,874.9
State and municipal securities	2,278.0	Time deposits . .	11,940.6
Foreign securities	334.0	U. S. and postal savings deposits	1,784.1
Other securities . .	3,428.9	Other public deposits	2,407.0
Stock in Federal Reserve banks.	146.0	Due to domestic banks	4,532.1
Loans and discounts	15,161.1	Due to foreign banks	155.9
Guarantees and cover for acceptances . . .	261.8	Restricted deposits	71.7
Premises	1,208.2	Notes in circulation	694.8
Other real estate	424.3	Bills payable and rediscounts . . .	72.3
Other assets	470.1	Acceptances	293.0
Total assets	43,373.1	Other liabilities	316.5
		Total liabilities	43,373.1

As this balance-sheet is, in certain respects, more comprehensive than those which have hitherto been available, as well as being more complete with respect to number of banks, it is to be hoped that similar statements will be regularly published in the future.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF JUNE:				
	1929	1930	1931	1932	1933
Number of : Banks	23,972	22,759	20,817	18,067	13,829
Branches	—	—	—	—	—
ASSETS.					
	\$ (000,000's omitted)				
1. Cash	3,910	4,133	4,124	3,307	3,270
(a) Gold, silver and small coins	71	71	91	66	4
(b) Inland notes and balances with Central Bank	3,839	4,062	4,033	3,241	3,266
2. Other Items of a Cash Nature	1,680	2,880	1,941	976	1,097
3. Bills discounted and bought	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	13,191	13,694	15,220	13,679	13,518
(a) Government	4,975	4,838	7,220	7,524	8,914
(b) Other	8,216	8,856	8,000	6,155	4,604
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	3,323	3,712	3,768	2,544	2,886
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	34,625	33,695	28,398	21,356	16,002
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	450	586	938	528	442
9. Premises, etc.	1,601	1,656	1,652	1,521	1,225
10. Sundry Assets	1,796	1,847	1,655	1,110	1,016
11. Total Assets	60,576	62,203	57,696	45,021	39,456
LIABILITIES.					
12. Capital paid up	3,735	3,829	3,618	3,274	2,869
13. Reserve Funds	4,034	4,403	4,229	3,644	2,744
14. Profit-and-Loss Account, Undivided Profits, etc.	936	986	833	555	497
15. Notes in circulation	649	652	639	652	730
16. Cheques and Drafts, etc., in circulation	837	1,614	1,083	566	653
17. Due to Banks (Correspondents)	3,621	4,331	4,823	3,207	3,314
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	42,985	43,288	39,713	30,597	27,047
(a) Current accounts and sight deposits	24,032	23,960	21,208	16,322	15,212
(b) Savings accounts	18,654	19,000	18,042	13,845	10,956
(c) Time or fixed deposits	299	328	463	430	879
(d) Other deposits	1,624	661	449	1,214	482
19. Rediscounts and other Borrowings	450	586	939	528	442
20. Acceptances and Endorsements	1,705	1,853	1,370	784	678
21. Sundry Liabilities	—	—	—	—	—
22. Total Liabilities	60,576	62,203	57,696	45,021	39,456
23. Value of currency in Swiss francs at end of June of each year	5.18	5.18	5.18	5.18	4.23

¹ Abstract of combined reports of : National, State (Commercial) and Private banks, and Loan and Trust Companies.

UNITED STATES OF AMERICA. NATIONAL BANKS

Table 26 (a) II.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF JUNE :				
	1929	1930	1931	1932	1933
Number of Banks	7,536	7,252	6,805	6,150	4,902
ASSETS.					
	§ (ooo,ooo's omitted)				
1. Cash.	1,643	1,764	1,787	1,490	1,700
(a) Gold, silver and small coins	51	49	53	39	2
(b) Inland notes and balances with Central Bank.	1,592	1,715	1,734	1,451	1,698
2. Other Items of a Cash Nature	785	1,298	854	427	483
3. Bills discounted and bought.	—	—	—	—	—
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities.	6,656	6,888	7,675	7,197	7,372
(a) Government	3,561	3,546	4,253	4,384	5,100
(b) Other	3,095	3,342	3,422	2,813	2,272
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	1,854	2,353	2,354	1,569	1,936
(a) At home.	1,777	—	—	—	—
(b) Abroad	77	—	—	—	—
7. Loans and Advances.	14,811	14,897	13,185	10,286	8,120
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances.	393	511	442	279	229
9. Premises, etc.	748	788	796	760	642
10. Sundry Assets	550	617	550	360	379
11. Total Assets	27,440	29,116	27,643	22,368	20,861
LIABILITIES.					
12. Capital paid up.	1,627	1,744	1,688	1,569	1,516
13. Reserve Funds	1,634	1,765	1,687	1,458	1,105
14. Profit-and-Loss Account, Undivided Profits, etc.	488	546	444	303	236
15. Notes in circulation.	649	652	639	652	730
16. Cheques and Drafts, etc., in circulation	373	738	531	241	244
17. Due to Banks (Correspondents)	2,176	2,680	2,746	1,800	1,970
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	19,049	19,851	18,920	15,419	14,561
(a) Current accounts and sight deposits	10,504	10,926	10,106	7,941	7,894
(b) Savings accounts	8,317	8,753	8,579	7,265	6,217
(c) Time or fixed deposits	228	172	235	213	450
(d) Other deposits	714	229	154	507	118
19. Rediscounts and other Borrowings	393	511	443	279	229
20. Acceptances and Endorsements.	337	400	391	140	152
21. Sundry Liabilities.	27,440	29,116	27,643	22,368	20,861
22. Total Liabilities.	27,440	29,116	27,643	22,368	20,861
23. Value of currency in Swiss francs at end of June of each year.	5.18	5.18	5.18	5.18	4.23

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS ENDING JUNE 30 TH :				
	1929	1930	1931	1932	1933
Number of Banks.	7,536	7,252	6,805	6,150	4,902
	\$ (ooo,ooo's omitted)				
Capital paid up.	1,627.4	1,744.0	1,687.7	1,569.0	1,517.2
Reserve Funds	1,479.0	1,591.3	1,493.9	1,259.4	940.6
1. Gross Profits	970.4	973.3	894.6	787.9	689.4
<i>To be deducted.</i>					
2. Expenses.	497.2	513.4	498.5	427.1	394.5
(a) Salaries, etc.	271.8	276.1	275.6	239.2	204.5
(b) Other working expenses	159.4	171.2	158.8	139.8	149.0
(c) Taxes, etc.	66.0	66.1	64.1	48.1	41.0
3. Reserved for Pension Funds, etc.	—	—	—	—	—
4. Amounts written off on (Depreciation Accounts).	171.4	213.6	343.5	500.5	513.3
(a) Premises, etc.	25.1	28.8	18.4	17.7	15.9
(b) Investments and securities.	130.5	165.4	306.4	464.1	474.6
(c) Other assets	15.8	19.4	18.7	18.7	22.8
5. Remaining Net Profit or Loss (—)	301.8	246.3	52.6	—139.7	—218.4
6. Carried forward from preceding year.	—	—	—	—	—
7. Taken from Reserves or Capital.	—	—	158.7	308.9	317.5
8. Total Amount disposed of for Dividends, etc.	301.8	246.3	211.3	169.2	99.1
9. Dividends	222.7	237.0	211.3	169.2	99.1
10. Carried to Reserves	—	—	—	—	—
11. Directors' Fees, etc.	79.1	9.3	—	—	—
12. Carried forward to following year	—	—	—	—	—
13. Total as above	301.8	246.3	211.3	169.2	99.1
14. Value of currency in Swiss francs at end of June of each year.	5.18	5.18	5.18	5.18	4.23

Balance-sheet Summary.

Unless otherwise indicated, the following notes refer to Table 26 (a) I, showing the combined accounts of national banks, State banks, trust companies and private banks. The figures for 1933 relate only to licensed banks.

I. Cash.

The amounts shown in the Summary Table for gold, silver and small coins are composed in the years under review as follows :

\$ (ooo,ooo's)	1929	1930	1931	1932	1933
Gold coin	25	25	23	23	2
Gold certificates	46	46	68	43	2
Total (1 (a))	71	71	91	66	4
Paper currency	444	470	564	520	461
Cash not classified	256	274	177	136	134
Reserve with Federal Reserve banks or reserve agents.	3,139	3,318	3,292	2,585	2,671
Total (1 (b))	3,839	4,062	4,033	3,241	3,266
Grand total :					
(1 (a)+(b)).	3,910	4,133	4,124	3,307	3,270

2. *Other Items of a Cash Nature.*

The amounts shown under this heading in the Summary Table consist of cheques on other banks and exchanges for the clearing house.

3. *Bills discounted and bought.*

Discounts are included under "Loans and Advances" in group 7 of the Summary Table (see note to that group).

4. *Investments and Securities.*

The amounts shown in the Summary Table are composed as follows in the years under review :

\$ (000,000's)	1929	1930	1931	1932	1933
<i>Government (public) securities:</i>					
United States bonds	3,744	3,616	5,471	5,832	7,143
State, county or municipal bonds	1,231	1,222	1,749	1,692	1,771
Total (4 (a))	4,975	4,832	7,220	7,524	8,914
<i>Other securities:</i>					
Railroad and other public service bonds	1,907	2,069	2,490	2,075	1,642
Other bonds, stocks, warrants, etc.	6,309	6,787	5,510	4,080	2,962
Total (4 (b))	8,216	8,856	8,000	6,155	4,604
Grand total : (4 (a) + (b))	13,191	13,694	15,220	13,679	13,518

6. *Due from Banks.*

Sums due from foreign correspondents are not shown separately in the official summary balance-sheets ; separate figures available for national banks for the end of June, 1929 and 1933, are shown below :

\$ (000,000's)	1929	1933
Items with Federal Reserve banks in process of collection	444	282
Due from banks and trust companies in the United States	1,333	1,570
Total due from banks at home (6 (a))	1,777	1,852
Balances payable in dollars from foreign branches of American banks.	1	1
Due from banks and bankers in foreign countries.	76	83
Total due from banks abroad (6 (b))	77	84
Grand total	1,854	1,936

7. *Loans and Advances.*

The composition of this item is as follows :

\$ (000,000's)	1929	1931	1932	1933
1. Commercial paper, etc., bought in the open market	2,729	1,057	638	497
2. Overdrafts	57	46	15	11
3. Loans to banks	372	369	489	316
4. Loans secured by United States and other bonds	11,146	9,043	5,956	4,651
5. Loans secured by real estate.	4,540	4,315	3,979	3,497
<i>Whereof:</i>				
Farm land.	1,855	440	495	375
Other real estate.	2,684	3,875	3,484	3,122
6. All other loans.	15,781	13,568	10,279	7,030
Grand total (1 to 6).	34,625	28,398	21,356	16,002

Loans and discounts, as shown in the summary tables and above, include paper rediscounted at Federal Reserve banks and other institutions ; liability on account of rediscounts is shown separately in the note to group 19 below.

9. *Premises.*

The amounts shown in the Summary Table refer only to buildings, furniture, fixtures, etc., used in the business of the banks. Other real estate held by them is included under "Sundry Assets".

15. *Notes in Circulation.*

This item shows the gross note circulation of the national banks.

16. *Cheques and Drafts in Circulation.*

This item consists of certified cheques, cashiers' cheques, dividend cheques, cash letters of credit and travellers' cheques outstanding.

17. *Due to Banks (Correspondents).*

In the years under review, about two-thirds of the amounts due to banks were reported by national banks.

No distinction is made in the official summary balance-sheets between sums due to banks at home and abroad. In a separate statement for national banks, however, the composition of this item in 1929 and 1933 is shown as follows :

\$ (000,000's)	1929	1933
Due to Federal Reserve banks (deferred credits).	37	26
Due to other banks and trust companies in the United States.	1,935	1,876
Due to banks in foreign countries	204	68
Total	2,176	1,970

18. *Deposits.*

The composition of the amounts shown in the Summary Table in the years under review is as follows :

\$ (000,000's)	1929	1930	1931	1932	1933
Individual deposits subject to check . . .	21,281	20,955	18,565	14,249	13,364
Demand certificates of deposits	409	402	367	248	184
State, county and municipal deposits	1,873	1,912	1,849	1,538	1,273
Other demand deposits	469	691	427	287	391
Total (a), sight deposits	24,032	23,960	21,208	16,322	15,212
Savings account deposits	14,045	13,859	12,714	9,760	7,457
Time certificates of deposit	3,063	3,030	2,881	2,069	1,610

\$ (000,000's)	1929	1930	1931	1932	1933
Other time deposits	906	1,150	1,543	1,006	762
Postal savings deposits	89	139	261	647	770
State, county and municipal deposits	418	509	484	310	292
Deposits of other banks	133	313	160	53	65
Total (b), time deposits	18,654	19,000	18,043	13,845	10,956
United States deposits	281	246	444	421	852
Unclassified deposits	18	82	19	9	27
Total (c), other deposits	299	328	463	430	879
Grand total	42,985	43,288	39,713	30,597	27,047

19. *Rediscounts and Other Borrowings.*

The amounts shown in the Summary Table include bills payable as well as rediscounts with the Federal Reserve and other banks.

Summary of Profit-and-Loss Accounts.

The attached summary table of profit-and-loss accounts refers to licensed national banks ; similar data with regard to State banks, trust companies and private banks are not published in the reports of the Comptroller of the Currency.

I. *Gross Profits.*

The composition of gross profits since 1929 has been as follows :

\$ (000,000's)	1929	1930	1931	1932	1933
Net interest and discount earned	747.6	740.4	660.9	584.3	496.4
Exchange and collection charges	18.1	18.3	15.2	12.1	14.1
Foreign exchange	12.4	13.5	15.3	18.2	12.5
Insurance and real estate loans	0.9	0.9	0.7	0.6	—
Trust department	20.6	22.8	26.7	22.4	21.5
Profits on securities sold	35.1	41.7	50.3	24.9	—
Recoveries on assets previously written down	35.6	31.6	35.3	42.3	78.6
Other earnings	100.1	104.1	90.2	83.1	66.3
Total	970.4	973.3	894.6	787.9	689.4

4. *Amounts written off.*

The composition of the amounts charged is given below :

\$ (000,000's)	1929	1930	1931	1932	1933
Loans and discounts	86.8	103.8	186.9	259.5	231.4
Bonds, securities, etc.	43.5	61.4	119.3	201.8	236.6
Foreign exchange	0.2	0.2	0.2	2.8	(6.6)
Total	130.5	165.4	306.4	464.1	474.6

The last item shown for 1933 represents the amount written off real estate.

6. *Carried forward from Preceding Year.*

The amounts carried forward from preceding year are not shown separately in the official statistics.

7. *Taken from Reserves, etc.*

The amounts shown in the Summary Table are not given in the official statistics, but represent the difference between net profit or loss and dividends declared.

10, 11 and 12. *Carried to Reserves. Directors' Fees. Carried forward to Following Year.*

The official statistics give no indication of the disposal of the net profits in excess of the declared dividends.

ARGENTINE

Introductory Note.

The principal factors affecting the Argentine banking situation during 1933 were (1) the depreciation of the exchange and gradual freeing of transactions in foreign currencies, (2) the progressive release of foreign accounts hitherto blocked, and (3) the reduction in interest rates and internal conversion loans.

From the beginning of 1932 to the first months of 1933, the Argentine peso was pegged against the dollar at a level equivalent to a depreciation of about 40 per cent in relation to its gold parity. When the American currency weakened during the banking crisis of March 1933 and during its subsequent depreciation, the Argentine Exchange Committee fixed the value of the peso at 15.47 paper pesos = 100 French francs — a rate still equivalent to a 40 per cent depreciation below gold. This rate was maintained up to the end of November 1933 ; but, as it was relatively high, the export surplus dwindled, the exchange market became tight, and funds blocked under the exchange restriction legislation continued to accumulate.

At the end of November 1933, the official peg against the franc was reduced to a lower level — *i.e.*, from a depreciation of 40 to one of 50 per cent. At the same time, a system of multiple exchange rates was introduced and an increasing proportion of transactions came to be carried out at non-official rates, which were considerably below the official rates. The official market in exchange deals exclusively with exchange derived from exports ; the banks acquire this exchange from exporters at a price fixed from time to time by the Ministry of Finance and put it at the disposal of the Exchange Committee, which has charge of its sale. Government requirements constitute a first charge against this exchange ; the remainder is auctioned each day and sold to the highest bidders. The profit made in the official sale of exchange is used in part to compensate the Government for the increased cost of the service of debt held abroad, and in part to finance the operations of the Grain Regulation Board. The latter body was set up in November 1933 to buy grain from farmers at certain fixed basic prices and market them abroad at world prices ; the loss was to be covered out of exchange profits. In fact, as a result chiefly of the American drought, the Board did not make losses on its operations, and the whole of the exchange profits were available for other purposes. Since January 1934, the official buying rate has been based on the pound sterling at 15 paper pesos to the pound.

The free market consists in exchange derived from the export of certain goods not previously exported and from all sources other than exports

— *e.g.*, investments of foreign capital, return flow of Argentine capital, etc. Competition for this exchange is completely free ; at the middle of 1934, the free rate represented a depreciation against gold of 65 per cent, while the official rate was 50 per cent below the old gold parity.

The first steps towards the release of blocked balances in the Argentine were taken in October 1933 in the form of a trade Convention signed with the United Kingdom. The arrangement consisted, in effect, of the funding of blocked accounts through the issue of a twenty-year 4 per cent sterling loan ; the rate of conversion of peso balances into sterling was fixed at 43*d.* to the gold peso. British holders of blocked accounts subscribed to this loan to the extent of £13.5 million (about 175 million paper pesos). Some months later, similar arrangements were entered into with American and continental European holders of frozen Argentine exchange. These loans amounted, along with an extension of the sterling loan, to a further 150 million pesos.

In consequence of these measures, the Government came into possession of substantial funds, which it deposited with the Banco de la Nación Argentina. The other banks accordingly lost cash to it, and the Banco de la Nación in turn retired rediscounts effected at the Caja de Conversión in 1931 and 1932. Consequently, there was a decline in the amount of cash held within the banking system ; in the course of 1933, banks' cash reserves fell by 125 million pesos, while their rediscounts declined by 100 millions. This decline in cash reserves, which was concentrated in the second half of the year, did not result in any contraction of bank credit. On the contrary, the contraction of credit, which had reduced total loans by over 500 million pesos between the end of 1930 and the middle of 1933, came to an end in the second half of the latter year, when total loans were increased by over 25 million pesos ; in the first two months of 1934, they rose by a further 25 million pesos. The reduction in rediscounts greatly improved the banks' liquidity, and the freeing of exchange market and rising of the rate on foreign currencies stimulated foreign trade activity.

As a result, in part, of the initiative taken by the Government, the bank agreed upon a uniform reduction in loan and interest rates in September 1933. New loan business was undertaken at rates ranging from 5½ to 6½ per cent, representing a reduction of 2 per cent below rates previously prevailing, and the rate of interest allowed on savings bank deposits was reduced to 2½-3½ per cent. No limit was fixed to the interest which might be paid by banks on time deposits.

Very soon after these rate reductions went into effect, the Government announced its intention of converting the entire issue of 6 per cent and 5½ per cent internal debt bonds, amounting to 1,600 million pesos, on a 5 per cent basis. The National Mortgage Bank bonds were also converted at the same time. Part of the funds derived from the blocked account loans were used to repay the small minority of bondholders who applied for cash rather than accept the conversion loan.

Currency in the hands of the public remained substantially unchanged during 1933; the aggregate note issue of the Caja de Conversión fell (as a result of the retirement of rediscounts mentioned above) from 1,389 to 1,214 million pesos. The visible gold stocks of the Caja de Conversión fell from 584 to 561 million gold pesos, and the gold reserve ratio went up from 43.6 to 46.2 per cent. The reduction in the gold reserves of the Caja was due to shipments of gold made to London after the further depreciation of the peso in November 1933.

In 1933, bank clearings were 1,150 million pesos, or almost 4 per cent lower than in 1932 (more than 40 per cent lower than in 1929); but the quarterly figures, particularly for the Federal Capital, show

signs of improvement — or at least diminishing aggravation — towards the end of the year.

Pesos (000,000's)	First quarter	Second quarter	Third quarter	Fourth quarter	Year
Federal Capital	6,637	6,357	6,011	5,803	24,808
1932	5,741	6,034	5,690	6,983	24,448
% change	-13.5	-5.1	-5.3	+20.3	-1.5
Interior	1,306	1,291	1,187	1,119	4,903
1932	1,089	1,042	994	996	4,121
% change	-16.6	-19.3	-16.3	-11.0	-15.9

As in the previous edition, the attached Summary Table is based upon statistics published in the *Economic Review* of the Banco de la Nación Argentina, and includes that bank as well as the ordinary joint-stock banks. Double counting as between the various banks has, as far as possible, been eliminated. The figures are not identical with those previously given, as a new series published in the April-June 1934 number of the *Economic Review* includes three important establishments not previously taken into account. The attached figures are fully representative and are comparable over the whole period covered.

Balance-sheet Summary.

1. Cash.

The amounts shown under (a) consist entirely of gold. Those shown under (b) consist of notes held by the Banco de la Nación and the ordinary banks and clearing-house balances held by the ordinary banks to the following amounts:

Pesos (000,000's)	1929	1930	1931	1932	1933
Notes	292	318	383	552	376
Banco de la Nación	(97)	(92)	(114)	(166)	(110)
Ordinary banks	(195)	(226)	(269)	(386)	(266)
Clearing-house balances of ordinary banks	84	127	124	86	135
Total	376	445	507	635	511

The amounts shown as clearing-house balances are held with the Banco de la Nación, which acts as clearing-house. They are included by that bank as part of its own cash reserves in its published balance-sheet. To avoid double counting, however, they are not shown as part of the cash holdings of the Banco de la Nación in the present group and are likewise excluded from its deposit liabilities in group 17.

2. Other Items of a Cash Nature.

The amounts shown under this heading consist of sight deposits held by the ordinary banks in banks other than the Banco de la Nación.

3. Bills discounted and bought.

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

Pesos (000,000's)	1929	1930	1931	1932	1933
Banco de la Nación	681	683	675	633	569
Ordinary banks	1,003	1,016	1,035	925	872
Total	1,684	1,699	1,710	1,558	1,441

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

The basic statistics show only the net balance of sums due to or from foreign banks at the end of each year.

Pesos (000,000's)	1929	1930	1931	1932	1933
Banco de la Nación	+55	+72	0	+10	+12
Ordinary banks	+37	-97	-46	-37	+10
Total	+92	-25	-46	-27	+22

Sight balances of banks with other domestic banks are included in group 2 (see note to that group).

ARGENTINE.

COMMERCIAL BANKS

Table 27 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of Banks	26	26	26	26	26
ASSETS.					
	Pesos (ooo,ooo's omitted)				
1. Cash	470	467	514	643	516
(a) Gold, silver and small coins	94	22	7	5	5
(b) Inland notes and balances with Central Bank	376	445	507	638	511
2. Other Items of a Cash Nature	93	136	77	121	136
3. Bills discounted and bought	1,684	1,699	1,710	1,558	1,441
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	211	242	271	262	242
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	92	—	—	—	22
(a) At home	—	—	—	—	—
(b) Abroad	92	—	—	—	22
7. Loans and Advances	2,032	2,220	2,014	1,933	2,030
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc	—	—	—	—	—
10. Sundry Assets	—	—	—	—	—
11. Total Assets	4,582	4,764	4,586	4,517	4,387
LIABILITIES.					
12. Capital paid up	522	537	554	557	.
13. Reserve Funds	169	174	176	178	.
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	2	2	3	3	.
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	—	25	46	27	—
(a) At home	—	—	—	—	—
(b) Abroad	—	25	46	27	—
17. Deposits	3,945	4,029	3,555	3,554	3,512
(a) Current accounts and sight deposits	1,218	1,263	1,009	1,112	1,216
(b) Savings accounts	1,771	1,713	1,648	1,570	1,533
(c) Time or fixed deposits	710	795	667	654	537
(d) Other deposits	246	258	231	218	226
18. Rediscounts	—	—	359	295	207
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	—	—	—	—	—
21. Total Liabilities	4,884	4,767	4,693	4,614	.
22. Other Borrowings	404	379	524	490	480
23. Value of currency in Swiss francs at the end of each year	2.10	1.71	1.30	1.09	1.07

7. *Loans and Advances.*

The statistics published in the *Economic Review* do not distinguish between advances on current account and others. The following details are available for the years under review :

Pesos (000,000's)	1929	1930	1931	1932	1933
Loans	1,058	1,072	748	650	645
Banco de la Nación	(143)	(108)	(126)	(130)	(140)
Ordinary banks	(915)	(964)	(622)	(520)	(505)
Advances on Government securities	528	657	691	673	686
Banco de la Nación	(197)	(265)	(247)	(248)	(259)
Ordinary banks	(331)	(392)	(444)	(425)	(427)
Other loans and advances	446	491	575	610	699
Banco de la Nación	(96)	(103)	(120)	(146)	(205)
Ordinary banks	(350)	(388)	(455)	(464)	(494)
Total loans and advances	2,032	2,220	2,014	1,933	2,030
Banco de la Nación	(436)	(476)	(493)	(524)	(604)
Ordinary banks	(1,596)	(1,744)	(1,521)	(1,409)	(1,426)

11 and 21. *Total Assets and Liabilities.*

These accounts are incomplete and they do not balance.

12 and 13. *Capital and Reserve Funds.*

Figures for 1933 are not available.

17. *Deposits.*

The division of the various accounts among the Banco de la Nación and the ordinary banks in the years under review is shown at the top of the opposite column.

18. *Rediscounts.*

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

Pesos (000,000's)	1929	1930	1931	1932	1933
Current accounts	1,218	1,263	1,009	1,112	1,216
Banco de la Nación	(448)	(452)	(320)	(363)	(440)
Ordinary banks	(770)	(811)	(689)	(749)	(776)
Savings deposits	1,771	1,713	1,648	1,570	1,533
Banco de la Nación	(956)	(882)	(847)	(805)	(801)
Ordinary banks	(815)	(831)	(801)	(765)	(732)
Time deposits	710	795	667	654	537
Banco de la Nación	(53)	(78)	(57)	(134)	(94)
Ordinary banks	(657)	(717)	(610)	(520)	(443)
Other deposits	246	258	231	218	226
Banco de la Nación	(112)	(111)	(103)	(102)	(100)
Ordinary banks	(132)	(147)	(128)	(116)	(126)
Total deposits	3,945	4,029	3,555	3,554	3,512
Banco de la Nación	(1,569)	(1,523)	(1,327)	(1,404)	(1,435)
Ordinary banks	(2,376)	(2,506)	(2,228)	(2,150)	(2,077)

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

22. *Other Borrowings.*

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

Pesos (000,000's)	1929	1930	1931	1932	1933
Rediscounts of commercial paper	138	135	252	287	267
Borrowings against Government securities	266	244	272	203	213
Total	404	379	524	490	480

BOLIVIA. ¹

Introductory Note.

As the Central Bank of Bolivia (Banco Central) transacts a large part of its business with the general public, it has been included — as in the last edition of this *Memorandum* — in the attached Summary Table. Separate figures for the two purely commercial banks are, however, given for 1931-1933. In the years 1929-1931, the main activity of the Central Bank was in the nature of ordinary commercial banking ; its transactions with the two other banks on the one hand, and with the Government on the other, were relatively unimportant. After a sharp deflation of credit and currency in 1929-1931, however, there followed a period of Government inflation, in the course of which the character of the Central Bank rapidly changed. Already in 1931 the Government covered a budgetary deficit by borrowing at the Central Bank ; this, however, was insignificant in comparison with the volume of Government borrowing after the outbreak of hostilities with Paraguay at the end of July 1932. The Government debt to the Central Bank (mainly in Treasury bonds), included under Investments and Securities in the Summary Table, rose from 8.7 million bolivianos at the end of 1931 to 119.3 millions at the end of 1933. (The total assets of the Bank amounted to 68.8 millions at the former and to 160.2 at the latter date.) As a result, the volume of notes in circulation rose during the same period from 27 million to 53.8 million bolivianos. By the end of June 1934, the note circulation had increased further to 64 million bolivianos.

The considerable increase in aggregate deposits which the Summary Table shows for 1932 was almost entirely due to Government deposits at the Central Bank, which rose from 3.6 million bolivianos at the end of 1931 to 26.6 millions at the end of 1932, representing merely a temporary accumulation of the proceeds of the above-mentioned borrowings. The total deposits held by the two commercial banks proper (the Banco Nacional and the Banco Mercantil) actually declined (from 26.6 to 24.3 million bolivianos) in 1932. In 1933, on the other hand, the disbursement of the sums borrowed by the Government led to a sharp decline (from 26.6 to about 7 million bolivianos) in the deposit liabilities of the Central Bank to the Government, accompanied by an equally marked increase in the Bank's liabilities on account of notes outstanding. The funds thus placed into circulation led to a sudden expansion in the volume of deposits held by the other two banks, which rose from 24.3 million bolivianos at the end of 1932 to

40.2 million at the end of 1933. This increase took place mainly in the category of current account and sight deposits, which, at the end of 1933, accounted for 74 per cent of the total deposits of the three banks combined, as compared with 54 per cent at the end of 1931. At the same time, owing to the severe depression of business, loans and discounts to the general public continued to decline. In consequence, the cash reserves of the two commercial banks attained an exceptionally high level ; their total cash holdings (including sight balances with the Central Bank) rose from 6.3 million bolivianos at the end of 1931 to 30.4 millions at the end of 1933, or from 9 per cent of their total assets at the former date to 36.1 per cent at the latter.

The sharp decline in sums due from banks abroad — *i.e.*, item 6 (*b*) of the Summary Table— which will be seen to have taken place in 1933, is in part directly related to the Government imports in connection with the war with Paraguay. Thus, a Decree of December 29th, 1932, provided for the compulsory delivery of foreign assets to the value of about 7 million bolivianos by the three banks to the Government.

After the suspension of the gold standard by the United Kingdom in September 1931, the convertibility of the notes of the Central Bank of Bolivia was suspended, and the currency linked to sterling at the par rate of 13.3 bolivianos to the pound. Early in 1932, however, this official rate was raised to 15 to the pound. A Decree of May 25th, 1932, laid down a scale according to which the exchange value of the boliviano was to vary with the price of tin (Bolivia's chief export product) as quoted on the London market ; every fall in the sterling price of tin was to be accompanied by a lowering of the exchange value of the boliviano and, conversely, every rise of the price of tin by an appreciation of the boliviano currency in relation to sterling. For some time the official exchange value of the boliviano thus fluctuated, according to the scale established in May 1932, around a rate of 17 bolivianos to the pound sterling. When, however, in the latter part of 1932, the London price of tin began to rise, the scale was in practice abandoned and the sterling rate fixed at 17 bolivianos to the pound. In February 1933, the official rate was raised to 20 bolivianos to the pound.

Exchange restrictions were introduced after the suspension of the gold standard at the end of September 1931. A monopoly of all foreign exchange transactions was given to the Central

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

BOLIVIA.

COMMERCIAL BANKS

Table 28 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :							
	1929	1930	1931	1932	1933	1931	1932	1933
Number of Banks.	3	3	3	3	3	2	2	2
ASSETS.		Bolivianos (ooo,ooo's omitted)						
1. Cash.	20.9	8.9	11.1	14.4	38.6	6.3	6.9	30.4
(a) Gold, silver and small coins.	15.0	7.7	8.4	9.2	11.8	3.6	1.7	3.6
(b) Inland notes and balances with Central Bank	5.9	1.2	2.7	5.2	26.8	2.7	5.2	26.8
2. Other Items of a Cash Nature.	—	—	—	—	—	—	—	—
3. Bills discounted and bought.	22.2	20.1	20.3	12.0	13.9	11.4	7.3	6.7
(a) Treasury bills	16.7	18.2	16.3	11.7	9.5	—	—	—
(b) Commercial bills, Inland.	5.5	1.9	4.0	0.3	4.4	—	—	—
(c) Commercial bills, Foreign.	—	—	—	—	—	—	—	—
4. Investments and Securities.	19.1	22.5	28.3	85.1	136.3	15.0	10.5	11.8
(a) Government	—	—	—	—	—	—	—	—
(b) Others.	—	—	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—	—	—
6. Due from Banks (Correspondents).	47.0	39.6	22.8	29.5	4.8	3.5	6.6	2.6
(a) At home.	—	—	—	2.5	—	—	2.5	—
(b) Abroad	47.0	39.6	22.8	27.0	4.8	3.5	4.1	2.6
7. Loans and Advances.	47.1	46.0	41.0	41.8	38.2	27.7	28.3	26.0
(a) On current account	26.1	22.1	20.5	16.5	13.6	15.7	11.9	9.6
(b) Other	21.0	23.9	20.5	25.3	24.6	12.0	16.4	16.4
8. Cover for Acceptances	0.5	0.5	0.5	0.2	0.2	0.5	0.2	0.2
9. Premises, etc.	6.4	6.6	6.2	7.1	7.1	3.2	4.1	4.4
10. Sundry Assets	4.8	5.6	5.5	4.7	5.4	2.0	1.2	2.2
11. Total Assets	168.0	149.8	135.7	194.8	244.5	69.6	65.1	84.3
LIABILITIES.								
12. Capital paid up	45.6	46.5	46.5	47.3	48.3	22.7	23.5	24.5
13. Reserve Funds	20.3	21.3	19.7	20.1	19.7	13.5	13.8	12.8
14. Profit-and-Loss Accounts, Undivided profits, etc.	3.1	3.2	2.7	4.5	3.7	2.0	2.6	1.5
15. Notes in Circulation	43.0	32.2	27.0	37.7	53.8	0.4	0.1	—
16. Cheques and drafts in Circulation	1.7	5.6	0.1	—	—	—	—	—
17. Due to Banks (Correspondents)	5.7	0.9	2.1	5.4	25.7	0.3	0.9	0.3
(a) At home	5.7	0.9	2.1	4.5	21.6	0.3	—	0.1
(b) Abroad	—	—	—	0.9	4.1	—	0.9	0.2
18. Deposits	45.3	38.0	35.0	60.2	64.9	26.3	23.8	39.8
(a) Current accounts and sight deposits	26.3	20.7	19.2	48.6	47.9	11.7	13.2	23.8
(b) Savings accounts	4.8	4.1	3.9	3.4	3.5	3.8	3.3	3.5
(c) Time or fixed deposits	12.9	12.0	10.8	7.3	12.5	10.8	7.3	12.4
(d) Other deposits	1.3	1.2	1.1	0.9	1.0	—	—	0.1
19. Rediscounts and Other Borrowings	—	—	—	—	—	2.7	—	—
20. Acceptances and endorsements	0.5	0.5	0.5	0.2	0.2	0.5	0.2	0.2
21. Sundry Liabilities.	2.8	1.6	2.1	19.4	28.2	1.2	0.2	5.2
22. Total Liabilities.	168.0	149.8	135.7	194.8	244.5	69.6	65.1	84.3
23. Value of currency in Swiss francs at end of each year	1.85	1.82	1.30	0.95	0.84	1.30	0.95	0.84

Bank. An Exchange Control Board was formed in May 1932. A Decree of May 25th, 1932, required exporters to deliver the whole proceeds of their sales abroad to the Central Bank, deducting (with the permission of the Board in each case) only the necessary expenditure paid in foreign currency. For all export products except tin, the amount to be delivered to the Central Bank at the official rate of exchange was fixed at 65 per cent in November 1932 and was reduced to 15 to 25 per cent in February 1933. In the case of tin, that percentage

was fixed at 62 per cent in January 1934. The rationing of the available exchange to importers has become progressively more stringent, as the Government has claimed a steadily increasing share of the foreign exchange received by the Central Bank. Accordingly, the open-market rate of exchange has steadily risen; in the first part of 1934 it moved around 50 bolivianos to the pound sterling, as compared with the official quotation of 20 bolivianos to the pound.

Balance-sheet Summary.

I. Cash.

The composition of this item in 1933 was as follows:

Bolivianos (000,000's)	Banco Central	Other banks	Total
Gold	7.9	3.6	11.5
Silver and nickel	0.3	—	0.3
Total (a)	8.2	3.6	11.8
Notes of the Banco Central	—	2.5	2.5
Deposits with Banco Central	—	24.3	24.3
Total (b)	—	26.8	26.8

3. Bills discounted and bought.

The balance-sheets of the banks do not give Government paper separately from commercial paper; the classification of domestic bills is shown below:

Bolivianos (000,000's)	1929	1930	1931	1932	1933
Bills discounted*	12.8	11.8	5.4	4.7	3.4
Bills overdue	1.4	2.2	6.2	3.9	3.2
Due bills at sight	0.2	0.2	0.4	0.4	0.2
Bills in process of collection	1.3	2.8	4.3	2.7	2.7
Bills in liquidation	1.0	1.2	—	—	—
Total	16.7	18.2	16.3	11.7	9.5

* Excluding rediscounts at the Banco Central.

6. Due from Banks (Correspondents).

Amounts due from domestic banks are not shown separately in the balance-sheets, except for the Banco Mercantil in 1932. Deposits maintained with the Banco Central and other institutions are shown in the note to group I above.

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

15. Notes in Circulation.

The Banco Central has a legal monopoly of note circulation; but the Associated Banks were permitted to maintain small amounts in circulation until the end of 1932. The sums shown in the

Summary Table consist of *net* circulation — *i.e.*, they exclude the banks' holdings of their own notes. They include, however, the portion of the note issues of the Banco Central held by the Associated Banks. The division of the note circulation among the Banco Central and the other banks, and the latter's holdings of Banco Central notes are shown below:

Bolivianos (000,000's)	1929	1930	1931	1932	1933
Note circulation of:					
Banco Central	42.5	31.8	26.6	37.6	53.8
Associated Banks	0.5	0.4	0.4	0.1	—
Total net circulation	43.0	32.2	27.0	37.7	53.8
Notes of Banco Central held by Associated Banks	0.9	0.3	0.7	0.7	2.5
Net circulation in hands of public	42.1	31.9	26.3	37.0	51.3

17. Due to Banks (Correspondents).

Mainly balances of associated banks with the Banco Central.

18. Deposits.

The amounts shown in the Summary Table are composed as follows in the years under review:

Bolivianos (000,000's)	1929	1930	1931	1932	1933
Current accounts	23.6	18.7	17.2	46.7	43.7
Sight deposits	2.7	2.0	2.0	1.9	4.2
Total (a)	26.3	20.7	19.2	48.6	47.9
Ordinary savings deposits	3.6	3.1	2.9	2.5	2.9
Workmen's savings deposits	1.2	1.0	1.0	0.9	0.6
Total (b)	4.8	4.1	3.9	3.4	3.5
Time deposits (c)	12.9	12.0	10.8	7.3	12.5
Judicial deposits	1.2	1.1	0.8	0.8	0.9
Deposits in foreign money	0.1	0.1	0.3	0.1	0.1
Total (d)	1.3	1.2	1.1	0.9	1.0
Grand total	45.3	38.0	35.0	60.2	64.9

19. Rediscounts and Other Borrowings.

At the end of 1932 and 1933, the rediscount indebtedness of the Associated Banks to the Banco Central was nil.

BRAZIL¹.

Introductory Note.

The Stabilisation Office, set up in 1926, with the help of foreign credits, to administer an exchange stabilisation fund equivalent to over £20 million (held almost exclusively in gold), succeeded in maintaining the exchange value of the milreis fairly stable at a level of approximately 12 United States cents to the milreis (or about 40 milreis to the pound sterling) until 1929. In 1930, however, the fall in the price of coffee, coupled with the cessation — and even reversal — of the movement of capital, led to a marked depreciation of the milreis, in spite of the fact that all but £3 million of the gold reserves of the Stabilisation Office and the Banco do Brasil combined — which had amounted to over £30 million at the end of 1929 — were exported in the course of 1930 to support the exchange. These gold holdings were completely exhausted by May 18th, 1931, when a system of exchange control was put into operation: the Banco do Brasil was given a monopoly of foreign exchange transactions, exporters were required to deliver their sale proceeds in foreign currencies to the Banco do Brasil at the official rates of exchange, and the supply of exchange to importers was strictly rationed. Between the middle of 1932 and the middle of 1933, the official rate was “pegged” to the United States dollar at a level of 13.5 milreis to the dollar (as compared with about 8.5 in 1929); the milreis was allowed to depreciate together with the dollar in the spring of 1933. Since the second half of 1933, the official exchange value of the milreis has been linked to sterling at a rate of 60 milreis to the pound.

The “free” exchange market, which had previously been illegal, received a certain measure of official sanction by a decree of May 22nd, 1934, which permitted free dealings in all foreign exchange other than that derived from commodity exports. A series of further relaxations of the exchange control culminated in a decree of September 10th, 1934, which relieved all exporters, except those of coffee, of the obligation to deliver their foreign exchange proceeds at the official rate. In the case of coffee, it was provided that the sum of £2 (or its equivalent in other currencies) per bag exported should be sold to the Banco do Brasil²; the balance could henceforward be disposed of on the free market. The Banco do Brasil agreed to supply up to 60 per cent of the current exchange requirements of importers at the official rates, the

remainder having to be purchased in the free market. The “free” sterling rate, which had been over 90 milreis to the pound in May 1934, declined to about 70 milreis to the pound in the latter part of 1934.

In December 1934, a decree was issued by which the foreign exchange received by the Banco do Brasil at the official rates is to be allocated to imports by countries of origin in proportion to the amount of coffee exported to the different countries.

A new scheme for the service of the external debt was established by a decree issued in February 1934, which came into force on April 1st, 1934, for a period of four years, and which replaced the moratorium declared in 1931. This scheme limits the total amount of interest and sinking-fund payments to £8 million a year, instead of the £24 million actually due. It further provides that any surplus foreign exchange available should be applied to the repurchase of bonds below par.

In May 1934, an agreement was concluded with the French creditors to consolidate “frozen” short-term obligations; similar agreements had previously been made with the American and British short-term creditors.

* * *

The following table shows the changes which have taken place in recent years in the note issues outstanding:

Milreis (000,000's)	1929	1930	1931	1932	1933
Note-issue of:					
Federal Treasury . . .	1,952	2,543	2,683	3,004	2,978
Banco do Brasil . . .	592	170	170	170	20
Stabilisation Office . .	851	129	89	65	39
Total	3,395	2,842	2,942	3,239	3,037

The sharp decline which took place in the note circulation of the Stabilisation Office in 1930 was mainly due to the outflow of gold. It was partly offset by the simultaneous rapid expansion in the note circulation of the Treasury, which in that year took over the greater part of the notes issued by the Banco do Brasil, whose gold reserve was likewise exported. The note issue of the Treasury continued to expand in the next two years, mainly on account of the budgetary deficits³ of the Federal

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

² At the prices ruling in the second half of 1934, this represented about 80 per cent of export proceeds.

³ The deficits were also covered, in part, by large issues of Treasury bills. It appears that these bills circulate extensively as means of payment and therefore constitute, to some extent, an effective addition to the volume of currency in use. The marked increase in bills held by the commercial banks in 1932 — a year in which the suppression of the Sao Paulo revolt involved an additional strain on the financial position of the Federal Government — presumably represents mainly Treasury bills.

Government, while the circulation of the Stabilisation Office continued to shrink¹ and that of the Banco do Brasil was further reduced to 20 millions in 1933.

In a report submitted to the Brazilian Government in July 1931, Sir Otto Niemeyer recommended the establishment of an independent central bank with the sole right to issue notes. The Banco do Brasil — which is almost entirely owned and controlled by the Federal Government — was to be relieved of its central banking functions, and to continue operating as a commercial bank. Its commercial banking accounts showed, in fact, a progressive expansion during the years 1930-1932. Its deposit liabilities, for example, increased from 1,331 million milreis at the end of 1930 to 2,886 million at the end of 1932; they included, however — particularly in the latter part of the period — a substantial proportion of Treasury deposits. Since August 1934, the Bank again reports a gold reserve among its assets. This reserve, which is held by the Treasury, amounted on November 30th to about 6,103 kilogrammes of fine gold, counted at a balance-sheet value of 88.3 million milreis (presumably representing the aggregate value of the purchases effected at somewhat varying rates). On the other hand, no central bank has so far been established.

Part of the principal changes in aggregate commercial banking accounts in the years 1930-1932 may doubtless be attributed to the increase in the note circulation of the Treasury. The funds spent by the Treasury were, in fact, deposited with the banks on current account. As may be seen from the attached Summary Table, current accounts showed a striking increase between the end of 1930 and the end of 1932, and even the accompanying sharp decline in time deposits was not sufficient to prevent a marked expansion in the aggregate volume of deposits. The ratio of cash to total assets rose from 10 per cent at the end of 1930 to 14 per cent at the end of 1932.

A decree of June 11th, 1932, provided for the establishment of a "Banking Mobilisation Fund". This fund, administered by the Banco do Brasil, was formed by contributions from all banks established in Brazil, all cash holdings in excess of 20 per cent of their deposits having to be put at the disposal of the fund. If these resources should prove inadequate, the Treasury was authorised to borrow on behalf of the fund. The purpose of the fund is to assist individual banks by enabling them to meet withdrawals of deposits pending the gradual "mobilisation" of their long-term investments or "frozen" short-term assets.

Among the measures taken in 1933 to relieve the burden of agricultural indebtedness, a decree of April 7th, 1933, may be mentioned, which established a legal maximum rate of interest of 8 per cent on mortgage debts and 6 per cent on short-term agricultural loans. Of greater importance, however, was the Law of Economic Readjustment, of December 1st, 1933, together with a Supplementary Decree of March 9th, 1934. Under this law — which was mainly designed to relieve the financial burdens of the coffee-growers — all agricultural debts (including bank debts) contracted before June 30th, 1933, were reduced by 50 per cent. For the amounts thus cancelled, creditors received compensation in the form of Federal Government bonds issued for this purpose, bearing 6 per cent interest per annum; in other words, the Government took over one-half of farmers' debts. An Economic Readjustment Office was set up to carry out the provisions of this law. All banking creditors were required to submit detailed statements of their agricultural loan assets. The banks in question were authorised to borrow from the Banking Mobilisation Fund against the security of the bonds mentioned.

To provide new credit facilities to farmers on favourable terms, a Bank for Rural Credit was formed under Government auspices early in 1934. Towards the end of that year, the Government proceeded to establish industrial banks in every State with a view to encouraging the uniform development of manufacturing industry in the whole country.

At the beginning of January 1935 a Bill was submitted by the Federal Government to the Legislative Chamber which provides that foreign banks operating in Brazil should deposit 10 per cent of their capital with the Banco do Brasil. According to this Bill, all banks would be required to invest at least one-third of their reserve funds in Brazilian Government bonds.

The Summary Table is based on the official banking statistics (*Movimento Bancario*), which comprise all national banks and the Brazilian branches of all foreign banks operating in the country. The actual number of banks included is not stated. From information available elsewhere², it appears, however, that the official statistics include all banks with a share capital of over 5 million milreis, and that, in 1932, the number of such banks was 53, of which 37 were national banks and 16 foreign; these banks maintained 509 branches, of which 83 belonged to the Banco do Brasil.

¹ The Stabilisation Office was abolished at the end of 1930; its notes remained in circulation at the time, but have been gradually withdrawn and replaced by Treasury notes.

² "Brazil 1933" (published by the Ministry for Foreign Affairs), page 361.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933 ¹
Number of : Banks					
Branches and Sub-Branches					
ASSETS.					
	Milreis (ooo,ooo's omitted)				
1. Cash	1,550	1,164	1,228	1,845	1,447
(a) Gold, silver and small coins	17	16	30	2	3
(b) Bank notes, State notes and balances with Central Bank	1,533	1,148	1,198	1,843	1,444
2. Other Items of a Cash Nature	204	191	166	114	136
3. Bills discounted and bought	3,070	2,619	2,538	3,144	3,200
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	254	352	398	410	421
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	677	667	401	459	453
(a) At home	108	88	73	98	103
(b) Abroad	569	579	328	361	350
7. Loans and Advances	3,588	3,690	3,609	3,781	3,910
(a) On current account	3,588	3,690	3,609	3,781	3,910
(b) Others	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	—	—	—	—	—
10. Sundry Assets	2,987	2,816	3,557	3,561	3,775
11. Total Assets	12,330	11,499	11,897	13,314	13,342
LIABILITIES.					
12. Capital paid up	851	788	848	864	845
13. Reserve Funds	509	562	587	627	643
14. Profits and Loss, Undivided Profits, etc.	21	25	39	35	44
15. Cheques and Drafts, etc., in circulation	45	34	49	285	818
16. Due to Banks (Correspondents)	706	685	402	991	279
(a) At home	78	74	86	872	93
(b) Abroad	628	611	316	119	186
17. Deposits	5,925	5,731	5,962	6,843	6,344
(a) Current accounts	3,487	2,856	3,490	4,732	4,345
(b) Savings accounts	431	394	451	510	506
(c) Time or fixed deposits	2,007	2,481	2,021	1,601	1,493
(d) Other deposits	—	—	—	—	—
18. Rediscounts	—	—	—	—	—
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	4,273	3,674	4,010	3,669	4,369
21. Total Liabilities	12,330	11,499	11,897	13,314	13,342
22. Value of currency in Swiss francs at the end of each year	0.58	0.50	0.32	0.40	0.28

¹ Statistics covering all balance-sheet items not yet available.

Balance-sheet Summary.

1. *Cash.*

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

Milreis (000,000's)	1929	1930	1931	1932	1933
Bank and State notes	1,269	896	925	1,029	801
Balances with Banco do Brasil	264	252	273	814	643
Total	1,533	1,148	1,198	1,843	1,444

2. *Other Items of a Cash Nature.*

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

3. *Bills discounted and bought.*

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

Milreis (000,000's)	1929	1930	1931	1932	1933
Bills discounted	2,488	2,272	2,284	2,916	2,970
Bills receivable for own account:					
Inland	429	274	196	217	212
Foreign	153	73	58	11	18
Total	3,070	2,619	2,538	3,144	3,200

7. *Loans and Advances.*

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

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

At the end of 1933, loans and advances amounted to 3,910 million milreis.

10. *Sundry Assets.*

The sums shown in the table are composed as follows:

Milreis (000,000's)	1929	1930	1931	1932	1933
Assets in liquidation	29	50	99	66	48
Mortgage loans	1,081	965	1,256	1,610	1,315
Net balance of collection guarantee and safe deposit accounts	—	318	160	275	185
Accounts of Note Issue Department of Banco do Brasil	353	53	54	—	68
Other accounts	1,524	1,430	1,988	1,610	2,159
Total	2,987	2,816	3,557	3,561	3,775

17. *Deposits.*

For the end of 1933, the following figures are available (in millions of milreis):

Current accounts	4,345
Savings accounts	506
Time deposits	1,493
Total	6,344

20. *Sundry Liabilities.*

The sums shown in the table are composed as follows:

Milreis (000,000's)	1929	1930	1931	1932	1933
Mortgage bonds	943	973	1,275	846	1,487
Net balance of branches and agencies accounts	642	870	491	333	369
Net balance of collection guarantee and safe deposit accounts	209	—	—	—	—
Accounts of Note Issue Department of Banco do Brasil	715	170	170	170	20
Other accounts	1,764	1,661	2,074	2,320	2,493
Total	4,273	3,674	4,010	3,669	4,369

CHILE.

Introductory Note.

The commercial banking accounts shown in the attached Summary Table may be supplemented by the following statement of rediscounts, bankers' deposits and the note issue of the Central Bank of Chile during the period 1929-1934 :

Pesos (000,000's) End of :	1929	1930	1931	1932	1933	Aug. 1934
Rediscounts for banks	77	101	76	1	1	3
Bankers' sight deposits	96	64	76	219	208	198
Note circulation . . .	352	306	319	488	515	507

Towards the end of 1931, an appreciable increase took place in the volume of notes outstanding, and for nearly two years there was a progressive Government inflation of the currency. The fall in prices and the contraction of business activity, which were reflected in a sharp reduction of commercial bank credit between 1929 and 1931, had led to a rapid decline in tax revenue, and the resulting budget deficits were covered largely through Government borrowings at the Central Bank. The policy of public works pursued by the Government — particularly during the six months following the revolution of June 1932 — led to further demands on Central Bank credit. At the end of 1933, advances to the Government accounted for 672 million pesos of the Central Bank's total assets of 1,001 million pesos, as compared with only 83 million pesos of total assets of 554 millions at the end of 1931.

The currency inflation, which led to a considerable rise of commodity prices in 1932 and 1933, exercised a dominating influence on the position of the commercial banks in that period. In the second half of 1931, sight deposits and cash resources began to rise sharply, while time deposits on the one hand, and discounts, loans and advances on the other, continued to fall. The same tendencies prevailed in 1932. As a result of the depreciation of the currency in relation to commodities, the public effected withdrawals of time deposits on a large scale, with a view to purchasing commodities or making direct investments in real estate, etc. A large part of this money returned, however, to the banks in the form of current-account deposits. Likewise, a large part of the new currency issues found its way to the banks, to serve for payments through current accounts. Accordingly, sight deposits with commercial banks showed a remarkable increase in 1932, which was only interrupted by a sharp decrease in June of that year, when the internal political situation necessitated a three-day bank holiday to check a

run on the banks. On the other hand, as a result of the further deterioration of economic conditions in Chile, the demand for banking credit continued to decline, at least in the first part of 1932. Thus, the cash resources of the banks attained an exceptionally high level in 1932. As will be seen from the above table, the rediscount liabilities of the commercial banks to the Central Bank dropped to an insignificant amount at the end of 1932, while their sight balances at the Central Bank were nearly trebled in the course of that year.

It should be mentioned that the increase in the cash liquidity of the commercial banks in 1932 was more marked for the foreign banks operating in Chile than for the national banks.¹ In 1933, moreover, the cash ratios of the two groups of banks even moved in opposite directions, a decline in the cash reserves of the national banks being more than compensated by a rise in the reserves of the foreign banks. This is largely explained by the system of exchange restrictions, which has been in force since the middle of 1931, but was considerably intensified in April 1932. The foreign banks in Chile have, in the past, specialised in financing the foreign trade of the country and transferring payments abroad. As foreign payments could only be effected to a very limited extent after the introduction of exchange control, the peso equivalents of the sums to be transferred accumulated with the foreign banks and increased their cash holdings ; and, as the decline of foreign commerce was even greater than that of the country's internal trade, investment opportunities were more sharply contracted for the foreign establishments than for the national banks ; and the former were less able to benefit from the revival of domestic business activity in 1933 than the latter. The different position of the two banking groups in the years 1931-1933 is strikingly illustrated by their respective profit-and-loss accounts, shown in the balance-sheet summary below ; the national banks showed a net loss of 13.2 million pesos in 1931, which they were able to turn into a net profit of 18.3 millions by 1932, while the foreign banks earned net profits amounting to 6.4 million pesos in 1931, but suffered a net loss of 41 million pesos in 1932.

Since the end of 1932, vigorous efforts have been made to balance the public accounts, and Government borrowing at the Central Bank virtually ceased in the first half of 1933. In November 1933, a law was passed with a view to consolidating the Government's short-term obligations to the Central Bank (amounting to

¹ The distinction between these two groups of banks was briefly discussed in *Commercial Banks, 1913-1929*, page 371.

672.5 million pesos) which had been incurred during the preceding two years ; it was arranged that the Government should pay, in addition to an annual amortisation charge of 1 per cent, 2 per cent interest per annum on this debt.

The expansion of the note circulation was not, however, completely arrested. A law was passed in June 1933 providing for a Plan of Industrial Development through bank credit up to an amount of 300 million pesos, of which one-half was allotted to the nitrate industry alone. By a law of November 1933, this total was raised to 460 million pesos, of which the share of the nitrate industry was fixed at 290 million pesos. It was provided that the Central Bank itself should grant direct credits under these laws if the credits supplied by the commercial banks did not attain the total fixed. Moreover, the documents against which the latter were to grant the loans in question were made rediscountable at the Central Bank, although the credits were not of a short-term character. The expansion of the note-issue which took place in 1933 — particularly in the second half of that year — may in large part be attributed to these measures.

With the cessation of Government inflation and the return of confidence in the currency, the decline in time deposits held by commercial banks was arrested in 1933, and this item even showed an increase towards the end of that year and in the first half of 1934. In the same period, the improvement in economic conditions was accompanied by a rise in the volume of lending by commercial banks. Since the beginning of 1934, even the total of credits granted by the foreign banks is stated to show an upward tendency, owing largely to the substantial recovery of the country's foreign trade.

The discount rate of the Central Bank of Chile, which stood at 6 per cent at the end of 1929 and 7 per cent at the end of 1930, was raised to 9 per cent in the summer of 1931. By August 1932, however, four successive reductions had brought it down to a level of 4.5 per cent, at which it has been maintained up to the time of writing. In July 1933, the legal maximum rates of interest on bank deposits were reduced. For deposits at six months' notice, the reduction was

from $4\frac{1}{2}$ - $5\frac{1}{2}$ per cent to $3\frac{1}{2}$ - $4\frac{1}{2}$ per cent (the latter rate is applicable to banks with share capital of less than 60 million pesos, while the former refers to all other banks).

After having maintained an unrestricted gold standard since 1925, Chile, as mentioned above, introduced a system of exchange control in July 1931, and in April 1932 the convertibility of the currency into gold was suspended by law. Under the last measure mentioned, the Central Bank was given a monopoly of all foreign exchange operations; foreign exchange could be obtained from the Bank only by means of licences issued by an Exchange Control Commission functioning independently of the Bank. It was intended that rates of exchange should be determined daily at the discretion of the Bank, but in practice the official rates were maintained on the basis of one-half of the former gold parity. Since, however, even this rate — which meant a 100 per cent premium on gold — was found to be unfavourable to exports, a decree was issued in September 1932 which required only certain percentages — ranging from 1 to 20 per cent for different commodities — of the proceeds of export sales to be delivered to the Central Bank at the official rates ; the remainder could be disposed of — subject to the control of the Exchange Commission — to importers at the free market rates. The "free" rates have, since the end of 1932, fluctuated around a gold premium of about 400 per cent — *i.e.*, a depreciation of about 80 per cent on the old parity. The official rates of exchange are thus of little importance.

Exchange clearing agreements are in operation with a number of foreign countries.

In the attached Summary Table, as well as in the detailed notes below, all assets and liabilities expressed in foreign currencies are calculated on the basis of the official rates of exchange referred to above.

A new series of statistics issued by the "Superintendencia de Bancos" for the years since 1931 has recently become available and has been utilised in the Summary Table. This series relates to the position on December 31st of each year. The figures for 1929 and 1930, on the other hand, are based on the last periodical census of bank accounts of each year, falling as a rule in November.

Balance-sheet Summary.

I. Cash.

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

Pesos (000,000's)	Gold	Token coins	Total
1929	11	3	14
1930	12	3	15
1931	5	2	7
1932	6	1	7
1933	6	1	7

The sums given under (b) consist of notes and

sight balances with the Central Bank, as shown below :

Pesos (000,000's)	Bank-notes	Balances with Central Bank	Total
1929	71	81	152
1930	65	51	116
1931	99	80	179
1932	133	214	347
1933	132	209	341

CHILE.

COMMERCIAL BANKS

Table 30 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1930	1931	1932	1933
Number of : Banks	23	23	22	22	22
Branches and Sub-branches	105	.	85	79	79
ASSETS.					
	Pesos (000,000's omitted)				
1. Cash	166	131	186	354	348
(a) Gold, silver and small coins	14	15	7	7	7
(b) Bank-notes, State notes and balances with Central Bank	152	116	179	347	341
2. Other Items of a Cash Nature	64	46	30	34	52
3. Bills discounted and bought	495	374	153	138	307
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	462	355	—	—	—
(c) Commercial bills, Foreign	33	19	—	—	—
4. Investments and Securities	129	129	118	159	128
(a) Government	16	14	30	61	28
(b) Other	113	115	88	98	100
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	151	113	90	72	72
(a) At home	14	11	13	10	14
(b) Abroad	137	102	77	62	58
7. Loans and Advances	1,118	1,156	1,031	1,039	1,025
(a) On current account	578	635	443	423	412
(b) Other	540	521	588	616	613
8. Cover for Acceptances, etc.	94	95	65	44	49
9. Premises, etc.	80	85	94	96	96
10. Sundry Assets	422	301	78	123	135
11. Total Assets	2,719	2,430	1,845	2,059	2,212
LIABILITIES.					
12. Capital paid up	423	427	418	406	386
13. Reserve Funds	215	217	200	166	165
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—
15. Cheques and Drafts, etc., in circulation	18	36	7	4	4
16. Due to Banks (Correspondents)	158	132	48	68	67
(a) At home	6	8	17	5	2
(b) Abroad	152	124	31	63	65
17. Deposits	1,276	1,119	896	1,132	1,290
(a) Current accounts and sight deposits	512	434	419	706	893
(b) Savings accounts	41	47	12	—	—
(c) Time or fixed deposits	709	630	461	423	393
(d) Other deposits	14	8	4	3	4
18. Rediscounts and other Borrowings	47	29	77	1	1
19. Acceptances and Endorsements, etc.	95	93	61	46	52
20. Sundry Liabilities	487	377	138	236	247
21. Total Liabilities	2,719	2,430	1,845	2,059	2,212
22. Value (official) of currency in Swiss francs at the end of each year	0.63	0.63	0.63	0.31	0.31

CHILE.

COMMERCIAL BANKS

Table 30 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks	23	23	22	22	22
Capital paid up	417.5	427.1	418.3	406.4	385.6
Reserves and Undivided Profits	214.5	216.2	199.4	165.8	164.7
I. Gross Profits	137.8	142.1	120.9	121.1	106.3
<i>To be deducted :</i>					
2. Expenses	69.8	70.0	62.2	59.2	59.5
(a) Salaries, etc.	48.4	47.9	41.9	39.0	40.2
(b) Other working expenses	16.4	16.7	15.4	15.3	13.5
(c) Taxes, etc	5.0	5.4	4.9	4.9	5.8
3. Reserved for Pension Funds, etc.	—	—	—	—	—
4. Written off on Depreciation Accounts for	15.4	25.2	65.4	84.6	25.2
(a) Premises, etc.	—	—	—	—	—
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit (+) or Loss (—)	+ 52.6	+ 46.9	— 6.7	— 22.7	+ 21.6
6. Value (official) of currency in Swiss francs at the end of each year	0.63	0.63	0.63	0.31	0.31

2. *Other Items of a Cash Nature.*

The composition of this item is as follows :

Pesos (000,000's)	Foreign bank-notes	" Ex- change " (canjes)	Total
1929	25	39	64
1930	16	30	46
1931	11	19	30
1932	9	25	34
1933	13	39	52

The second item presumably represents cheques on banks abroad.

4 and 5. *Securities and Participations.*

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

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

Pesos (000,000's)	1929	1930	1931	1932	1933
Shares in Central Bank	62	65	65	64	56
Other shares and bonds	42	42	18	30	40
Securities in possession of " Superintendencia de Bancos "	9	8	5	4	4
Total	113	115	88	98	100

6. *Due from Banks.*

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

7. *Loans and Advances.*

The detailed composition of the sums shown is given below in millions of pesos :

(a) <i>Advances on Current Account.</i>	1929	1930	1931	1932	1933
<i>In national currency:</i>					
Against security. . .	245	231	162	131	153
Without special security	205	194	146	128	139
	450	425	308	259	292
<i>In foreign currency:</i>					
Against security. . .	73	121	35	49	32
Without special security	55	89	100	115	88
	128	210	135	164	120
Total (a). . .	578	635	443	423	412
(b) <i>Other Loans and Advances.</i>	1929	1930	1931	1932	1933
<i>In national currency:</i>					
Against security. . .	322	300	201	250	284
Without special security	93	93	78	95	136
	415	393	279	345	420
<i>In foreign currency:</i>					
Against security. . .	24	26	14	8	7
Without special security	10	13	5	4	4
	34	39	19	12	11
Credits to directors and staff	22	24	14	6	4
Other loans	69	65	276	253	178
	91	89	290	259	182
Total (b). . .	540	521	588	616	613
Grand total . . .	1,118	1,156	1,031	1,039	1,025
<i>Thereof:</i>					
In national currency .	956	907	851	801	846
In foreign currency. .	162	249	180	238	179

8. *Cover for Acceptances, etc.*

The sums given in this group of the Summary

Pesos (000,000's)	SAVINGS DEPOSITS				SIGHT DEPOSITS			TIME DEPOSITS			GRAND TOTAL
	National Savings Bank	Com-mercial banks	Other credit institutions	Total	National Savings Bank	Com-mercial banks	Total	National Savings Bank	Com-mercial banks	Total	
END OF:											
1929	228	41	9	278	201	512	713	68	723	790	1,782
1930	220	47	8	275	175	434	609	77	638	715	1,599
1931	158	12	6	176	132	419	551	68	465	533	1,260
1932	192	—	7	199	193	706	863	59	426	485	1,547
1933	268	—	10	278	287	893	1,180	48	397	445	1,903

18. *Acceptances and Endorsements, etc.*

The sums given in this group of the table repre-

Table represent documentary credits (Documentos por boletas de garantia) in respect of which the banks act as intermediaries for their customers by lending their guarantee. The liabilities thus incurred are shown in group (19) of the table.

14. *Profit-and-Loss and Dividend Accounts.*

The balance of these accounts is included in sundry liabilities.

16. *Due to Banks (Correspondents).*

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

17. *Deposits.*

Sight deposits include deposits on less than one month's notice. The official statistics distinguish between deposits in national and in foreign currency. The figures are as follows :

Pesos (000,000's)	1929	1930	1931	1932	1933
Sight deposits (less than 30 days) :					
In national currency .	464	382	357	640	828
In foreign currency. .	48	52	62	66	65
Total (a). . .	512	434	419	706	893
Savings accounts (b) . .	41	47	12	—	—
Time deposits (more than 30 days) :					
In national currency .	582	485	348	308	330
In foreign currency. .	127	145	113	115	63
Total (c). . .	709	630	461	423	393
Other deposits (d) . . .	13	8	4	3	4
Grand total.	1,275	1,119	896	1,132	1,290
<i>Thereof:</i>					
In national currency .	1,100	921	719	950	1,161
In foreign currency. .	175	198	177	182	129

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

sent the liabilities arising from the documentary credits referred to in note (8) above.

Summary of Profit-and-Loss Accounts.

I. Gross Profits.

Gross profits are calculated as follows :

Pesos (000,000's)	1929	1930	1931	1932	1933
Interest received	172.5	176.8	153.2	117.5	106.3
Interest paid	53.9	53.1	49.7	22.4	14.9
Net amount	118.6	123.7	103.5	95.1	91.4
Other income	19.2	18.4	17.4	26.0	14.9
Total	137.8	142.1	120.9	121.1	106.3

4. Depreciation.

The net amounts written off are arrived at by deducting sums recovered from the gross amount of losses.

Pesos (000,000's)	1929	1930	1931	1932	1933
Gross losses	21.8	30.6	70.8	99.3	43.7
Recovered	6.4	5.4	5.4	14.7	18.5
Net loss	15.4	25.2	65.4	84.6	25.2

5. Net Profit or Loss.

Net profits or losses (—) are shown separately for the national banks and for the foreign banks as follows :

Pesos (000,000's)	1929	1930	1931	1932	1933
National banks	39.6	37.7	—13.1	18.3	28.9
Foreign banks	13.0	9.2	6.4	—41.0	—7.3
Total	52.6	46.9	— 6.7	—22.7	21.6

The number of foreign banks was seven throughout the period under review ; their total capital and reserves amounted to 156.6 million pesos at the end of 1929 and to 153.5 millions at the end of 1933.

Items (6) to (15).

No information is given for these items of the standard table of profit-and-loss accounts. The following figures, however, are available for the sums carried to reserves and disposed of for dividends by the national banks :

Pesos (000,000's)	1929	1930	1931	1932	1933
Carried to reserves . . .	4.8	3.8	1.6	1.8	—
Dividends	34.8	34.0	19.4	19.0	23.9

A comparison with the figures given in the note to item (5) above will show that the dividends distributed by the national banks exceeded their total net profits in 1931 and 1932 ; the difference was presumably covered by drawing on reserve funds.

The foreign banks do not distribute dividends in Chile ; their net profits are transferred to head-office accounts abroad.

COLOMBIA.¹

Introductory Note.

The following table summarises the principal accounts of the Colombian Central Bank (the Banco de la República) during the years 1930-1934:

Pesos (000,000's) End of June :	1930	1931	1932	1933	1934
	Sight deposits of member banks.	3.6	3.9	10.6	11.6	15.3
Rediscounts and loans to member banks . .	13.5	14.9	8.5	3.4	3.8
Notes in circulation . .	30.8	23.9	19.2	26.1	39.6
Gold and foreign assets.	31.2	21.2	16.3	18.0	17.7

Government borrowings at the Central Bank increased steadily after 1930, as a result of budgetary deficits arising from a sharp fall of tax revenue since the beginning of the economic depression in 1929, but due also to public works undertaken by the Government and — in the latter part of the period under review — to expenditure connected with the frontier dispute with Peru. At the end of June 1930, direct loans to the Government accounted for only 4.1 million pesos of the Central Bank's total assets of 52.3 millions on that date. By the end of June 1934, when the total assets of the bank amounted to 90 million pesos, these loans had risen to 41.8 million pesos. Moreover, the latter figure does not include advances to banks and to the public against the security of Government bonds and bills, which the Central Bank was empowered to make under a law passed at the end of 1930.

In 1930 and 1931, these Government borrowings were comparatively moderate in amount, and their effect on the note circulation was overshadowed by the contraction of business activity. The decline, however, which took place in the volume of notes in circulation between the middle of 1931 and the middle of 1932 is largely explained by reference to a decree of December 4th, 1931, under which only balances with the Central Bank may be counted as legal cash reserves by the commercial banks.² As a result of this measure, the volume of notes outstanding declined, while bankers' deposits with the Central Bank sharply increased. The two items combined increased from 27.8 million pesos at the end of June 1931 to 29.8 millions at the end of June 1932.

The effects of the currency inflation on the position of the commercial banks will be seen from the attached Summary Table. A large part of the funds borrowed by the Government at the Central

Bank found its way to the commercial banks in the form of sight deposits. At the same time, however, the depreciation of the currency led the public to withdraw time and savings deposits to a certain extent. These withdrawals were more than counterbalanced by the steady expansion of current accounts, so that commercial-bank deposits in the aggregate show a marked upward tendency since the middle of 1931. Between the middle of 1933 and the middle of 1934, total deposits increased by roughly 5 million pesos, mainly on account of sight deposits, while savings deposits declined by about 2 million pesos. On the other hand, aggregate loans and discounts of the commercial banks declined sharply between the middle of 1931 and the middle of 1933, and were further reduced by over 5 million pesos between the latter date and the end of June 1934. Through these developments, the cash holdings of the commercial banks were raised to an exceptionally high level.

A series of measures were taken in the first half of 1932 to deal with "frozen" bank debts. Under a decree of February 11th, the Colombian Credit Corporation was established. This is a private joint-stock concern, whose shares may only be held by commercial banks desiring to utilise its services; its function consists in the administration and gradual liquidation of "frozen" obligations held by the banks. A decree of April 22nd, 1932, authorised the repayment of "frozen" commercial credits to the banks in part by means of State bonds at their nominal value; the banks, in turn, were enabled to borrow up to the face value, and on the security, of these bonds at the Central Bank. The same decree also provided for the establishment of a Central Mortgage Bank, with a share capital of 20 million pesos, of which 12 million pesos was subscribed by the Central Bank and the remainder chiefly by other banks. This institution began operations in August 1932. During the first three years of its existence, it is authorised to make only mortgage loans the proceeds of which will be devoted exclusively to the repayment of obligations to commercial and mortgage banks; it is empowered to issue bonds carrying a Government guarantee.

Part of the decline in commercial banks' loans and discounts since the middle of 1931 may doubtless be attributed to these measures, which likewise account for the considerable increase which has taken place at the same time in the investments and securities held by these banks.

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

² The commercial banks are required by law to maintain cash reserves equal in amount to 15 per cent of their sight deposit liabilities and 5 per cent of time deposits.

COLOMBIA.

COMMERCIAL BANKS

Table 31 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF JUNE :				
	1929	1930	1931	1932	1933
Number of Banks	17	16	16	16	16
ASSETS.					
	Pesos (ooo,ooo's omitted)				
1. Cash	13.1	9.2	9.2	13.3	15.8
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—	—
3. Bills discounted and bought	55.6	46.9	38.5	23.0	17.1
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	12.1	13.1	14.7	17.5	23.4
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	6.9	7.0	8.0	3.5	4.2
(a) At home	0.6	0.5	0.7	0.6	0.6
(b) Abroad	6.3	6.5	7.3	2.9	3.6
7. Loans and Advances	45.9	39.3	40.8	34.4	32.7
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	6.7	4.6	2.8	0.5	0.8
9. Premises, etc.	3.4	4.8	6.0	4.2	4.4
10. Sundry Assets	4.6	6.2	6.2	8.0	7.3
11. Total Assets	148.3	131.1	116.2	104.4	105.7
LIABILITIES.					
12. Capital paid up	24.7	24.8	24.9	22.5	20.2
13. Reserve Funds	11.2	12.8	15.4	10.3	11.2
14. Profit-and-Loss, Undivided Profits, etc.	2.3	2.0	0.4	0.3	0.7
15. Cheques and Drafts in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	10.4	14.3	11.6	4.8	5.3
(a) At home	—	—	—	—	—
(b) Abroad	10.4	14.3	11.6	4.8	5.3
17. Deposits	73.6	54.8	53.2	55.3	60.5
(a) Current accounts	50.8	33.3	27.0	31.8	38.1
(b) Savings accounts	6.2	6.5	8.2	7.5	6.5
(c) Time or fixed deposits	16.6	15.0	18.0	16.0	15.9
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	14.5	13.3	14.7	8.1	2.9
19. Acceptances and Endorsements	6.7	4.6	2.8	0.5	0.8
20. Sundry Liabilities	4.9	4.5	3.2	2.6	4.1
21. Total Liabilities	148.3	131.1	116.2	104.4	105.7
22. Value of currency in Swiss francs at the end of June of each year	5.04	5.04	4.96	4.95	2.11

Exchange restrictions were introduced in September 1931, and exchange rates were maintained officially at their former parities (viz., on the basis of 1.05 pesos to the dollar) till February 1933, when the price of the dollar was raised to 1.16 pesos. After the suspension of the gold standard by the United States, it was decided, on April 21st, 1933, to maintain the dollar rate unchanged and to quote other currencies on the basis of their prices in New York. Later in 1933, the official dollar rate was, however, raised several times until it reached 1.26 pesos to the dollar. At the same time, the system of exchange control was considerably relaxed. As early as April 1933, exemption from the obligation to sell the foreign

exchange proceeds to the Central Bank at the official rate was granted for a number of export commodities. For all other commodities, new regulations were issued in September 1933, requiring only 15 per cent of the proceeds of export sales to be delivered to the Central Bank. In consequence, the amount of blocked peso accounts held by foreign creditors was substantially reduced during the last quarter of 1933. Since September 1933, the free market price of the dollar has fluctuated between 1.5 and 1.7 pesos.

The discount rate of the Central Bank was reduced by stages from 9 per cent at the end of 1929 to 4 per cent at the end of 1933, at which level it has since remained.

Balance-sheet Summary.

1. Cash.

Pesos (000,000's)	1929	1930	1931	1932	1933
Gold coins, bank-notes, State notes, other currency	7.2	4.8	3.7	1.2	—
Cash held in savings departments	0.9	1.0	1.8	1.6	4.2
Total	8.1	5.8	5.5	2.8	4.2
Reserve balances with Banco de la República	5.0	3.4	3.7	10.5	11.6
Grand total	13.1	9.2	9.2	13.3	15.8

Pesos (000,000's)	1929	1930	1931	1932	1933
Investments of savings departments	6.0	6.2	7.4	6.8	5.9
Thereof investments of "immediate convertibility"	(5.4)	(5.5)	(6.5)	(6.2)	(5.8)
Grand total	12.1	13.1	14.7	17.5	23.4

3. Bills discounted and bought.

The official statistics make no distinction between discounts, loans and advances, nor is Government paper shown separately from commercial paper. Distinction is made, however, between paper eligible for rediscount at the Banco de la República and non-eligible paper. The former category is shown under discounts in the Summary Table, and the latter under group (7). The composition of the sums given under (3) is shown below :

Pesos (000,000's)	Bills eligible for rediscount		
	Actually rediscounted	Other	Total
1929	13.7	41.9	55.6
1930	13.0	33.9	46.9
1931	14.4	24.1	38.5
1932	5.8	17.2	23.0
1933	1.5	15.6	17.1

4 and 5. Investments and Securities; Participations.

Pesos (000,000's)	1929	1930	1931	1932	1933
Ordinary investments : Shares in the Banco de la República	4.8	5.0	4.9	5.0	3.8
Other securities	1.3	1.9	2.4	5.7	13.7
Total	6.1	6.9	7.3	10.7	17.5

17. Deposits.

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

Pesos (000,000's)	1929	1930	1931	1932	1933
(a) Sight deposits :					
In national currency	41.7	26.8	22.5	29.3	36.2
In other currencies	9.1	6.5	4.5	2.5	1.9
Total sight deposits	50.8	33.3	27.0	31.8	38.1
(b) Savings deposits	6.2	6.5	8.2	7.5	6.5
(c) Time deposits :					
In national currency	14.7	11.5	14.6	13.7	14.4
In other currencies	1.9	3.5	3.4	2.3	1.5
Total time deposits	16.6	15.0	18.0	16.0	15.9
Grand total	73.6	54.8	53.2	55.3	60.5

18. Rediscounts and Other Borrowings.

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

ECUADOR.¹

Introductory Note.

The following statement shows the movement in some of the principal accounts of the Central Bank of Ecuador during the period 1930-1934 :

Suces (ooo,ooo's) End of :	1930	1931	1932	1933	June 1934
Loans and rediscounts to member banks	2.9	2.3	1.8	1.5	0.6
Sight deposits of mem- ber banks	4.1	1.4	9.4	15.1	13.4
Notes in circulation	23.5	19.1	24.6	35.6	41.1
Gold and foreign assets.	28.5	15.3	15.3	16.5	19.5

In 1931, and particularly in the latter part of that year, internal political disturbances led to serious runs on the banks. Between the end of 1930 and the end of 1931, aggregate deposits held by the commercial banks fell by 41 per cent. At the same time, the banks were able to reduce loans and discounts by only 23 per cent, and their cash reserves declined by 55 per cent. The fact that the withdrawals of deposits by the public were not reflected in an expansion of the volume of notes outstanding was mainly due to the flight of domestic capital and the repatriation of foreign short-term funds ; the resulting sales of gold and foreign exchange by the Central Bank withdrew notes from circulation. It will be noticed from the above table that the gold and exchange reserve of the Central Bank was nearly halved in 1931.

A law was passed in March 1932 which required the Central Bank to make a loan of 12 million sucres to the Government for the financing of public works and of certain measures of relief to agriculture, as well as for the internal debt service of the Government. This marked the beginning of a progressive inflation of the currency. At the end of 1932, a budgetary deficit of 6 million sucres was covered by borrowing at the Central Bank ; a further Central Bank credit of 13 million sucres was used by the Government for financial assistance to agriculture, distributed through the Mortgage Bank of Ecuador. As a result, the Government debt to the Central Bank rose from 8 millions at the end of 1931 to 36 million sucres at the end of June 1934. In the same period, moreover, the Central Bank considerably expanded its direct loans to the public. A Law of December 29th, 1932, authorised the bank to grant credits to the

public which were not short-term in character. The same law required the bank to open branches in the principal towns of the provinces, with a view to expanding its credit facilities to the public.

As a result of these measures, the note circulation was more than doubled between the end of 1931 and the end of June 1934.

The effects of the currency inflation on the position of the commercial banks may be seen from the attached Summary Table. Aggregate deposits — consisting mainly of current accounts — increased by 31 million sucres, or over 150 per cent, between the end of 1931 and the end of 1933 ; they rose further by about 7 million sucres in the first half of 1934. Through this influx of deposits, arising from the expansion of the note-issue, the cash position of the banks, which had been very strained in 1931, was rapidly relieved in 1932, and, although a marked revival of bank lending took place in 1933, cash reserves continued to increase in that year. The proportion of cash in total assets rose from 7.5 per cent at the end of 1931 to 26.8 per cent at the end of 1933.

By a Law of February 8th, 1932, the convertibility of the notes of the Central Bank into gold was suspended ; the same law also required the Central Bank to convert its foreign exchange reserves into gold. A Decree of May 1932 provided that all foreign exchange operations must be transacted through the Central Bank on the basis of a dollar price which was raised from the par rate of 5.05 sucres to 5.95 sucres to the dollar ; all foreign exchange holdings of banks and others had to be transferred to the Central Bank at that rate. Further, this decree required exporters to deliver 80 per cent of their foreign currency proceeds to the Central Bank at the official rate of exchange. This official rate of 5.95 sucres to the dollar was maintained even after the suspension of the gold standard by the United States in April 1933. The exchange restrictions were considerably relaxed by a law which came into operation on December 22nd, 1933. After that date, only 25 per cent of the foreign exchange proceeds of exports had to be sold to the Central Bank at the official rate ; the remainder might be sold on the free market. The official rate of 5.95 sucres to the dollar was left unchanged ; market rates of exchange, since December 1933, have fluctuated at a level of 10 to 11 sucres to the dollar.

¹ As it was not possible, for reasons of space, to give a full account of recent banking developments in Ecuador in the last edition of this volume, the present chapter covers the entire period 1930-1934.

ACCOUNTS	SUMMARY OF POSITION AT END OF :				
	1929	1930	1931	1932	1933
Number of Banks.	16	14	12	12	11
ASSETS.					
	Sucre (000,000's omitted)				
1. Cash.	8.8	8.5	3.9	13.5	22.7
(a) Gold, silver and small coins.	0.6	1.1	0.1	0.1	0.1
(b) Inland notes and balances with Central Bank	8.2	7.4	3.8	13.4	22.6
2. Other Items of a Cash Nature.	0.5	1.0	0.4	0.4	1.8
3. Bills discounted and bought.	13.9	15.1	10.1	11.7	26.9
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, inland	12.8	14.0	8.2	10.8	26.6
(c) Commercial bills, foreign	1.1	1.1	1.9	0.9	0.3
4. Investments and Securities.	6.3	6.5	5.0	4.9	4.8
(a) Government	0.1	0.1	0.1	0.1	0.1
(b) Others	6.2	6.4	4.9	4.8	4.7
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	4.0	3.0	2.0	0.3	0.9
(a) At home.	—	—	—	—	—
(b) Abroad	4.0	3.0	2.0	0.3	0.9
7. Loans and Advances.	43.1	39.3	31.5	31.6	28.8
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	0.4	0.4	0.5	0.8	0.8
9. Premises, etc.	3.6	3.8	3.0	4.2	3.9
10. Sundry Assets	0.7	0.9	0.8	0.7	0.6
11. Total Assets	81.3	78.5	57.2	68.1	91.2
LIABILITIES.					
12. Capital paid up	21.1	20.9	16.3	16.2	15.9
13. Reserve Funds	7.8	3.7	3.7	3.9	4.0
14. Profit-and-Loss Accounts, Undivided Profits, etc.	—	1.6	0.9	0.9	0.8
15. Notes in Circulation	—	—	—	—	—
16. Cheques and Drafts in Circulation	—	—	—	—	—
17. Due to Banks (Correspondents)	2.8	4.1	3.1	3.9	4.2
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	34.1	33.0	19.3	30.4	50.2
(a) Current accounts and sight deposits	24.3	22.1	12.6	24.9	42.7
(b) Savings accounts	—	—	—	—	—
(c) Time deposits.	6.5	7.2	4.7	5.4	7.3
(d) Other deposits	3.3	3.7	2.0	0.1	0.2
19. Rediscounts and Other Borrowings	14.5	14.1	13.1	11.7	9.7
20. Acceptances and Endorsements	0.4	0.4	0.5	0.8	0.8
21. Sundry Liabilities.	0.6	0.7	0.3	0.3	5.6
22. Total Liabilities.	81.3	78.5	57.2	68.1	91.2
23. Value of currency in Swiss francs at the end of each year	1.04	1.04	1.04	0.83	0.55

Balance-sheet Summary.

1. *Cash.*

The amounts shown under (a) consist of gold and other metallic currency. Those shown under (b) are composed as follows :

Sucres (ooo,ooo's)	1929	1930	1931	1932	1933
Notes of Banco Central.	4.2	3.5	2.0	3.2	6.2
Deposits with Banco Central.	4.0	3.9	1.8	10.2	16.4
Total	8.2	7.4	3.8	13.4	22.6

2. *Other Items of a Cash Nature.*

This account consists of sight deposits with national banks other than the Banco Central and holdings of foreign bank-notes and metallic currency.

Sucres (ooo,ooo's)	1929	1930	1931	1932	1933
Sight deposits with other banks	0.4	0.9	0.3	0.4	1.7
Foreign currencies	0.1	0.1	0.1	—	0.1
Total	0.5	1.0	0.4	0.4	1.8

3. *Bills discounted and bought.*

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

4. *Investments and Securities.*

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

Sucres (ooo,ooo's)	1929	1930	1931	1932	1933
Mortgage bonds of other banks	2.1	1.4	1.2	1.2	0.9
Shares of Banco Central	3.5	3.1	2.4	2.4	2.4
Other securities	0.6	1.9	1.3	1.2	1.4
Total	6.2	6.4	4.9	4.8	4.7

6. *Due from Banks (Correspondents).*

Ordinary domestic correspondent accounts are presumably included under sight deposits in domestic banks, as shown in the note to group 2 above.

7. *Loans and Advances.*

The classification of loans and advances is shown below :

Sucres (ooo,ooo's)	1929	1930	1931	1932	1933
Mortgage loans	13.9	13.9	14.2	13.1	11.4
Short-period loans.	8.0	7.4	5.7	5.5	6.5
Other loans not eligible for rediscount.	21.2	18.0	11.6	13.0	10.9
Total	43.1	39.3	31.5	31.6	28.8

9. *Premises, etc.*

Sucres (ooo,ooo's)	1929	1930	1931	1932	1933
Buildings	2.9	3.1	2.5	3.7	3.3
Furniture	0.7	0.7	0.5	0.5	0.6
Total	3.6	3.8	3.0	4.2	3.9

10. *Sundry Assets.*

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

17. *Due to Banks (Correspondents).*

The composition of the amounts shown is as follows :

Sucres (ooo,ooo's)	1929	1930	1931	1932	1933
Due to banks at home and abroad	1.6	3.0	1.0	2.8	3.8
Overdrafts with foreign banks	1.2	1.1	2.1	1.1	0.4
Total	2.8	4.1	3.1	3.9	4.2

18. *Deposits.*

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

Sucres (ooo,ooo's)	1929	1930	1931	1932	1933
Public	23.9	21.9	12.4	24.7	42.3
Government	0.4	0.2	0.2	0.2	0.4
Total	24.3	22.1	12.6	24.9	42.7

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

19. *Rediscounts and Other Borrowings.*

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

Sucres (ooo,ooo's)	1929	1930	1931	1932	1933
Rediscounts with Banco Central	3.4	2.9	2.5	2.0	1.2
Rediscounts with other domestic banks	0.1	0.3	0.1	0.3	—
Rediscounts abroad	0.2	0.2	0.1	—	—
Total rediscounts	3.7	3.4	2.7	2.3	1.2
Mortgage bonds outstanding	10.8	10.7	10.4	9.4	8.5
Grand total	14.5	14.1	13.1	11.7	9.7

21. *Sundry Liabilities.*

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

MEXICO.

Introductory Note.

Partly as a result of the monetary legislation of 1931 and the banking reorganisation of 1932 (described in the last issue of this *Memorandum*), there was a marked improvement in the economic and banking situation of Mexico in the course of 1933-34. The Currency Law of July 1931, which made silver the sole metallic legal tender, and broadened the basis for the note-issue of the Banco de México, does not appear to have affected the monetary situation considerably until the beginning of 1933. Though the total monetary circulation increased from 198 millions at the end of 1931 to 240 million pesos at the end of 1932, the net circulation as estimated ¹ by the Banco de México remained unchanged at 169 million pesos at the end of 1932. The revival of domestic ² and foreign ³ trade which took place in 1933 and 1934 was accompanied by an increase in the effective circulation of money, which reached 244 million pesos at the end of April 1934; the rise was about equally due to silver coins of one peso and to notes of the Bank of Mexico.

These developments are reflected in the balance-sheets of the commercial banks, the principal accounts of which are summarised in the table opposite.

In the course of 1933, fifteen new banks — thirteen deposit and discount banks, one agricultural and one national ⁴ bank — came into existence. Part of the improvement in the position

Pesos (000,000's) End of:	Dec. 1932	June 1933	Dec. 1933	June 1934
Number of banks	48	59	63	69
1. Cash, etc.	68	94	85	84
2. Bill portfolio	47	61	68	78
3. Loans and advances	116	125	157	159
<i>Of which:</i>				
On current account	(34)	(48)	(62)	(76)
4. Securities.	21	26	29	36
5. Capital and reserves	110	127	121	117
6. Deposits	162	210	234	215
<i>Of which:</i>				
(a) Sight	(124)	(153)	(165)	(166)
(b) Time	(27)	(20)	(51)	(21)
(c) Sight and time deposits in fo- reign currency.	(33)	(37)	(43)	(28)
7. Rediscounts and borrow- ings	15	19	21	33
8. Total balance-sheet	320	386	419	424

of the banks is due to the increase in the number of institutions established in part with financial assistance from the Banco de México.

The balance-sheets of the deposit and discount banks increased from 62 million pesos at the end of 1932 to 139 million pesos at the end of 1933, and their relative share of the aggregate balance-sheet of all banks rose from 13 to 24 per cent. The agricultural bank and the national bank established in the course of 1933 were relatively unimportant. ⁵

¹ *Boletín*, No. 2, page 16. — This estimate is arrived at by deducting from the sum of coins issued and the note-issue of the Banco de México the total amount held as cash reserves by all banks, including the Central Bank.

² The revival of domestic trade should be considered in relation to the large public expenditure on public works and more recently in connection with the adoption of the new Six-Year Plan. The plan was announced late in 1933, and the first part of it was put into effect in April 1934. The plan is conceived on very broad lines and affects practically all phases of economic and social life. Apart from the national development of certain social services, it aims at the control of prices, the nationalisation of industries and the redistribution of land.

³ The total value of trade increased from 486 millions in 1932 to 610 million pesos in 1933, imports and exports rising by 64 and 60 million pesos respectively. The trade returns for the first seven months of 1934 show a further improvement; imports and exports increased by 49 and 146 million pesos respectively over the first seven months of the previous year.

⁴ For meaning of the term "national" banks, see *Commercial Banks, 1925-1933*, page 298.

⁵ The number of banks in each category and the relative importance of their respective balance-sheets in 1932 and 1933 were as follows:

	Number of banks		Per cent of total balance-sheet	
	1932	1933	1932	1933
1. Industrial and agricultural banks	15	16	56	51
2. Deposit and discount banks	19	32	13	24
3. Foreign banks	6	6	21	13
4. National banks	8	9	10	12
Total	48	63	100	100

According to the *U.S. Commerce Report*, dated July 7th, 1934, the further increase in the number of institutions in the first half of 1934 was due to the establishment, under the auspices and with the direct assistance of the Banco de México, of new commercial banks with a view to financing producers who had formerly depended on the foreign banks.

The improvement of economic activity is brought out, not only by the growth of bank deposits, amounting to 30 per cent in 1933, but also by the increase in bank clearings from an average of 127 million pesos in 1932 to an average of 173 million pesos in 1933, and by the substantial increase in the bill portfolio and in the loans and advances, particularly those on current account, of the commercial banks. The banks' principal earning assets continued to increase, though at a slower rate, during the first half of 1934, despite a reduction in deposits and in capital and reserves. In spite of considerable borrowings from the Banco de México, the cash reserves of the commercial banks were slightly reduced. The fall in resources was due principally¹ to the closing down of the offices of three leading foreign banks. The accounts of the foreign banks, which had constituted 25 per cent of the balance-sheet total of all commercial banks at the end of 1925, declined gradually to 21 per cent at the end of 1932. With the passage of the Bank Law of June 1932, and on account of the desire of the Mexican authorities to concentrate banking activities in the hands of nationals, the business of the foreign banks fell sharply in 1933, and three of

the six banks decided to liquidate their Mexican business. The Anglo-South American Bank closed its office towards the end of November 1933 and liquidated all Mexican accounts in the spring of 1934. Two Canadian banks, the Canadian Bank of Commerce and the Bank of Montreal, followed suit in May 1934. As the office of the Chase Bank does very little business in Mexico, the National City Bank of New York and the German South-American Bank remain the only important foreign banks in Mexico.

After the abandonment of the gold standard in July 1931, the Mexican peso fluctuated freely until July 1933, since when it has been maintained at a fixed rate with the U.S. dollar by the purchase and sale of dollars by the Banco de México.² Exchange may be bought and sold without restriction. The reserves of the Banco de México at the end of 1933 amounted to 59 million pesos, made up of 37 million gold, 11 million silver, and 11 million foreign exchange, mainly U.S. dollars. At the end of May 1934, the gold reserve stood at 43 million pesos, the silver stock remained unchanged and foreign exchange amounted to 3 million pesos.

Balance-sheet Summary.

General Note.

It should be noted that, in consequence of the banking reorganisation in 1932, the summary statistics for 1932 and 1933 are not comparable with those for previous years.

I. Cash.

The composition of the metallic cash holdings of the banks since 1929 is shown below :

Pesos (000,000's)	Gold	Silver and small coins	Total
1929	30.2	20.3	50.5
1930	27.1	36.4	63.5
1931	3.7	23.1	26.8
1932	2.2	35.2	37.4
1933	2.0	35.4	37.4

4 and 5. Investments and Securities: Participations.

The division of the sums shown in the summary table is given below :

Pesos (000,000's)	1929	1931	1932	1933
Approved securities	6.5	6.6	8.3	1.9
Other investments	25.1	12.3	13.1	26.7
Total	31.6	18.9	21.4	28.6

6. Due from Banks (Correspondents).

The sums shown for domestic correspondents (a) are composed as follows :

Pesos (000,000's)	1929	1931	1932	1933
Inter-banks deposits	7.1	5.3	5.6	11.1
Balances due from banks . .	12.8	0.5	1.2	8.3
Total	19.9	5.8	6.8	19.4

The sums shown for foreign correspondents (b) are described in the official statistics as "assets held in foreign banks".

7. Loans and Advances.

The sums given under (a) are composed as follows :

Pesos (000,000's)	1929	1931	1932	1933
On current account	8.5	2.5	2.0	16.9
Against collateral	26.0	28.3	31.0	45.4
To Federal Government . . .	2.6	2.5	0.9	0.1
Total (a)	37.1	33.3	33.9	62.4

¹ There was a run on the Banco de Londres y México early in March 1934 lasting several days. The bank was saved by substantial assistance from other banks.

² The dollar rate was maintained at 3.55 pesos throughout the four months ended November 7th, 1933, when the rate changed to 3.60 pesos, at which point it has continued throughout the first half of 1934.

MEXICO.

COMMERCIAL BANKS

Table 33 (a).

ACCOUNTS	SUMMARY OF POSITION AT END OF :				
	1929	1930	1931	1932	1933
Number of Banks	53	56	58	48	63
ASSETS.					
Pesos (000,000's omitted)					
1. Cash	54.5	71.8	30.0	62.1	79.2
(a) Gold, silver and small coins	50.5	63.5	26.8	37.4	37.4
(b) Bank notes, State notes and balances with Central Bank	4.0	8.3	3.2	24.7	41.8
2. Other Items of a Cash Nature	8.3	6.7	3.5	5.9	7.1
3. Bills discounted and bought.	92.4	95.9	41.6	46.9	68.4
(a) Government bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities.	31.6	30.8	18.9	21.4	28.6
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	49.9	25.1	29.4	18.7	32.7
(a) At home.	19.9	9.8	5.8	6.8	19.4
(b) Abroad	30.0	15.3	23.6	11.9	13.3
7. Loans and Advances.	130.8	126.9	135.8	115.7	156.5
(a) On current account	37.1	44.5	33.3	33.9	62.4
(b) Other	93.7	82.4	102.5	81.8	94.1
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	24.1	24.2	17.5	20.5	12.3
10. Sundry Assets	23.9	35.5	31.9	29.2	34.0
11. Total Assets	415.5	416.9	308.6	320.4	418.8
LIABILITIES.					
12. Capital paid up.	100.9	100.6	98.6	95.8	97.3
13. Reserve Funds	28.1	21.6	19.9	14.6	23.8
14. Profit and Loss, Undivided Profits, etc.	—	—	—	—	—
15. Notes in circulation	11.2	5.5	5.5	5.2	—
16. Cheques and Drafts, etc., in circulation	14.7	5.2	5.0	4.8	7.0
17. Due to Banks (Correspondents)	11.8	12.0	7.7	11.9	12.5
(a) At home.	10.1	8.6	2.0	8.2	12.3
(b) Abroad	1.7	3.4	5.7	3.7	0.2
18. Deposits	218.5	243.2	145.4	162.1	233.6
(a) Current accounts and sight deposits	175.6	183.0	102.0	135.2	182.4
(b) Savings accounts	—	—	—	—	—
(c) Time deposits	42.9	60.2	43.4	26.9	51.2
(d) Other deposits	—	—	—	—	—
19. Rediscounts and other Borrowings	8.2	7.8	5.5	14.5	20.9
20. Acceptances	—	—	—	—	—
21. Sundry Liabilities.	22.1	21.0	21.0	11.5	23.7
22. Total Liabilities	415.5	416.9	308.6	320.4	418.8
23. Value of currency in Swiss francs at the end of each year	2.47	2.35	2.00	1.66	0.92

The composition of the sums given under (b) is as follows :

Pesos (000,000's)	1929	1931	1932	1933
1. Promotion loans	15.2	15.5	9.2	9.6
2. Sundry debtors	60.8	77.7	66.4	77.0
3. Other loans	1.2	1.0	0.9	3.2
Total 1-3	77.2	94.2	76.5	89.8
Subject to moratoria :				
4. "Constitutional Government" debt	0.3	—	—	—
5. Other old loans	16.2	8.3	5.3	4.3
Total 4-5	16.5	8.3	5.3	4.3
Grand total (b)	93.7	102.5	81.8	94.1

10. Sundry Assets.

The sums shown in this group of the Summary Table are composed of mortgage loans and miscellaneous accounts in the following proportions:

Pesos (000,000's)	1929	1931	1932	1933
Mortgage loans	16.3	14.6	12.9	15.2
Miscellaneous	7.6	17.3	16.3	18.8
Total	23.9	31.9	29.2	34.0

12 and 13. Capital and Reserves.

In the case of foreign banks, only the capital assigned to the branches in Mexico is included.

16. Cheques and Drafts, etc., in circulation.

The sums shown under this heading are composed as follows :

Pesos (000,000's)	Provisional bonds	Cash bonds	Total
1929	13.2	1.5	14.7
1930	3.7	1.5	5.2
1931	4.0	1.0	5.0
1932	4.2	0.6	4.8
1933	0.3	6.7	7.0

17. Deposits.

The detailed composition of deposits is shown below :

Pesos (000,000's)	1929	1931	1932	1933
A. Sight deposits :				
In national currency	123.5	62.3	97.5	143.2
In foreign currency	35.2	31.3	26.4	22.0
Total	158.7	93.8	123.9	165.2
B. Undrawn balances of current account credits opened	2.4	0.2	0.5	0.4
Sundry creditors	14.5	8.0	10.8	16.8
Total	175.6	102.0	135.2	182.4
C. Time deposits :				
In national currency	34.1	22.9	20.3	29.9
In foreign currency	8.8	20.5	6.6	21.3
Total	42.9	43.4	26.9	51.2
Grand total	218.5	145.4	162.1	233.6

21. Sundry Liabilities.

Separate figures for the various groups included under this heading are given below :

Pesos (000,000's)	1929	1930	1931	1932	1933
Federal notes, etc.	—	2.2	0.1	—	—
Miscellaneous liabilities, "Old accounts"	15.3	14.1	15.9	11.2	23.6
Total	22.1	21.0	21.0	11.5	23.7

The miscellaneous liabilities include, in addition to transitory accounts, the profits of the banks, which are not shown separately.

PERU.

Introductory Note.

The following table summarises the principal accounts of the nine leading commercial banks in Peru in the course of 1933-34 :

Sols (000,000's)	Dec. 31st, 1932	June 30th, 1933	Dec. 31st, 1933	June 30th, 1934
1. Cash	18	25	34	33
<i>Of which:</i>				
(a) Gold, silver and fractional coin	(5)	(1)	(2)	(2)
(b) Notes	(8)	(10)	(12)	(10)
(c) Balances with Central Bank	(5)	(14)	(20)	(21)
2. Treasury bills forming part of legal cash reserve	—	19	18	34
3. Other bill portfolio	53	58	36	46
<i>Of which:</i> Foreign bills	(20)	(30)	(5)	(14)
4. Due from banks abroad	10	7	12	11
5. Loans and advances	82	65	59	68
6. Paid-up capital and reserves	39	39	39	40
7. Deposits	103	122	127	155
<i>Of which:</i> In foreign currency	(24)	(30)	(20)	(26)
8. Rediscounts of commercial paper	17	19	3	4
9. Total balance-sheet	208	—	215	—

It will be seen that the principal developments are a rapid increase in deposits accompanied by a sharp rise in cash reserves. The increase of 50 per cent in deposits in the eighteen months ended June 30th, 1934, is due in part to a rise in the export surplus and to the repatriation of capital, but chiefly to heavy Government borrowing at the Banco Central. In August 1933, the Central Bank advanced the Government the sum of 30 million sols, and, in February 1934, an additional 5 millions. These advances were made to provide funds for the prosecution of the war against Colombia. The exigencies of Government finance largely dominated the banking situation in the period under review. Between the end of 1932 and the end of 1933, the total issue of notes and subsidiary coins increased from 76.7 to 110 million sols, and the net amount of these two means of payment in the hands of the public rose from 59.7 to 76.2 million sols. In the first six months of 1934, there was a further increase of 15.7 millions in the total note and subsidiary coin issue, and an additional rise of 2.4 million sols in the net circulation.

The Government also raised funds by issuing its Treasury bills to the commercial banks. By a series of laws passed in 1933, these were made rediscountable at the Banco Central de Reserva, and the bills held by the commercial banks could be included in their legal cash reserves. At the

end of 1933, the commercial banks' rediscounts of these bills (which are not included in items 4 or 9 above) amounted to 13.6 million sols, or almost the same amount as the increase in their cash holdings during that year. Deposits increased rapidly, but not so rapidly as "legal cash", and in consequence the ratio of the latter to sight deposits rose from 25 per cent at the end of 1932 to over 70 per cent at the end of June 1934. The banks' private credit items show no increase during 1933. The fall in the bill portfolio in the second half of that year is chiefly due to the action of the Superintendencia Bancaria in asking the foreign banks to transfer to their home offices foreign bills of exchange in excess of legal requirements. The balances due by foreign banks operating in Peru to head offices abroad fell from 21 to 5 million sols during 1933. Part of the decline in the foreign bill portfolio is also due to the fall in the U.S. dollar. It should be observed, however, that the bill portfolio as shown in the above table excludes not only the banks' holdings of the special Treasury bills which form part of the legal cash reserve (shown in item 2) but also additional Treasury bills rediscounted at the Banco Central. These latter amounted to 13.6 million sols at the end of 1933 and to over 16 millions at the middle of 1934. It is obvious that the commercial banks greatly increased the credits granted to the Government during 1933 and 1934. On the other hand, their loans to private industry fell during 1933; part of the decline, however, may be due to changes in classification. There was a substantial increase in the first half of 1934.

In January 1933, the Industrial Bank of Peru was established with the object of "encouraging the production of those articles which are now imported but which may technically and economically be produced in the country". It is to have a capital of 40 million sols, of which the State contributes 20 million sols by the levy of a special 1 per cent *ad valorem* tax on all imports. At the end of 1933, the Central Bank held for the account of the Industrial Bank gold amounting to 308,575 sols.

During 1933, the discount on the sol in relation to the new gold parity adopted in April 1931 averaged 46.5 per cent as compared with 17.3 per cent during 1932. No official exchange control has been established.

The figures shown for 1931, 1932 and 1933 in the attached Summary Table are published by the Superintendencia Bancaria since the end of 1931, and are not entirely comparable with those given for 1930.

PERU.

COMMERCIAL BANKS

Table 34 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :			
	1930	1931	1932	1933
Number of banks	13	11	9	9
	Sols (ooo,ooo's)			
ASSETS.				
1. Cash	18.5	17.4	17.8	34.4
(a) Gold, silver and small coins	3.0	4.1	4.6	2.0
(b) Bank-notes, State notes and balances with Central Bank	15.5	13.3	13.2	32.4
2. Other Items of a Cash Nature	0.1	0.4	0.4	18.2
3. Bills discounted and bought	55.7	38.0	52.6	35.5
(a) Treasury bills	—	4.6	4.8	0.9
(b) Commercial bills, Inland.	55.7	29.6	27.6	30.1
(c) Commercial bills, Foreign	—	3.8	20.2	4.5
4. Investments and Securities.	32.1	17.3	17.9	17.5
(a) Government	—	1.5	3.4	3.3
(b) Other	—	15.8	14.5	14.2
5. Participations	—	—	—	—
6. Due from Banks (Correspondents).	20.0	14.1	9.7	12.2
(a) At home.	3.9	1.4	0.1	0.7
(b) Abroad	16.1	12.7	9.6	11.5
7. Loans and Advances	76.1	80.2	81.7	59.2
(a) On current account	—	57.4	57.9	42.6
(b) Others.	—	22.8	23.8	16.6
8. Cover for Acceptances	—	—	—	—
9. Premises, etc.	5.0	5.8	4.5	4.9
10. Sundry Assets	14.2	17.5	23.3	33.5
11. Total Assets	221.8	190.7	207.9	215.4
LIABILITIES.				
12. Capital paid up.	44.7	26.5	25.9	25.9
13. Reserve Funds	12.3	13.8	13.0	13.3
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	4.9	1.7	1.3	1.9
15. Cheques and Drafts, etc., in circulation	—	—	—	—
16. Due to Banks (Correspondents)	3.9	19.4	23.7	9.3
(a) At home.	3.9	0.2	0.8	—
(b) Abroad	—	19.2	22.9	9.3
17. Deposits	120.1	103.4	102.6	127.4
(a) Current accounts and sight deposits	54.1	50.5	53.8	70.4
(b) Savings accounts	16.3	18.3	20.1	26.4
(c) Time or fixed deposits	43.3	34.3	28.5	30.5
(d) Other deposits	6.4	0.3	0.2	0.1
18. Rediscounts and other Borrowings	—	6.5	17.4	3.2
19. Acceptances and Endorsements.	—	—	—	—
20. Sundry Liabilities.	35.9	19.4	24.0	34.4
21. Total Liabilities.	221.8	190.7	207.9	215.4
22. Value of currency in Swiss francs at the end of each year	1.56	1.43	0.90	0.73

Balance-sheet Summary.

1. Cash.

The following is the composition of this item:

Sols (000,000's)	1931	1932	1933
Gold	2.9	3.8	1.5
Silver, nickel, etc.	1.2	0.8	0.5
Total 1 (a)	4.1	4.6	2.0
Notes	7.0	8.0	12.0
Balances with Central Bank	6.3	5.2	20.4
Total 1 (b)	13.3	13.2	32.4

2. Other Items of a Cash Nature.

This item consists of foreign notes and coins as well as small balances due from other banks. In 1933 it also includes Treasury bills held by the banks which may be counted as legal cash reserves.

3. Bills discounted and bought.

Sols (000,000's)	1931	1932	1933
Treasury Bills :			
Discounted	4.6	4.8	0.9
Rediscounted . . . . .	.	6.1	—
Inland Bills :			
Discounted	29.6	27.6	30.1
Rediscounted	6.5	0.3	—
Foreign Bills :			
Discounted	3.3	20.1	4.2
Bought	0.5	0.1	0.3
Rediscounted	—	11.0	3.2
Total { Discounts	38.0	52.6	35.5
Rediscounts	6.5	17.4	3.2
Net bill portfolio	31.5	35.2	32.3

Treasury bills, as shown above, do not include the special issues of 1933. See notes to groups (2) and (18).

4. Investments and Securities.

The sums shown under (a) include municipal securities ; the composition of (b) is given below :

Sols (000,000's)	1931	1932	1933
Shares of Central Bank	1.8	1.7	1.7
Other shares	9.6	12.6	12.3
Securities in savings department	4.3	—	—
Securities pledged with Banking Superintendent	0.1	0.2	0.2
Total	15.8	14.5	14.2

7. Loans and Advances.

Sols (000,000's)	1931	1932	1933
(a) On current account :			
In Peruvian currency :			
Against collateral	20.5	18.7	23.0
Without collateral	15.2	14.5	11.7
In foreign currency :			
Against collateral	13.6	17.9	4.8
Without collateral	2.1	6.8	3.1
Total	57.4	57.9	42.6

Sols (000,000's)	1931	1932	1933
(b) Other loans :			
In Peruvian currency :			
Against collateral	7.3	6.4	5.8
Without collateral	0.9	1.1	1.6
To Government	4.5	3.6	1.0
In foreign currency :			
Against collateral	1.5	1.6	1.6
Without collateral	1.6	0.3	—
To Government	—	1.0	0.6
Certificates of deposit	0.2	0.2	0.2
Other loans	6.8	9.6	5.8
Total	22.8	23.8	16.6
Grand total	80.2	81.7	59.2

10. Sundry Assets.

Sols (000,000's)	1931	1932	1933
Branch accounts	0.4	0.3	0.3
Exchange operations	10.7	15.5	24.0
Profit-and-loss account	—	0.1	—
Other accounts	6.4	7.4	9.2
Total	17.5	23.3	33.5

18. Rediscounts.

Excluding special Treasury bills of 1933 rediscounted with Banco Central.

20. Sundry Liabilities.

Sols (000,000's)	1931	1932	1933
Branch accounts	0.8	—	0.5
Mortgage departments	0.6	0.4	—
Exchange operations	10.1	15.4	23.9
Other accounts	7.9	8.2	10.0
Total	19.4	24.0	34.4

Profit-and-Loss Accounts.

The following statement of the banks' profit-and-loss accounts is available for the second half of 1932 and for 1933.

Sols (000,000's)	Second half of 1932	1933
Interest { Income	4.8	5.0
{ Outlay	2.2	2.5
{ Net income	2.6	2.5
Commissions, etc. { Income	1.7	2.2
{ Outlay	1.1	0.9
{ Net income	0.6	1.3
Gross profits	3.2	3.8
Salaries, etc.	1.6	1.6
Taxes, etc.	0.1	0.1
Written-off assets	1.0	1.0
Net profits	0.5	1.1

URUGUAY.

Introductory Note.

The improvement in Uruguay's export trade due to the rise in the price of wool in 1933 was more than counterbalanced by increased imports, and the surplus of exports was wiped out. Consequently, it was necessary to maintain the rigid exchange control introduced in 1931 and to introduce a complicated system of import and export licences. As a result, banking activity was still further restricted, in particular the activity of the foreign banks. The following table summarises the principal accounts of the Banco de la República¹ and other commercial banks at the end of 1932 and 1933.

Pesos (000,000's)	Banco de la República		Ordinary domestic banks		Foreign banks	
	1932	1933	1932	1933	1932	1933
1. Cash, etc. . . .	54	57	11	11	30	16
2. Gross note circulation. . . .	85	78	—	—	—	—
Of which: Net circulation in hands of public ^a	(46)	(52)	—	—	—	—
3. Loans, etc. . . .	104	95	62	67	28	26
4. Deposits	70	75	52	57	47	33
Of which:						
(a) Sight	(32)	(32)	(18)	(19)	(36)	(25)
(b) Time	(38)	(43)	(34)	(38)	(11)	(8)

^a I.e., excluding other banks' holdings of notes of Banco de la República.

In the course of 1933, the sight deposits of the foreign banks fell by 11 million pesos, and their time and savings deposits by 3.2 millions. The decline in the deposits of the foreign banks was accompanied by a corresponding reduction in their cash reserves, which consist principally of the notes of the Banco de la República. The note circulation in the hands of the public increased from 45.4 million pesos at the end of 1932 to 52.5 millions at the end of 1933, despite a reduction of 7 million pesos in the total note issue. Deposits — in particular, time accounts — in the Banco de

la República and the ordinary domestic banks rose during 1933 and the cash reserves of the former institution, which consist principally of gold with small amounts of subsidiary coin and foreign exchange, also increased slightly. Total deposits of the banking system as a whole were slightly higher at the end of 1933 than at the end of 1932. The aggregate of loans, discounts and investments of the ordinary domestic banks rose by 5 million pesos during 1933, while the corresponding assets of the foreign banks fell by 1.3 million pesos. This increase in the loans, etc., of the domestic banks is principally due to Government borrowing² for the purpose of covering the current budgetary deficit. The decline in the loans of the State-owned Banco de la República is entirely due to a fall in its time loans, which consist principally of discounts of promissory notes and rural and industrial credits.

In February 1934, the exchange control was partially modified. There are at present two foreign exchange markets in addition to the official market of the Banco de la República, and both are sanctioned by the authorities. In the "grey" or "compensado", importers of raw materials and necessities are allowed to compete freely for exchange, and current quotations are on the average about 45 per cent higher than the official rate.³ The free market is open to all firms and individuals who wish to compete for such exchange as is left over after the needs of the official and the "grey" markets have been satisfied. In this market, exchange can be obtained at a premium of about 56 per cent.

The attached Summary Table is constructed by combining the annual balance-sheet of the Banco de la República, showing the position as at December 31st each year, with the average December figures for the ordinary domestic and foreign banks given in the official *Anuario Estadístico*. As the particular asset and liability items shown for the latter group do not balance, small differences will be found between total assets and total liabilities in the attached Summary Table.

¹ For an account of the nature and scope of the activities of the State-owned Banco de la República, see *Commercial Banks, 1925-1933*, pages 303 and 304.

² The floating debt of the Uruguay Government during 1933-34 is stated to have been 10 million pesos.

³ The official rate represents a premium of over 100 per cent in foreign gold currencies as compared with 1928. Uruguay did not legally establish the gold standard after the war, but the peso was maintained near its former gold parity until April 1929.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :					
	1929	1930	1931	1932	1933	
Number of Banks.	20	20	19	18	18	
ASSETS.		Pesos (000,000's).				
1. Cash.	86.5	84.9	83.8	91.4	78.6	
(a) Gold, silver and small coins.	69.8	62.8	54.4	50.4	51.5	
(b) Inland notes and balances with Central Bank	16.7	22.1	29.4	41.0	27.1	
2. Other Items of a Cash Nature.	9.6	9.8	12.9	18.3	22.5	
3. Bills discounted and bought.	2.3	1.7	0.9	0.6	0.5	
(a) Treasury bills.	—	—	—	—	—	
(b) Commercial bills, Inland.	—	—	—	—	—	
(c) Commercial bills, Foreign.	—	—	—	—	—	
4. Investments and Securities.	1.7	9.6	8.2	7.5	7.0	
(a) Government	—	—	—	—	—	
(b) Other	—	—	—	—	—	
5. Participations	—	—	—	—	—	
6. Due from Banks (Correspondents).	—	—	—	—	—	
(a) At home.	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
7. Loans and Advances.	192.0	206.2	194.1	193.9	188.5	
(a) On current account	—	—	—	—	—	
(b) Other	—	—	—	—	—	
8. Cover for Acceptances	—	—	—	—	—	
9. Premises, etc.	—	—	—	—	—	
10. Sundry Assets	—	—	—	—	—	
11. Total Assets	292.1	312.2	299.9	311.7	296.7	
LIABILITIES.						
12. Capital paid up	49.0	49.4	50.2	49.7	49.8	
13. Reserve Funds	8.2	9.2	10.2	10.4	9.9	
14. Profit-and-Loss Accounts, Undivided Profits, etc.	—	—	—	—	—	
15. Notes in Circulation	71.3	74.1	81.0	84.7	78.4	
16. Cheques and Drafts in Circulation	0.5	0.4	0.4	0.3	0.4	
17. Due to Banks (Correspondents)	—	2.2	0.1	—	—	
(a) At home	—	—	—	—	—	
(b) Abroad	—	2.2	0.1	—	—	
18. Deposits	169.4	180.4	164.0	171.3	166.8	
(a) Current account and sight deposits.	79.8	83.1	75.4	85.8	75.9	
(b) Savings accounts	86.0	93.8	85.5	82.6	88.3	
(c) Time or fixed deposits	3.6	3.5	3.1	2.9	2.6	
(d) Other deposits	—	—	—	—	—	
19. Rediscounts and Other Borrowings	—	—	—	—	—	
20. Acceptances and Endorsements	—	—	—	—	—	
21. Sundry Liabilities.	—	—	—	—	—	
22. Total Liabilities.	298.4	315.7	305.9	316.4	305.3	
23. Value of currency in Swiss francs at the end of each year.	4.88	3.87	2.29	2.46	2.47	

Balance-sheet Summary.

General Note. — The amounts shown in the Balance-sheet Summary under headings 2, 3, 4, 15, 16 and 17 refer exclusively to the respective accounts of the Banco de la República.

Notes on certain items not dealt with below are given in the previous edition of this *Memorandum*.

I. Cash.

The composition of the amounts given under this heading are shown below :

Pesos (ooo,000's)	1929	1930	1931	1932	1933
Banco de la República :					
Gold coins	65.9	58.5	50.0	45.8	46.9
Silver and nickel coins	3.5	4.3	4.4	4.6	4.6
Total	69.4	62.8	54.4	50.4	51.5
Other banks :					
Gold coins	0.4	—	—	—	—
Notes of Banco de la República	15.3	20.7	27.6	39.0	25.2
Sight deposits with Banco de la República	1.1	1.1	1.4	1.7	1.2
Subsidiary issue of Banco de la República and subsidiary coin	0.3	0.3	0.4	0.3	0.7
Total	17.1	22.1	29.4	41.0	27.1
Grand total	86.5	84.9	83.8	91.4	78.6

2. Other Items of a Cash Nature.

Pesos (ooo,000's)	Foreign exchange holdings	Credits in course of collection	Total
1929	1.6	8.0	9.6
1930	1.1	8.7	9.8
1931	0.9	12.0	12.9
1932	4.1	14.2	18.3
1933	5.2	17.3	22.5

7. Loans and Advances.

The amounts shown in the Summary Table are divided between the Banco de la República and the ordinary banks as follows :

Pesos (ooo,000's)	1929	1930	1931	1932	1933
Banco de la República :					
Ordinary current accounts	28.6	20.2	17.5	15.2	13.5
Official current accounts	8.2	9.5	12.1	21.4	23.6
National Savings Bank and Discount Department	—	9.6	10.1	10.2	9.5
Total loans on current account	36.8	39.3	39.7	46.8	46.6

Pesos (ooo'000's)	1929	1930	1931	1932	1933
Loans on promissory notes	51.7	52.4	44.8	41.1	35.5
Rural and industrial credit	6.2	8.1	9.8	13.7	12.0
Mortgage loans	0.2	—	—	—	0.5
Guaranteed short-date loans	8.4	6.9	4.3	2.6	0.5
Total other loans	66.5	67.4	58.9	57.4	48.5
Total, Banco de la República	103.3	106.7	98.6	104.2	95.1
Other banks	88.7	99.5	95.5	89.7	93.4
Grand total	192.0	206.2	194.1	193.9	188.5

12 and 13. Capital and Reserve Funds.

The division of capital and reserves among the various groups of banks is shown below :

Pesos (ooo,000's)	Banco de la República	Ordinary domestic banks	Foreign banks	Total
Capital paid-up :				
1929	26.8	15.9	6.3	49.0
1930	27.1	16.0	6.3	49.4
1931	27.7	16.2	6.3	50.2
1932	27.7	16.2	5.8	49.7
1933	27.8	16.2	5.8	49.8
Reserve Funds :				
1929	1.1	6.4	0.7	8.2
1930	1.2	7.2	0.8	9.2
1931	1.4	7.8	1.0	10.2
1932	1.5	7.9	1.0	10.4
1933	1.6	8.2	0.1	9.9

18. Deposits.

The amounts shown in the Summary Table for (a) and (c) were divided as follows between the Banco de la República and other institutions.

Pesos (ooo,000's)	Current accounts		Time and savings accounts	
	Banco de la República	Other banks	Banco de la República	Other banks
1929	42.4	37.4	44.9	41.1
1930	41.9	41.2	45.5	48.3
1931	32.1	43.3	38.9	46.6
1932	31.8	54.0	37.7	44.9
1933	32.0	43.9	42.6	45.7

19. Rediscounts and Other Borrowings.

The rediscounts of the ordinary banks with the Banco de la República excluded from this group are as follows :

(Pesos ooo,000's)	
1929	2.3
1930	2.4
1931	3.5
1932	2.5
1933	2.1

VENEZUELA.¹

Introductory Note.

The following table summarises the principal accounts of the four leading note-issuing banks² in Venezuela at the end of each of the years 1929-1933 :

Bolivars (000,000's)	1929	1930	1931	1932	1933
1. Cash (gold and silver)	112	87	92	101	105
Of which: Gold	(94)	(78)	(78)	(77)	(77)
2. Due from banks abroad	29	5	3	1	1
3. Total note circulation	63	71	74	73	72
Of which: net circulation in hands of public ^a	(55)	(65)	(56)	(57)	(55)
4. Total deposits	131	63	89	90	97
Of which:					
(a) Sight	(19)	(29)	(36)	(32)	(35)
(b) Government	(112)	(34)	(53)	(58)	(61)
5. Loans and advances.	71	65	72	72	70
Of which: On current account	(60)	(57)	(61)	(64)	(66)
6. Total balance-sheet	238	187	202	203	213

^a I.e., excluding banks' holdings of their own and each other's notes.

It will be seen that, apart from the contraction of most items of the balance-sheet during 1930, there have been no very outstanding developments in Venezuelan banking in the course of the depression. The sudden decline in the principal accounts during 1930 reflects the fall in the prices of coffee and cocoa and in the demand for petroleum, and the effects of the decision of the Venezuelan Government to redeem, on the occasion of national centenary celebrations, its outstanding foreign debt (which amounted to 24.3 million bolivars at the end of 1929) several years in advance of the due date. Partly in consequence of the transfer of this large amount abroad, there was a substantial reduction in Government deposits with the banks, principally with the Banco de Venezuela, and in the gold holdings and foreign balances of the banks. The remainder of the fall in these items must be attributed to the impact of the crisis. As a result

of the redemption of the foreign debt and large expenditures undertaken on relief works, there was a current budgetary deficit of 81.3 million bolivars in 1930. This was covered by drawing on official deposits and by recourse to the banks, reflected in an increase of over 12 per cent in the note issue and a rise of over 18 per cent in the effective monetary circulation.

There was no further deterioration in the position of the banks after 1930, thanks to the absence of foreign debt, the enforcement of budgetary equilibrium, and a re-adjustment of foreign trade due to a shift in production from coffee and cocoa to petroleum. Though the note issue has remained stationary throughout the three years ended December 1933, private and Government deposits have gone up, and current account loans have also tended to rise. The gold reserve has remained intact, and the banks increased their silver stocks substantially in 1932 and 1933. There has been no legal devaluation and no official exchange control, but at times of seasonal pressure the banks have rationed their foreign-exchange holdings. The bolivar was quoted at a discount varying from 10 to 30 per cent from 1931 to October 1933. Since then, there has been a rapid appreciation, and the bolivar reached parity in August 1934. Towards the end of August 1934, the Venezuelan Government entered into an agreement with the foreign oil companies whereby the latter are to sell to the banks part of their dollar exchange at the rate of 3.90 bolivars per U.S. dollar, and the Government is to purchase the rest of the companies' exchange at approximately 3.04 bolivars to the dollar in order to import gold. During September 1934, the Venezuelan banks sold dollars at the rate of 3.93 bolivars.

The attached Summary Table, which refers to the four note-issuing banks, is based upon the annual reports of these institutions. (As the 1933 balance-sheet of the Banco de Caracas has not been available, the June 1933 figures for that institution have been used.)

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

² These accounts cover about 90 per cent of the business of the domestic banks and some 50 to 60 per cent of the business of all banks, including foreign banks, operating in Venezuela; for detailed information on the operations of these banks, see *Commercial Banks, 1925-1933*, pages 310 and 311.

VENEZUELA.

COMMERCIAL BANKS

Table 36 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of Banks.	4	4	4	4	4
ASSETS.					
Bolivars (ooo,ooo's omitted)					
1. Cash.	112.3	87.0	91.6	101.0	104.8
(a) Gold, silver and small coins.	—	—	—	—	—
(b) Inland notes and balances with Central Banks.	—	—	—	—	—
2. Other Items of a Cash Nature.	3.8	4.0	7.7	3.8	4.8
3. Bills discounted and bought.	10.2	11.3	12.0	9.4	11.4
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—
(c) Commercial bills, Foreign.	—	—	—	—	—
4. Investments and Securities.	6.8	6.8	6.2	9.2	11.5
(a) Government.	—	—	—	—	—
(b) Other.	—	—	—	—	—
5. Participations.	—	—	—	—	—
6. Due from Banks (Correspondents).	29.3	6.6	7.8	2.1	3.1
(a) At home.	0.6	1.8	4.5	0.9	2.4
(b) Abroad.	28.7	4.8	3.3	1.2	0.7
7. Loans and Advances.	71.1	65.3	71.7	71.5	70.3
(a) On current account.	59.7	57.0	61.1	64.1	65.5
(b) Other.	11.4	8.3	10.6	7.4	4.8
8. Cover for Acceptances.	—	—	—	—	—
9. Premises, etc.	3.5	4.0	4.1	5.5	6.5
10. Sundry Assets.	1.1	1.5	0.7	0.9	0.7
11. Total Assets.	238.1	186.5	201.8	203.4	213.1
LIABILITIES.					
12. Capital paid up.	27.0	27.0	27.0	27.2	27.2
13. Reserve Funds.	15.9	17.9	19.4	20.7	20.4
14. Profit-and-Loss Account, Undivided Profits, etc.	2.5	2.5	2.1	2.1	2.0
15. Notes in Circulation.	58.0	67.8	61.5	60.3	59.5
16. Cheques and drafts, etc., in Circulation.	0.4	0.4	1.1	0.4	0.2
17. Due to Banks (Correspondents).	0.8	3.3	0.7	1.2	3.4
(a) At home.	0.8	3.3	0.7	1.2	3.4
(b) Abroad.	—	—	—	—	—
18. Deposits.	131.0	63.4	88.7	89.8	96.7
(a) Current accounts and sight deposits.	—	—	—	—	—
(b) Savings accounts.	—	—	—	—	—
(c) Time or fixed deposits.	—	—	—	—	—
(d) Other deposits.	—	—	—	—	—
19. Rediscounts and Other Borrowings.	0.1	0.1	0.1	0.1	0.1
20. Acceptances and Endorsements.	—	—	—	—	—
21. Sundry Liabilities.	2.4	4.1	1.2	1.6	3.6
22. Total Liabilities.	238.1	186.5	201.8	203.4	213.1
23. Value of currency in Swiss francs at the end of each year.	1.00	0.95	0.80	0.83	0.78

Balance-sheet Summary.

1. Cash.

Bolivars (000,000's)	Gold	Silver	Total
1929	93.6	18.7	112.3
1930	78.0	9.0	87.0
1931	77.6	14.0	91.6
1932	77.2	23.8	101.0
1933	77.2	27.6	104.8

2. Other Items of a Cash Nature.

Bolivars (000,000's)	Bills receivable	Notes of other banks	Cheques on other banks	Total
1929	0.3	2.8	0.7	3.8
1930	0.5	2.4	1.1	4.0
1931	0.4	5.2	2.1	7.7
1932	0.6	2.9	0.3	3.8
1933	0.1	4.3	0.4	4.8

3. Bills discounted and bought.

Bolivars (000,000's)	1929	1930	1931	1932	1933
Sight bills drawn on the capital	1.7	1.9	3.1	2.3	0.4
Thirty-day bills drawn on the capital	5.5	5.1	4.5	4.4	8.1
Bills overdue	0.5	0.3	0.4	0.2	0.6
Bills drawn on the interior	2.5	4.0	4.0	2.5	2.3
Total	10.2	11.3	12.0	9.4	11.4

4. Investments.

The amounts shown in the Summary Table refer exclusively to mortgage bond holdings of the Banco de Caracas except in 1932 and 1933, when 2.4 and 4.9 million bolivars of mortgage bonds held by the Banco de Venezuela are shown separately in its balance-sheet.

7. Loans and Advances.

Bolivars (000,000's)	1929	1930	1931	1932	1933
<i>Current account advances:</i>					
On real and personal security	40.9	43.3	45.1	50.1	50.6
On exclusively personal security	18.8	13.7	16.0	14.0	14.9
Total, current account loans	59.7	57.0	61.1	64.1	65.5
<i>Other loans:</i>					
Loans up to 180 days	11.4	8.3	10.5	7.4	4.8
Loans more than six months	—	—	0.1	—	—
Total, other loans	11.4	8.3	10.6	7.4	4.8
Grand total	71.1	65.3	71.7	71.5	70.3

14. Profit-and-Loss Accounts.

Bolivars (000,000's)	Profit and loss	Unpaid dividends	Total
1929	1.0	1.5	2.5
1930	1.2	1.3	2.5
1931	1.1	1.0	2.1
1932	2.0	0.1	2.1
1933	1.9	0.1	2.0

15. Notes in Circulation.

The amounts shown in the Summary Table do not include the banks' holdings of their own notes, but do include the banks' holdings of one another's notes (shown separately in the note to group 2 above). Net circulation in hands of the public was as follows in each of the years under review :

Bolivars (000,000's)	1929	1930	1931	1932	1933
Gross circulation	62.6	71.0	73.5	72.9	71.5
Less own notes held by banks	4.6	3.2	12.0	12.6	12.0
Net circulation	58.0	67.8	61.5	60.3	59.5
Less notes of other banks held by banks	2.8	2.4	5.2	2.9	4.3
Net circulation in hands of public	55.2	65.4	56.3	57.4	55.2

18. Deposits.

The composition of deposits is shown below :

Bolivars (000,000's)	Sight and less than 30 days	With notice of 30-100 days	National Government deposits	Total
1929	19.0	0.3	111.7	131.0
1930	29.3	0.2	33.9	63.4
1931	36.0	0.2	52.5	88.7
1932	31.5	0.2	58.1	89.8
1933	35.1	0.2	61.4	96.7

UNION OF SOUTH AFRICA.

Introductory Note.

The return flow of capital and the trade improvement which set in with the pegging of the South African pound to sterling at the end of 1932 have largely determined the course of recent developments in South African banking. The amount of capital repatriated has been estimated at £15 million¹, and the favourable trade balance in the eighteen months ended June 30th, 1934, has been £43 million. These developments are reflected in large increases in deposits with commercial banks, in the balances of the commercial banks with the Reserve Bank and in the gold and sterling bill holdings of the latter. The growth of deposits is shown by the following table :

Deposits in South Africa £ (000,000's)	Dec. 1932	June 1933	Dec. 1933	June 1934
Commercial banks	54.4	74.2	81.2	87.6
Of which demand deposits	(23.3)	(43.2)	(52.2)	(61.3)
Post Office	6.8	8.1	10.2	12.3
Total deposits	61.2	82.3	91.4	99.9

Since the end of 1932, total² deposits have risen by nearly £39 million, or by 63 per cent, deposits with the Post Office and the commercial banks having increased by 80 and 61 per cent respectively. The ratio of demand to total deposits with the trading banks rose from 42 to 70 per cent during the same period.

The increase in deposits with the trading banks induced a very rapid accumulation of balances with the Reserve Bank from £3.9 million at the end of 1932 to £32.1 million on February 16th, 1934, when they reached their peak figure. The heavy remittances of mining houses to the Government on account of taxation and leases in the subsequent months reduced these balances to £29 million by the end of June 1934. The changes in the assets of the Reserve Bank consequent on this increase in its liabilities were a rapid increase in its gold reserve and large purchases of "foreign bills" — *i.e.*, British Government Treasury Bills. At the end of 1932, the Reserve Bank had a gold reserve of £7.4 million and possessed no foreign bills, and by the end of June 1934 these two assets had risen to £19.6 and £21 million respectively.

Apart from increasing their liquidity, the return flow of capital and the trade improvement has not led, as the following summary of the principal

assets within the Union of the trading banks shows, to any other very significant alteration in the position of the banks.

End of £ (000,000's)	Dec. 1932	June 1933	Dec. 1933	June 1934
Cash	7.0	28.8	29.4	31.6
Of which balances with Reserve Bank	(3.9)	(26.1)	(26.5)	(29.0)
Bill portfolio	7.5	6.2	7.1	7.4
Loans and advances	32.6	29.4	30.8	32.8
Of which on current account	(31.6)	(28.7)	(30.2)	(32.3)
Securities	8.1	6.1	7.6	7.2
Of which Government	(7.3)	(5.6)	(7.2)	(5.8)
Total Balance-sheet	60.1	72.8	84.8	91.2

A comparison of the figures given in the two statements above will show that the commercial banks have allowed the ratio of their cash to demand deposits to increase steadily from 30 at the end of December 1932 to 51 at the end of June 1934. The absence of any short-dated South African Government securities and the possible exchange risks involved in the purchase of British Treasury Bills would seem to have precluded the banks from investing in short-term securities. The absence of any increase in discounts and advances during 1933 is due chiefly to the sluggishness of import trade. During the first half of 1934, however, imports rose by over £8 million as compared with the first six months of 1933, while exports remained stationary. The net balance of invisible imports appears also to have increased as a result of larger freight charges on imports, increased gold-mining dividends payable overseas, and the greater expenditure abroad of South African tourists. These factors are reflected in a slowing down of the rate of increase of deposits, in a rise of £3.6 million over the first half of 1933 in loans and advances, and in an increase in bank clearings in the seven principal towns from a monthly average of £50.1 million in the first half of 1933 to a monthly average of £62.5 million in the first half of 1934.

A substantial reduction in total credit outstanding was effected at the end of August 1934, when the South African Government repaid the outstanding balance of £7.5 million of its war debt to the British Government. This operation reduced the deposits with the commercial banks from £87.6 million at

¹ See the *Economist*: Banking Supplement, October 13th, 1934.

² Recent figures for deposits with the private savings banks, people's banks and building societies are not available. In 1930, deposits with these three groups of institutions accounted for about 14 per cent of total deposits in the Union.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :						
	1929		1930	1931	1932	1933	
	A	B				A	B
Number of : Banks	7	7	7	7	8	7	7
Branches and Sub-Branches . . . . .	.	666	679	690	671	.	...
ASSETS.		£ (000,000's)					
1. Cash	11.7	8.8	10.8	9.1	8.8	31.6	29.4
(a) Gold, silver and small coins	3.1	1.5	2.9	2.4	2.5	1.8	0.6
(b) Inland notes and balances with Central Bank	8.6	7.3	7.9	6.7	6.3	29.8	28.8
2. Other Items of a Cash Nature	4.1	—	5.5	3.0	5.8	3.9	—
3. Bills discounted and bought	21.5	13.1	17.6	11.8	13.3	14.7	7.1
(a) Treasury bills	—	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—	—
4. Investments and Securities	17.4	4.1	30.4	21.7	37.4	42.4	7.6
(a) Government	16.2	3.5	29.5	20.9	36.1	41.2	7.2
(b) Other	1.2	0.6	0.9	0.8	1.3	1.2	0.4
5. Participations	—	—	—	—	—	—	—
6. Due from Banks (Correspondents)	5.7	0.1	7.0	5.3	8.9	6.6	0.3
(a) At home	0.1	0.1	0.1	0.1	0.2	0.3	0.3
(b) Abroad	5.6	—	6.9	5.2	8.7	6.3	—
7. Loans and Advances	57.8	37.9	51.6	49.9	46.7	45.0	30.8
(a) On current account	55.9	36.8	50.0	47.7	43.8	43.5	30.2
(b) Other	1.9	1.1	1.6	2.2	2.9	1.5	0.6
8. Cover for Acceptances	—	—	—	—	—	—	—
9. Premises, etc.	3.7	2.1	3.8	3.6	4.1	4.4	3.0
10. Sundry Assets	9.4	1.2	6.1	2.6	4.1	4.8	6.6
11. Total Assets	131.3	67.2	132.8	107.0	129.1	153.4	84.8
LIABILITIES.							
12. Capital paid up	8.0	—	8.0	5.9	7.5	8.2	0.1
13. Reserve Funds	5.0	0.1	5.1	3.7	4.7	4.5	0.1
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—	—	—
15. Notes in circulation	1.5	—	1.4	0.9	1.0	1.2	—
16. Cheques and Drafts, etc., in circulation	2.4	0.1	1.6	1.2	1.7	1.7	0.4
17. Due to Banks (Correspondents)	1.2	0.5	1.2	1.0	1.5	1.3	0.5
(a) At home	0.5	0.5	0.6	0.3	0.4	0.5	0.5
(b) Abroad	0.7	—	0.6	0.7	1.1	0.8	—
18. Deposits	101.4	60.6	104.5	85.6	101.1	124.0	81.2
(a) Current accounts and sight deposits	50.2	30.5	47.7	39.7	47.7	76.5	52.2
(b) Savings accounts	6.9	3.5	7.1	6.6	7.8	8.7	4.3
(c) Time or fixed deposits	43.3	26.2	48.9	38.8	45.2	37.7	24.1
(d) Other deposits	1.0	0.4	0.8	0.5	0.4	1.1	0.6
19. Rediscounts and other Borrowings	—	—	—	—	—	—	—
20. Acceptances and Endorsements	—	—	—	—	—	—	—
21. Sundry Liabilities	11.8	3.9	11.0	8.7	11.6	12.5	2.5
22. Total Liabilities	131.3	65.2	132.8	107.0	129.1	153.4	84.8
23. Value of currency in Swiss francs at the end of each year	25.22		25.22	25.22	19.22	16.85	

the end of June to £81.2 million at the end of August. The balances of the trading banks with the Reserve Bank fell during the same period from £29 to £20.4 million, and the corresponding change between these two dates in the gold and foreign bill holdings of the Reserve Bank was a decline of £0.7 million in the former and of £10.5 million in the latter.

The attached Summary Table, based on official statistics, gives double columns for 1929 and 1933. The columns marked A in these years, and the single columns in other years, show the complete assets and liabilities, within and outside the Union, of all banks operating in South Africa; the columns marked B include only the accounts of offices situated within the Union.

Balance-sheet Summary.

1. Cash.

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

£ (000,000's) End of	Notes of Reserve Bank	Balance with Reserve Bank	Notes of other banks outside the Union	Total
1929	2.4	4.9	1.3	8.6
1930	1.9	5.0	1.0	7.9
1931	1.6	4.3	0.8	6.7
1932	1.7	3.9	0.7	6.3
1933	2.4	26.5	0.9	29.8

3. Bills discounted and bought.

The following statement shows the amount of paper under discount in the Union and abroad at the end of each of the years under review :

£ (000,000's) End of	In the Union	Elsewhere	Total
1929	13.1	8.4	21.5
1930	8.9	8.7	17.6
1931	7.6	4.2	11.8
1932	7.5	5.8	13.3
1933	7.1	7.6	14.7

4 and 5. Investments and Securities; Participations.

The division of Government securities is shown below :

£ (000,000's) End of	Union Government	British and Colonial Governments	Total
1929	4.1	12.1	16.2
1930	6.1	23.4	29.5
1931	6.0	14.9	20.9
1932	8.1	28.0	36.1
1933	7.8	33.4	41.2

7. Loans and Advances.

The division of loans into "secured" and "unsecured" in the years under review is shown below :

£ (000,000's)	Secured	Unsecured	Total
1929	46.2	9.7	55.9
1930	41.5	8.5	50.0
1931	39.9	7.8	47.7
1932	38.4	5.4	43.8
1933	39.4	4.1	43.5

10. Sundry Assets.

The composition of the sundry assets group in the years under review is shown below :

£ (000,000's) End of	1929	1930	1931	1932	1933
Due by head offices and branches	9.6	11.1	3.4	5.5	6.2
Due to head offices and branches	3.9	7.3	2.7	4.2	4.0
1. Balance due by head offices and branches	5.7	3.8	0.7	1.3	2.2
2. Landed property other than bank premises	0.3	0.3	0.4	0.6	0.5
3. Other assets	3.4	2.0	1.5	2.2	2.1
Total (1 + 2 + 3).	9.4	6.1	2.6	4.1	4.8

INDIA.

Introductory Note.

As a result of the sharp decline in the prices of India's principal exports, the value of her export surplus dwindled very rapidly after 1929, falling from 865 million rupees in the year ending March 31st of that year to 33 million in the year ending March 31st, 1933. The service of her foreign debt, which requires at least 500 million rupees (about £40 million) annually, was largely effected, after 1931, by the export of precious metals, particularly gold.

Year ending March 31st Rupees (000,000's)	Merchandise export surplus	Net export (+) or import (-) of gold and silver ^a
1929	865	- 342
1930	790	- 261
1931	620	- 244
1932	348	+ 554
1933	33	+ 648
1934	330	+ 636

^a Between 1929 and 1932, net imports of silver constituted about one-third of total net imports of gold and silver. In the three years ending March 1934, net silver exports amounted to only 5 per cent of net exports of both metals.

Economic distress consequent upon the fall in incomes obliged agriculturists to part with their gold hoardings,¹ and the high premium on the metal since the abandonment of the gold standard by the United Kingdom induced the wealthier classes to sell part of their gold stocks. As a result of the discount of the rupee in relation to sterling, most of this dishoarded gold flowed to London; in the three years ended March 1934, the net exports of gold from India amounted to 1,745 million rupees (£131 million). The gold so exported enabled India, not only to meet in full the service of its external debt, but also to accumulate substantial sterling balances in London (see below). With the improvement of trade and the cessation of price decline, the rate of gold exports slackened somewhat during the year ending March 1934, and such indications as are available suggest that the net export of gold will be considerably lower in the year 1934-35.

These developments are reflected in the available² banking returns. Deposits in all credit institutions, after reaching the record figure of 3,177 million rupees at the end of 1930, fell by 60 million rupees in 1931. For the commercial banks³ alone, the decline was 148 million rupees. For more recent developments, recourse must be had to partial statistics relating to particular banks. Thus, private deposits at the Imperial Bank of India (which constituted over 36 per cent of deposits held by the commercial banks in 1930) increased steadily from 638 millions at the end of 1931 to 683 and 741 million rupees at the end of 1932 and 1933 respectively. A similar movement is shown by deposits with the two most important Indian joint-stock banks, the Central Bank of India and the Bank of India, whose deposits represented in 1930 over 42 per cent of the deposits of all Indian joint-stock banks and over 13 per cent of those of commercial banks. The principal accounts of these two banks, as published in the *London Statist*, are summarised below :

End of : Rupees (000,000's)	1931	1932	1933
1. Cash, etc.	40	47	65
2. Bill portfolio	80	106	53
<i>Of which : Treasury bills.</i>	(74)	(101)	(44)
3. Investments	100	115	165
4. Loans and advances . .	125	120	121
5. Capital and reserves . .	44	44	44
6. Deposits	311	354	370
7. Total balance-sheet . .	366	410	426

The increase of 59 million rupees in deposits between 1931 and 1933 has not affected loans and advances, but has led principally to an increase in Government security holdings. In 1932, this increase took the form of Treasury bills, but in the following year these were converted into longer-dated Government securities yielding higher rates of interest. There has also been an appreciable increase in cash resources.

The accounts of the five principal exchange banks are given below. These are the Chartered Bank of

¹ *The Economist*, October 14th, 1933 : Banking Supplement, page 19, estimates Indian gold stocks at £750 million, but this estimate excludes net exports during 1932 and 1933 amounting to some £100 million.

² The principal accounts of the majority of credit institutions in India are summarised in an annual publication of the Department of Commercial Intelligence and Statistics entitled *Statistical Tables relating to Banks in India*, published eighteen months to two years after the date to which they relate. At the time of going to press, the most recent data available relate to the end of 1931.

³ The term "commercial banks" is used to cover the Imperial Bank of India, the exchange banks and the Indian joint-stock banks; "all credit institutions" includes, in addition, co-operative and postal savings banks.

India, Australia and China, the Eastern Bank, the Mercantile Bank of India, the National Bank of India, and the P. and O. Banking Corporation.

End of : £ (000,000's)	1931	1932	1933
1. Cash, etc.	14.7	18.0	21.9
2. Bills discounted and advances	67.3	62.2	55.8
3. Investments	40.2	48.3	52.5
4. Capital and reserves	16.6	16.6	16.6
5. Deposits	90.8	100.5	101.1
6. Borrowings	14.0	10.7	12.5
7. Notes in circulation	2.1	2.1	1.5
8. Acceptances.	2.3	2.9	2.5
9. Total balance-sheet	127.2	134.2	135.7

These accounts represent the total of all transactions carried on by these banks in India, in other parts of the Far East, and in the Near East. At the end of 1931, over 35 per cent of their deposits were held in India. The exchange banks and, in particular, the Chartered Bank and the affiliated P. and O. suffered heavy exchange losses when the United Kingdom abandoned the gold standard. The Chartered Bank alone had to provide from its reserve fund £1 million in order to cover losses on commitments in currencies other than sterling. The improvement in their position during 1932 and 1933 is due principally to an increase in fixed deposits. Advances and discounts show a decline and cash holdings and investments a corresponding increase. The rise in investments is due to the purchase of short-dated gilt-edged securities, mainly those of the British and Indian Governments.

The postal savings deposits and Post Office five-year cash certificates appear not to have been affected by the crisis of 1931; their rapid increase continued through that year and 1932. Between the end of 1930 and the end of 1932, postal savings rose from 370 to 422 millions and five-year cash certificates from 384 to 556 million rupees.

* * *

On the basis of the report presented by the India Central Banking Enquiry Committee, the principal proposals of which were outlined in the last issue of this *Memorandum*, a Bill for the establishment of a Reserve Bank was submitted to both Houses of the Indian Legislature in the course of 1933. The Bill was passed on February 16th, 1934, and it is expected that the Bank will begin operations by July 1st, 1935. Like the Bank of England, the Reserve Bank of India will have separate issue and banking departments. The share capital of the bank is to be 50 million rupees privately subscribed, and the Government will provide it at the outset with a reserve of 50 million rupees. Its principal functions will be to issue notes, to act as banker to the Central and local Governments, to undertake all their exchange and remittance business, and to maintain the external value of the rupee at the

present ratio of 1s. 6d. by the sale and purchase of sterling. The question of the monetary standard best suited to India has, according to the official statement, been left "to be considered when the international monetary position has become sufficiently clear and stable to make it possible to frame permanent measures".

The issue department is to take over from the Government the responsibility for the issue of notes and the assets at present held against the issue. At least 40 per cent of the Bank's assets are to consist of gold coin, gold bullion and sterling securities, and the remainder may consist of rupee coin, securities and eligible bills of exchange and promissory notes. The probable amount of notes to be issued and of the assets that will serve as cover may be gathered from the following figures showing the circulation of Government (Treasury) notes and the cover held against them.

End of : Rupees (000,000's)	Sept. 1934	Dec. 1933	Dec. 1932	Sept. 1931
<i>Note Circulation</i>	1,851	1,781	1,748	1,487
<i>Cover :</i>				
(a) Silver	986	1,012	1,107	1,325
(b) Gold	415	305	187	43
(c) Indian Government securities	320	464	455	95
(d) British Government securities	130	—	—	—

In addition to the gold bullion and British Government securities shown above as cover, the Government of India held in London, at the end of September 1934, gold amounting to 29 million rupees and sterling assets worth some 504 million rupees, which brought the effective gold and sterling cover to over 57 per cent. The assets held in London were acquired through the sale of gold and silver over and above requirements for debt service; they will be placed at the disposal of the Central Bank when it begins operations.

Detailed provisions are laid down in the Act regulating the relations between the commercial banks with the Reserve Bank. The former are to keep with the latter balances equivalent to 5 per cent and 2 per cent of their demand and time liabilities respectively. In order to enhance its control over the banks, the Reserve Bank is also empowered, within certain limits, to buy and sell the securities of the Government of India and of local Governments. The commercial banks are required to submit detailed returns to the Bank, which may also ask for similar returns from the provincial co-operative banks. The Imperial Bank of India is to give up the central banking functions it has hitherto exercised. It will be compensated for its loss of Government business, and is to act as agent of the Reserve Bank in those parts of British India where the Imperial Bank maintains branches and where the Reserve Bank does not establish agencies.

JAPAN.

Introductory Note ¹.

Commercial banking of one form or another is carried out in Japan by some ten distinct types of credit institutions. These form three groups: banks controlled by the Government, semi-independent credit institutions, and privately owned banks. To the first group belong such institutions as the Yokohama Specie Bank, the Bank of Chosen (Korea) and the Bank of Taiwan (Formosa), the last two being note-issuing institutions. The second group consists of agricultural and industrial banks such as the Hypothec Bank of Japan, the Industrial Bank of Japan, and the Industrial

Bank of Chosen, which are chiefly mortgage institutions granting loans on the basis of their bond issues, and of the Treasury Deposit Bureau, which is intimately connected with the postal-savings and postal-transfer systems and invests the funds deposited with them by the public. The privately owned institutions comprise the so-called "ordinary" banks, the savings banks, co-operative banks and trust companies. Of all these credit institutions, the relative position of which is shown below, ² only the "ordinary" banks can properly be called commercial banks.

End of year	" Ordinary "	" Special "	Savings	Total banks	Treasury	Credit	Trust	Total	Grand	
	banks	banks	banks	(1-3)	Deposit	associa-	compa-	" other "	total	
	(1)	(2)	(3)	(4)	Bureau ^a	tions ^b	nies ^c	institutions	(4+8)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(5-7)	(9)	
Number of Head Offices.	1913	1,614	50	648	2,312	—	9,967	—	9,967	12,279
	1925	1,537	31	133	1,701	—	13,379	33	13,412	15,113
	1931	683	23	88	794	—	13,122	37	13,159	13,953
<i>Paid-up Capital and Reserves:</i>										
Yen (ooo'ooo's).	1913	514	152	91	757	—	26 ^b	—	26	783
	1925	2,128	506	62	2,696	—	374	62 ^g	436	3,132
	1931	1,785	614	80	2,479	—	355	105 ^g	460	2,939
Percentage share	1913	65.6 (67.9)	19.4 (20.1)	11.6 (12.0)	96.6 (100)	—	3.4	—	3.4	100
	1925	68.0 (78.9)	16.1 (18.7)	2.0 (2.3)	86.1 (100)	—	11.9	2.0	13.9	100
	1931	60.7 (72.1)	20.8 (24.7)	2.7 (3.2)	84.2 (100)	—	12.0	3.8	15.8	100
<i>Deposits:</i>										
Yen (ooo,ooo's).	1913	1,444	244	356	2,044	—	25 ^b	—	25	2,069
	1925	8,727	877	905	10,509	1,138	655	225 ^f	2,018	12,520
	1931	8,269	940	1,636	10,845	2,482	1,071	1,232 ^f	4,785	15,630
Percentage share	1913	63.3 (70.7)	10.7 (11.9)	15.6 (17.4)	89.6 (100)	—	1.4 ^b	—	1.4	100
	1925	69.7 (83.1)	7.0 (8.3)	7.2 (8.6)	83.9 (100)	9.1	5.2	1.8	16.1	100
	1931	52.9 (76.2)	6.0 (8.7)	10.5 (15.1)	69.4 (100)	15.9	6.8	7.9	30.6	100
<i>Loans and Discounts:</i>										
Yen (ooo,ooo's).	1913	1,674	531	262	2,467	—	46 ^b	—	46	2,513
	1925	9,013	2,018	192	11,223	368 ^e	549	238	1,155	12,378
	1931	6,897	2,846	467	10,210	616 ^e	1,017	878	2,511	12,721
Percentage share	1913	66.6 (67.9)	21.1 (21.5)	10.4 (10.6)	98.1 (100)	—	1.9	—	1.9	100
	1925	72.8 (80.3)	16.3 (18.0)	1.5 (1.7)	90.6 (100)	2.9	4.4	2.1	9.4	100
	1931	54.2 (67.5)	22.3 (27.9)	3.6 (4.6)	80.1 (100)	4.9	8.0	7.0	19.9	100
<i>Security Holdings:</i>										
Yen (ooo,ooo's).	1913	274	—	99	—	—	—	—	—	—
	1925	2,051	—	527	1,033 ^d	—	67	—	1,100	—
	1931	2,929	555	1,014	4,498	2,189 ^d	106	478	2,773	7,271

SOURCES.— *The Financial and Economic Annual of Japan*, published by the Ministry of Finance, volumes for 1923 and 1933, for all figures except data on credit associations and the investments of all institutions reported, for which the "Economic Statistics of Japan" for 1932, published by the Bank of Japan, was consulted.

^a Figures relate to the end of March.

^b Figures for the end of 1914, instead of 1913, have been used throughout for the credit associations.

^c Figures relate to the end of November.

^d These consist of Government and municipal bonds, "special" bank and industrial company debentures, and foreign bills.

^e These are the "Miscellaneous advances" of the balance-sheet.

^f This is denominated as "money in trust" in the balance-sheets.

^g Figures on capital and reserves are from the companies' "own account", whereas other figures from "trust account".

¹ In the preparation of the Introductory Note, reference has been made to a study by H. M. BRATTER entitled "Japanese Banking" and published in 1931 as No. 116 in the *Trade Promotion Series* of the U.S. Department of Commerce, and to the valuable information supplied by the Director of the Research Department of the Bank of Japan and the London Agent of the Bank of Japan.

² The percentage share of each group of banks in "Total banks", column (4), is indicated in parentheses.

The "special" banks are five important semi-governmental institutions in Japan proper — the Yokohama Specie Bank, the Hypothec Bank of Japan, the Agricultural and Industrial Banks (nineteen in number in 1931), the Hokkaido Colonial Bank and the Industrial Bank of Japan. Among "special" banks are normally included three other banks here excluded — the Bank of Chosen, the Bank of Taiwan and the Industrial Bank of Chosen. The ordinary and savings banks comprise, in addition to banks in Japan proper, those of Taiwan, which represent, however, a small fraction of the total¹.

The credit associations given in the table constitute the bulk of co-operative credit institutions in Japan, but exclude the Central Bank of Co-operative Societies and the Mutual Loan (Mujiin) Associations, which are relatively unimportant. As figures for 1913 are not available, those for 1914 have been given instead. The paid-up capital and reserves of these associations consist of contributions called in and reserve funds, and their deposits include those of non-members as well as members. In recent years the trust companies — which began operations in their present form in 1924 — have grown in importance, mainly on account of the transfer of funds to them from the small commercial banks.

The rapid growth of the Japanese credit system in recent decades is brought out particularly by the figures for total deposits, which increased from 2.3 milliard yen in 1913 to 12.5 and 15.6 milliard yen in 1925 and 1931 respectively, and is also reflected in the increase in loans and discounts and investments. It should be noted that the growth during this eighteen-year period took place despite two very acute setbacks resulting from the great earthquake of 1923 and the banking crisis of 1927. These two events brought about a shift in the importance of the various institutions composing the Japanese credit system. The share of the banks proper in total deposits as shown above declined from 89.6 per cent in 1913 to 83.9 and 69.4 per cent in 1925 and 1931 respectively. The proportion of deposits in other institutions, particularly in the postal-savings banks and trust companies, increased. Before the war, the banks together constituted practically the sole discount and credit market in Japan, but after the war other institutions have undertaken discount and credit operations on a relatively increasing scale. Parallel with this tendency there has been a movement towards banking concentration. This was in evidence before 1913, but amalgamations were stimulated by the post-war depression, the earthquake of 1923 and the banking crisis of 1927.

The total number of ordinary banks fell from 1,614 in 1913 to 1,537 and 683 in 1925 and 1931 respectively. The number of savings banks declined during the same years from 648 to 133 and 88. Amalgamations of "special" banks and of "industrial" and "agricultural" banks were also effected. Despite this reduction in the number of banking units, the total amount of paid-up capital and reserve funds of the "special" and "ordinary" banks was about four times as large in 1925 as in 1913, while the general price level was roughly twice as high. The decline in the capital and reserves of the "ordinary" banks between 1925 and 1931 was proportionately less than the decline in the number of banks. Deposits with "ordinary" banks in 1931 were about 6 per cent less than in 1925, while deposits with the savings banks were about 80 per cent greater.

The post-war depression, the great earthquake, and the banking crisis of 1927 diminished, however, the relative importance of the "ordinary" banks in the banking and credit system. Nevertheless, they remain the most important element of the Japanese banking and credit system.

The "special" banks (column (2) of the table on page 196) were founded between 1880 and 1909, and were largely the work of Count Matsukata. They were established for special purposes and largely at the instance of the Government, which continues to exercise a substantial measure of control or supervision over them. The Yokohama Specie Bank is the largest and most important exchange bank of the country. The Hypothec Bank of Japan and the Industrial and Agricultural Banks constitute, together with the Hokkaido Colonial Bank (originally established for the colonisation of the Hokkaido Islands, north of the Japanese mainland), the *crédit foncier* system of Japan, and the Industrial Bank of Japan represents its *crédit mobilier* system. As already mentioned, the Industrial Bank of Chosen, which performs the *crédit foncier* functions in Korea, and the note-issuing Banks of Chosen and Taiwan, which are closely allied with the Bank of Japan, are not included in the statistics of this chapter. The Banks of Chosen and Taiwan also carry on commercial banking operations.

A large proportion of the capital of the "special" banks is held by the Imperial Household Department, and the Ministry of Finance has important powers of direction and veto. The policy of these banks tends to conform to that of the Government, whether it be in the extension of assistance to distressed industries, to agriculture, to districts which have suffered natural calamities,

¹ Separate figures for the ordinary and savings banks in Japan proper are given by the *Financial and Economic Annual*, but they are less detailed than those including the banks of Taiwan given in the "Economic Statistics of Japan" and used above.

to municipalities, guilds or associations. In addition to their own capital and reserves, they use for this purpose advances received from the Government and funds raised through the issue of debentures. They also accept deposits from the public.

The effect of the depression on the balance-sheets of these banks may be judged from the following table, which gives separate figures for the Yokohama Specie Bank and for the other "special" banks¹ (all mortgage institutions) :

Yen (ooo,ooo's)	Yokohama Specie Bank			Other special banks		
	1930	1931	1932	1930	1931	1932
ASSETS.						
Cash on hand . . .	19	22	37	12	13	14
Balance with other banks	148	101	99	175	161	162
Securities	354	345	451	163	210	212
Call loans	—	—	—	12	18	59
Other loans and advances	699	789	837	2,371	2,434	2,500
LIABILITIES.						
Deposits	654	548	644	401	392	439
(a) Public	(90)	(9)	(12)	(17)	(13)	(18)
(b) Private	(564)	(539)	(627)	(384)	(379)	(421)
Rediscounts and borrowings from other banks	293	435	471	46	85	14
Bank bonds	—	—	—	1,760	1,827	1,950

The Yokohama Specie Bank, together with the Bank of Japan, acts as Fiscal Agent to the Treasury; it acts abroad as agent of the Bank of Japan in various monetary and exchange operations. In addition it performs certain ordinary commercial banking operations, issues notes in Kwantung, and has made or participated in loans to China. The bank borrows money at call from the market and obtains advances from the Bank of Japan. It does not, however, issue bonds.

The other special banks — the Hypothec Bank of Japan, together with the system of Agricultural and Industrial Banks and the Hokkaido Colonial Bank — constitute a very important market for credit against real estate. The principal object of the Hypothec Bank is to supply agricultural credit at low interest rates. It also extends its help to the provincial agricultural and industrial banks which are in need of assistance, grants loans on the pledge of securities or bills, and lends to various manufacturers. As the Bank cannot employ its deposits for agricultural long-term loans, it raises the funds required for this purpose by the issue of mortgage bonds, the statutory maximum of which is fixed at fifteen times its paid-up capital. When monetary conditions are stringent, the Treasury

Deposit Bureau takes over the bonds that cannot be absorbed by the market.

The growth of the mortgage credit system headed by the Hypothec Bank of Japan is illustrated by the increase in its bonds outstanding from 245 million yen at the end of 1913 to 1,157 and 1,546 million yen at the end of 1925 and 1932 respectively, and the corresponding increase in its loans for the same years from 340 million yen to 1,360 and 2,037 million yen.

The Industrial Bank of Japan was founded with the object of facilitating the circulation of shares and debentures and of importing foreign capital. Its chief function now is to supply credit destined for industrial enterprise, regardless of whether the security offered is personal property or real estate. The external activities of the Bank have been numerous and important: it has raised various loans in Europe and the United States of America, partly on its own bonds and partly on behalf of the South Manchuria Railway and the cities of Tokio and Yokohama; it has participated in the "Nishihara" loans to China and has invested further funds in that country through three Japanese "development companies"; and, finally, it participated in the formation of the Bank for International Settlements at Basle. The activities of the Industrial Bank in Japan proper have ranged from the underwriting of debentures of Japanese industrial companies, and in particular those of public utility companies, to the granting of a short-term loan to the City of Tokio in December 1929, and of another loan a year later to the Tokio Stock Exchange Brokers' Association.

The savings banks (column (3) of the table on page 196) are among the oldest banking institutions in Japan, the first having been founded in 1880. In the decade following the passing of the first savings bank law in 1893, their number increased from 24 to 469 and their deposits from 6 to 61 million yen. This rapid growth continued uninterruptedly from 1903 to 1920, when they numbered 661 and held deposits amounting to 1,843 million yen. During the post-war depression, however, numerous runs on the smaller institutions took place and funds were transferred to the postal savings system. A new and more restrictive savings bank law was put into effect at the beginning of 1922. Savings banks were required to be licensed by the Ministry of Finance, the liability of the directors was made unlimited, and deposit as security with the Ministry of Justice of Government and other securities equivalent to not less than a third of their total deposits was rendered obligatory. This stipulation may also be fulfilled by the deposit of funds with the Treasury Deposit Bureau. The following statement shows the development of the savings

¹ These are the Hypothec Bank of Japan, nineteen "agricultural" and "industrial" banks, Hokkaido Colonial Bank, and the Industrial Bank of Japan.

bank system since 1913 :

	Number of banks	Deposits in yen (000,000's)
1913	648	356
1920	661	1,843
1925	133	905
1927	113	1,102
1929	95	1,422
1930	90	1,539
1931	88	1,636

In spite of the reduction in numbers which followed the enactment of the Savings Bank Law in 1922, the savings banks have grown so rapidly in strength since that year that total deposits placed with 88 banks at the end of 1931 nearly reached the level of deposits placed with 661 banks at the end of 1920. At the end of 1931, the savings banks accounted for 10.5 per cent of all deposits in Japan and 15.1 per cent of deposits in the banks proper. Since the enactment of the law of 1922, the savings banks have shifted from loan and discount activities to investment in securities. At the end of 1931 their security holdings amounted to 1,014 million yen, as compared with 2,929 millions held by the ordinary banks and 1,012 millions held by 26 "special" banks. The State has encouraged the development of the savings banks by granting them certain alleviations, including the remission of half the prescribed rate of business profit tax.

The postal savings and postal-transfer system is at least as important an element of the Japanese credit system as the savings banks. Deposits with the post office constituted at the end of 1931 about 16 per cent of all deposits in Japan and represented the savings of over 38 million people, or over half the total population of Japan. The postal savings system developed rapidly in the ten years ended March 31st, 1923, deposits rising from 191 to 995 million yen, and the number of depositors increasing from 12 to 27 million. Its growth in the next ten years was rapid and was stimulated, in particular, by the banking crisis of 1927 and the uncertainty resulting from the economic depression; by the end of March 1933, deposits had risen to 2,768 million yen and the number of depositors to nearly 40 millions. The employment of these deposits is entrusted to a governmental institution created for that purpose, the Treasury Deposit Bureau (column (5) of the table on page 196). The Bureau invests¹ the postal savings and certain funds transferred from special accounts of the Government to the extent of some 60 per cent in public securities, and the remainder is used to purchase principally the debentures of the "special" banks and industrial "development companies".

Trust companies (column (7) of the table on page 196) date back to about 1900, but in their present form they are the result of special legislation passed in 1923. Their rapid growth in recent years has been due to two principal factors: the banking crisis of 1927, which led the public to seek greater safety for their deposits than that offered by the commercial banks, and the fact that the "guaranteed yield" of the companies on "cash trusts" — a form of long-term deposit — is higher than the interest allowed by the banks on deposits. These two factors have induced such a transfer of funds from the smaller banks to the trust companies that the latter have at times found it difficult to invest their funds profitably. The importance of these companies from the banking point of view resides chiefly in the competition for deposits between them and the smaller commercial banks.

Other institutions not included in the table on page 196 are the credit associations, the central bank of co-operative societies, the mutual credit societies, and the branches of foreign banks operating in Japan. Foreign banking in Japan is carried on by about eleven banks of seven different countries. Statistics of their transactions in Japan proper are not available, with the exception of a few figures relating to the number of branches, capital and deposits. The total number of branches, which was 18 in 1922, increased to 24 in 1927 and declined to 17 in 1931. The capital and deposits of the foreign banks operating in Japan in 1927 are estimated at 7 and 69 million yen respectively, and for 1931 at 5 and 55 million yen respectively².

The ordinary or commercial banks proper are essentially the descendants of three types of commercial banking institutions existing prior to the banking law of 1893. The first of these, the "exchange companies", were established with Government assistance in the leading commercial centres in Japan in 1868; their principal functions were to receive deposits, to issue notes and to make loans. In 1873 they were superseded by "national banks" set up on the lines of the national banks in the United States of America. These institutions were authorised to conduct general banking business, and to issue notes at first up to 60 per cent of their capital, and later up to 80 per cent, when the bank-notes were made exchangeable into inconvertible State notes. At first, a cover of 40 per cent was to be held in specie. By this means it was hoped to withdraw from circulation a large proportion of the inconvertible State notes and to replace them by convertible National Bank notes. The latter, however, were

¹ See the *Financial and Economic Annual of Japan* for a detailed balance-sheet of the Treasury Deposit Bureau.

² *The Japan-Manchukuo Year-book for 1934*, page 343.

converted into specie as soon as issued, and the gold thus obtained was exported as a result of the adverse balance of trade. As in these circumstances the banks could earn with difficulty a profit, only a few were established; they grew in number, however, after the bank-notes became inconvertible in 1876. The increase in the national banks' note circulation was so rapid that in 1879 their further issue, as well as the establishment of additional national banks, was prohibited. At this date there were 151 national banks with an aggregate capital of 40 million yen. Owing to the limitations put on the national banks, private banking developed rapidly; by 1883 there were 1,093 private banks with an aggregate capital of 900 million yen. After the banking law of 1890 and more especially the banking consolidation law of 1896, most of the "national" and private banks were converted into joint-stock ordinary banks; a few became savings banks.

The growth and consolidation of the ordinary banks since 1887 is illustrated by the following table, which covers all ordinary banks operating in Japan and the Japanese branch of the Bank of Chosen¹:

End of the year	Number of head offices	Paid-up capital and reserves	Deposits	Total of paid-up capital, reserves and deposits		Advances, loans and discounts
				Total	Average per bank	
Yen (000,000's)						
1887 .	221	19	22	41	0.19	—
1893 .	604	31	38	69	0.11	—
1898 .	1,444	189	287	476	0.33	434
1903 .	1,754	309	566	875	0.50	715
1908 .	1,635	395	938	1,333	0.81	1,086
1913 .	1,614	514	1,444	1,958	1.21	1,650
1918 .	1,571	673	4,622	5,295	3.37	4,132
1923 .	1,698	2,011	7,726	9,737	5.73	7,988
1928 .	1,028	1,964	9,253	11,217	10.91	7,497
1932 .	535	1,741	8,255	9,996	18.68	6,546
1933 .	516	1,702	8,816	10,518	20.38	6,671

In 1922 the number of banks rose from 1,327 to 1,799, owing to the transformation of savings banks into ordinary banks following the enforcement of the Savings Banks Law. While the number of banks has fallen since then, the average number of branches per ordinary bank rose from 4.1 in 1927 to 6.7 in 1931.

Of the post-war events which influenced the development of the commercial banks, the first was the speculation which took place in the second half of 1919 and early part of 1920, and was reflected in a sharp rise in banking resources and turnover. The break in the stock market and in prices which took place in March 1920 was accompanied by

the failure of one important bank and runs on other banks. In order to avoid more dangerous developments, the Bank of Japan and a syndicate of important banks stepped in with liberal credit grants. With the exception of a short-lived speculation in the middle of 1921, business became increasingly stagnant until November 1922, when a banking panic broke out with the suspension of two important banks. More than ten banks suspended payments and others had to meet large withdrawals of deposits. The Bank of Japan again discounted freely, its bill portfolio rising from 73 million yen on November 18th to 284 millions on December 16th, 1922, and its note circulation from 1,069 to 1,345 million yen during the same period.

It was in these conditions that the earthquake of September 1st, 1923, occurred. This calamity is estimated to have cost Japan about an eighth of its total national wealth. Among its visible effects was the destruction of the offices of seventy-six of the eighty-four associated banks of Tokio, and the almost complete paralysis of the monetary mechanism. The Bank of Japan, the Industrial Bank of Japan, and the Hypothec Bank began, however, with the guarantee or assistance of the Government, to extend liberal credits to municipalities, industrialists and merchants of the derelict areas on the pledge of what came to be known as "earthquake" bills. These bills were to be redeemed by September 30th, 1925, but their currency was extended twice to September 30th, 1927. This relief activity on the part of the central and "special" banks made itself felt in the balance-sheets of the "ordinary" banks, which show a rapid increase from 1923 to the end of 1926. The three years following the earthquake were characterised by easy money conditions and by large foreign borrowing by the Government for conversion and reconstruction purposes.

The conditions left by the crisis of 1920-21, the congestion of earthquake bills, the losses on "frozen" loans in China, and the heavy decline in the price of raw silk, all contributed to the banking crisis of 1927, which was precipitated by the inability of the Bank of Taiwan to collect the credit of 300 million yen granted to the Suzuki Co., the largest Japanese firm trading in raw materials. Several bank failures had occurred early in 1927. The Bank of Taiwan closed its doors for three weeks on April 7th, and the general panic forced other and more important institutions to follow suit. On April 22nd a three weeks' moratorium was decreed on all domestic payments, and five days later two laws (Nos. 55 and 56), authorising the Bank of Japan to grant special accommodation to institutions in Japan proper and outside, were passed. The extent of the relief granted under

¹ SOURCE.— For dates prior to 1913, the *Financial and Economic Annual of 1901 and 1911*, as quoted in BRATTER'S "Japanese Banks", *op. cit.*, page 88. For other years, *ibid.*, volumes for 1924 and 1933.

Government auspices in this and in the earthquake crisis may be seen from the annual turnover of discounts and the amounts in the portfolio of the Bank of Japan of all bills made eligible for discount by the emergency legislation of 1923 and 1927 shown below :

Year	Turnover of discounts	Amount in the portfolio of the Bank at the end of the year
		Yen (000,000's)
1923	271	134
1926	783	159
1927	2,801	403
1928	4,600	649
1933	3,105	552

The emergency credits thus extended by the Bank of Japan are reflected in increases in its note circulation and sight liabilities. The potential liability of the Government incurred on account of the banking crisis amounted to 907 million yen and consisted of the following items : 207 million yen of Government bonds for the liquidation of " earthquake " bills outstanding, the guarantee of 500 million yen of the advances of the Bank of Japan in Japan proper, and the guarantee of the 200 million yen advance made by the Bank of Japan to the Bank of Taiwan.

When the moratorium referred to above expired, it was found that 230 banks had suspended business; about 200 of these, however, were reopened. The deposits of the banks which remained closed amounted to 900 million yen. The other banks were authorised to write down their capital and reserves to the extent of their losses. A new bank, the Showa Bank, was organised to absorb those institutions which were unable to meet their losses, but which none the less, in the opinion of the Government, deserved to be kept going. In the following months the Government pursued its policy of promoting amalgamations and, by the end of 1927, 134 more banks disappeared as independent institutions through this process. Between the month of the panic and March 1929, 567 banks had been reorganised in one form or another.

The effects of the banking crisis are not easily discernible from the balance-sheets of the ordinary banks for 1928 and 1929, which show relatively small changes as compared with 1927. The diminution in capital and reserves in 1928 was small, despite the disappearance of 252 banks, and deposits were much higher than in 1927. In 1929 there was an increase in capital and reserves and only a slight

fall in deposits, despite the disappearance of another 150 banking units in that year. On the assets side there occurred a shift in 1928 and 1929 from loans and discounts to securities.

* * *

Apart from the special laws and regulations under which the " special " banks, the savings banks, the trust companies, the co-operative credit associations and mutual loan societies were created and continue to operate, the most important piece of Japanese banking legislation is Law No. 21, passed on March 30th, 1927, and put into effect on January 1st, 1928. Banking laws and regulations had been promulgated in 1872, 1883, 1890 and 1896; but the Law of 1927 represents the most recent and complete general banking law of Japan. The new law defines banks as concerns which accept deposits, make loans, discount bills of exchange, or conduct exchange transactions. Their establishment is conditional on the authorisation of the Minister of Finance and they must, as a rule, possess a capital of at least one million yen, although two million yen are required in Tokio and Osaka, and less than one million in small towns. Banks are strictly limited in their activities and may not engage in business other than banking without the written approval of the Minister of Finance. The law further places under the control of the Minister of Finance such matters as the submission of semi-annual reports, the publication of quarterly reports, examination of the position, when necessary, by officials of the Government, auditing and procedure for liquidation or amalgamation. Finally, in respect of foreign banks, the law establishes special provisions, which were issued on November 15th, 1928, by Imperial Ordinance No. 328, and differ little from those relating to domestic banks, except as regards the capital requirements, which are lower.

* * *

The attached balance-sheet summary, which covers all " ordinary " banks operating in Japan, and in addition the Tokio Office of the Bank of Chosen and the " ordinary " banks of Formosa, is based on statistics furnished by the Financial Representative of the Imperial Government in London, by the London Agent of the Bank of Japan, and by the Director of the Research Department of the Bank of Japan.

JAPAN

COMMERCIAL BANKS ("Ordinary Banks").

ACCOUNTS	SUMMARY OF POSITION AT THE END OF						
	1925	1927	1929	1930	1931	1932	1933
Number of : Banks	1,537	1,283	881	782	683	538	516
Branches	5,357	5,254	4,956	4,802	4,582	4,311	4,021
ASSETS.		Yen (000,000's omitted)					
1. Cash	666	674	703	635	537	557	623
(a) Gold, silver and small coins	—	—	—	—	—	—	—
(b) Domestic notes and balances with Central Bank	—	—	—	—	—	—	—
2. Other Items of a Cash Nature	323	395	461	348	292	327	354
3. Bills discounted and bought.	1,743	1,384	1,027	771	712	821	891
(a) Treasury bills	1,573	1,176	826	628	564	663	726
(b) Commercial bills, Inland	—	—	—	—	—	—	—
(c) Commercial bills, Foreign.	170	208	201	143	148	158	165
4. Investments and Securities	2,051	2,591	3,323	3,127	2,929	2,941	3,325
(a) Government.	1,171	1,432	1,750	1,624	1,448	1,492	1,850
(b) Other.	880	1,159	1,573	1,503	1,481	1,449	1,475
5. Participations	—	—	—	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—
7. Loans and Advances.	7,270	7,004	6,586	6,393	6,186	5,939	5,780
(a) On current account	—	—	—	—	—	—	—
(b) Other.	—	—	—	—	—	—	—
8. Cover for Acceptances	—	—	163	84	78	83	85
9. Premises, etc.	331	417	406	426	432	434	418
10. Sundry Assets	343	411	209	159	170	159	205
11. Total Assets.	12,727	12,876	12,878	11,943	11,336	11,261	11,681
LIABILITIES.							
12. Capital paid up	1,501	1,482	1,381	1,296	1,249	1,217	1,187
13. Reserve Funds.	627	629	604	590	536	531	515
14. Profit and Loss, Undivided Profits, etc.	171	157	124	119	104	114	118
15. Cheques and Drafts in circulation.	—	—	—	—	—	—	—
16. Due to Banks (Correspondents)	—	—	146	66	35	36	44
(a) At home	—	—	—	—	—	—	—
(b) Abroad	—	—	146	66	35	36	44
17. Deposits	8,727	9,028	9,292	8,738	8,269	8,319	8,816
(a) Current accounts.	1,961	2,042	1,794	1,606	—	—	—
(b) Savings accounts.	1,844	1,875	1,973	1,807	—	—	—
(c) Time deposits	4,449	4,642	5,142	4,963	—	—	—
(d) Other deposits.	473	469	383	362	—	—	—
18. Rediscounts and Other Borrowings	1,043	947	889	827	817	712	665
19. Acceptances and Endorsements	—	—	163	84	78	83	85
20. Sundry Liabilities	658	634	279	223	248	249	251
21. Total Liabilities	12,727	12,876	12,878	11,943	11,336	11,261	11,681
22. Value of currency in Swiss francs at the end of each year	2.23	2.39	2.51	2.56	2.17	1.08	1.01

JAPAN

ORDINARY BANKS.

Table 38 (b)

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :					
	1925	1927	1929	1930	1931	1932
Number of Banks.	1,537	1,283	881	782	683	538
	Yen (000,000's omitted)					
Capital paid up.	1,501	1,481	1,381	1,296	1,249	1,217
Reserves.	627	629	604	590	536	531
I. Gross Profits	1,218	1,336	1,022	997	837	829
<i>To be deducted :</i>						
2. Expenses						
(a) Salaries, etc.						
(b) Other working expenses						
(c) Taxes, etc.	1,031	1,168	898	875	801	745
3. Reserved for Pension Funds, etc.						
4. Written off on (Depreciation Accounts)						
(a) Premises, etc.						
(b) Investments and securities						
(c) Other assets						
5. Remaining Net Profit or Loss (—).	187	168	124	122	36	86
6. Carried forward from preceding year	93	91	75	65	128	78
7. Taken from Reserves or Capital	22	10	18	30		
8. Total Amount disposed of for Dividends, etc..	302	269	217	217	164	164
9. Carried to Reserves	69	64	42	29	26	32
10. Dividends	127	105	95	84	72	68
11. Other purposes	11	8	7	5	3	4
12. Carried forward to following year	96	92	73	63	63	66
13. Total as above	303	269	217	181	164	170
14. Value of currency in Swiss francs at the end of each year	2.23	2.39	2.51	2.56	2.17	1.08

Balance-sheet Summary.

I. Cash.

The detailed composition of this item (cash on hand) is not shown, but it consists of notes and coins and cheques and coupons due, while balances with the Central Bank are included in the figures given under (2) "Other items of a cash nature".

2. Other Items of a Cash Nature.

The figures shown represent "balances with other banks" (presumably including those with the Central Bank). To the extent that these balances are held with other ordinary banks, they obviously involve a double counting from the point of view of the commercial banking system as a

whole. As from 1930 the item includes insignificant sums of "bullion and foreign currency" (less than half-a-million yen) which were not shown separately prior to that year.

3. Bills discounted and bought.

The detailed composition of this item is as follows :

Yen (000,000's)	1927	1929	1930	1931	1932
Discounted bills	1,008	761	592	522	602
Documentary bills	78	65	37	42	61
Foreign bills	208	201	142	148	158
Total	1,384	1,027	771	712	821

The documentary bills are bills drawn upon consignees of goods and to which shipment papers are attached. Government bills are not shown separately. The proportion of foreign commercial bills in total discounts has increased noticeably since 1919. These foreign assets are largely counterbalanced by liabilities in foreign currency (shown separately only as from 1928) the amounts of which are given under 16 (b) in the Summary Table.

4 and 5. Investments and Securities.—Participations.

Government securities comprise both central and local government bonds, and "other" securities include bank and corporation bonds, shares and foreign securities as shown below :

Yen (000,000's)	1927	1929	1930	1931	1932
Central Government bonds	1,102	1,438	1,313	1,146	1,210
Local government bonds	331	311	311	302	282
Bank and corporation bonds	727	1,151	1,138	1,140	1,125
Shares	399	393	331	304	302
Foreign securities	32	30	34	37	22
Total	2,591	3,323	3,127	2,929	2,941

It will be noted that the proportion of securities other than Government bonds has increased sharply since the war; they accounted for over half the aggregate investment portfolio in 1931, as compared with a third in 1913.

Participations are not shown separately in the balance-sheets.

7. Loans and Advances.

The composition of loans and advances, according to the nature of their collateral, is shown in detail below :

Yen (000,000's)	1927	1929	1930	1931	1932
Loans on :					
Government and local government bonds	210	196	220	202	188
Bank and Corporation bonds and other securities	434	445	502	518	471
Shares	1,932	1,633	1,412	1,343	1,374
Total loans on securities	2,576	2,274	2,134	2,063	2,033
Loans on :					
Merchandise	259	239	172	188	161
Land and buildings	1,560	1,496	1,491	1,421	1,314
Other collateral	323	412	423	469	471
Total loans against other collateral	2,142	2,147	2,086	2,078	1,946
Personal credits	2,286	2,165	2,173	2,045	1,946
Grand Total	7,004	6,586	6,393	6,186	5,939

In the statistics supplied by the London Agent of the Bank of Japan, overdrafts are given separately for all the years under review, and call loans since 1929, as shown below :

Yen (000,000's)	1927	1929	1930	1931	1932
Call loans . . . . .	...	165	203	155	320
Overdrafts	1,141	919	848	847	800
Other loans	5,864	5,502	5,342	5,184	4,819
Total	7,005	6,586	6,393	6,186	5,939

A somewhat more detailed classification on the same lines is given in the statistics relating to the Tokio Clearing House banks, whose loans and advances in May 1929 were composed as follows : Call loans 4 per cent ; overdrafts 14 per cent ; advances on bills 63 per cent ; other loans 19 per cent.

8. Cover for Acceptances.

See note to group 19 below.

10. Sundry Assets.

This item consists of the net loss suffered by certain banks, securities loaned and other transitory accounts.

16. Due to Banks (Correspondents).

Ordinary correspondent accounts are not shown separately. The sums given under (b) represent "Foreign Exchange" liabilities, which are shown separately only since 1928 (data supplied by the London agent of the Bank of Japan).-

17. Deposits.

There are in Japan four principal kinds of deposits. The most important and popular kind is the time deposit. They are, in principle, payable only after six months, though the banks could — until a recent agreement between banks stopping this practice — permit their withdrawal before the expiration of this period if the depositor consented to accept, for the period during which the funds had remained on deposit, a lower rate of interest than that applicable to time deposits. The smaller banks often keep part of their cash reserves in such accounts with the Tokio and Osaka banks. Individuals and corporations often maintain idle balances in fixed deposit accounts awaiting favourable investment opportunities. A second important type of deposit is the "special current account", which corresponds to the savings accounts with the commercial banks of several European countries. This type of deposit (on passbooks), for the withdrawal of which no special

notice is required, is most popular with salaried persons. The third important type is the "current deposit", which corresponds to the chequing account in other countries. The ordinary banks keep funds with the Bank of Japan in this form for inter-bank settlements, and merchants maintain such deposits with the ordinary banks as active business accounts; the rate of interest on them is very low. "Deposits at notice" are essentially demand deposits which may be withdrawn at three days' notice. They are usually the deposits of merchants. What are described as "ordinary, deferred, or fixed savings" are the deposits of savings banks which have been absorbed by the ordinary banks, and are received only until the expiration of the contracts of the depositors of the former. Until the end of 1927, deposits of public bodies and authorities were shown separately; they are now included in "Other deposits". In group 17 of the Summary Table, the "current deposits" and "deposits at notice" are given under (a); the "special current deposits" under (b); the "fixed deposits" under (c); and "public deposits", "ordinary, deferred or fixed savings" and "other deposits" under (d).

In the following statement, which has been supplied by the Financial Representative in London of the Imperial Government and which, while being more detailed, relates to a somewhat smaller number of banks than that covered by the statistics compiled by the Bank of Japan, the various deposit

accounts are given in their original detail for the years 1927-1930:

Yen (000,000's)	1927	1928	1929	1930
Fixed deposits	4,642	4,986	5,144	4,963
Special current deposits	1,875	1,938	1,973	1,807
Current deposits	1,388	1,331	1,247	1,104
Deposits at notice	654	611	546	503
Public deposits	161	—	—	—
Ordinary, deferred and fixed savings	21	21	16	11
Other deposits	184	329	287	271
Total	8,906	9,216	9,213	8,659

18. *Rediscounts and Other Borrowings.*

This item is composed as follows:

Yen (000,000's)	Call money borrowed	Other borrowings	Total
1929	107	782	889
1930	101	726	827
1931	77	740	817
1932	89	623	712

19. *Acceptances and Endorsements.*

Acceptances are given separately only as from 1929. Prior to that year they are included under "other accounts" in sundry liabilities.

20. *Sundry Liabilities.*

This item consists of securities borrowed and other transitory accounts.

Summary of Profit-and-Loss Accounts.

The profit-and-loss Summary Table is compiled from half-yearly data provided by the London agent of the Bank of Japan, such accounts being available only in the vernacular. The banks covered by this table and by the Summary Balance-Sheet Table for the years 1927, 1928, 1929, 1930 and 1931 are identical.

The Japanese profit-and-loss statistics are not readily adaptable to the form used here. The Summary Table is established in the following way: By working backwards from items 13 to 9, for each of which individual figures are available, item 8, "Total Amount disposed of for Dividends, etc.", is obtained. Item 11, "Other

Purposes", represents the "bonus and allowances" of the original figures. "Remaining Net Profit or Loss", item 5 of the table, has been obtained by subtracting from item 8 the sum of items 6 and 7, "Carried forward from Preceding Year" and "Taken from Reserves or Capital" respectively, for which separate figures are likewise available. The lump-sum figures for "Expenses", "Depreciation Accounts", "Pensions Fund", etc., have similarly been arrived at by subtracting from the original data on "Gross Profits" the sum representing "Net Profits". The figures so obtained for items 2 to 4 correspond fairly closely to an item given in the Japanese as "Gross Loss for the Year".

AUSTRALIA AND NEW ZEALAND

General Introduction.

The connection between the commercial banking systems of Australia and New Zealand is very close ; of the six banks operating in New Zealand, four are primarily Australian institutions, and one of the two New Zealand establishments also carries on operations in Australia. All the important banks operating in both countries have either their head offices or important branches in London, where large balances accrue and are drawn upon in financing the external trade of the two Dominions ; in the annual reports of these banks, however, no distinction is made between assets held in or liabilities due by the Australian and New Zealand offices, on the one hand, and the accounts relating to the offices situated outside each Dominion, on the other ; nor are inter-branch balances due from non-Dominion to Dominion offices or those due by Dominion to non-Dominion offices shown separately. The official banking statistics published in Australia and in New Zealand include only the accounts of the offices situated within each Dominion and are, therefore, not sufficiently complete to give an idea of the true position of the banks as a whole, more especially as the greater part of the aggregate capital and reserves is shown in the accounts of London head offices, which are excluded from the

Dominion statistics. The banks having their head offices outside either Dominion, and thus, from the point of view of accountancy, holding their capital and reserves abroad, are not required specially to earmark any part of these funds for the account of the branches in the Dominions, where, in fact, the bulk of their operations are carried on.

For these reasons the plan is followed, in the present chapter, of first treating the Australian and New Zealand banking systems individually and then showing the movement in banking in the two Dominions as a whole. Separate summary tables are given for each country, with detailed notes to each table ; in each case these tables show only the assets and liabilities of the banking offices within the Dominion and exclude completely capital and reserve accounts. A separate summary table for Australia and New Zealand combined is then presented ; this table, which is based on the complete annual balance-sheets of all important banks, covers all business in Australia, New Zealand, London and elsewhere, and also includes capital and reserve accounts. A summary table of the profit-and-loss accounts of these banks, based on statistics published in the *Economist*, is also shown.

AUSTRALIA

Introductory Note.

The outstanding banking developments in Australia during 1933-34 were (as the following summary of the accounts of the principal trading banks shows) a sharp rise in cash reserves and deposits, a small increase in discounts and advances, and a slight decline in public securities.

June quarter £ A (000,000's)	1932	1933	1934
1. Cash :			
(a) Coin and bullion. . .	2.0	1.9	1.9
(b) Australian notes. . .	18.7	15.8	13.0
(c) Balances with Commonwealth Bank . . .	29.1	23.6	38.4
2. Government and municipal securities	43.7	52.8	52.1
3. Discounts, advances, etc.	229.3	234.1	237.0
4. Deposits :			
(a) Interest-bearing. . .	189.9	185.7	198.3
(b) Non-interest-bearing.	87.1	89.0	101.4

The increase of £ A 12 million in cash reserves in the year ending June 1934 and of £ A 25 million in current account and time deposits reflects chiefly the increase in income resulting from the rise in the price of wool, which raised the value of

Australian exports in 1933 by some £ A 20 million. The London exchange received in payment of exports was sold to the trading banks, who sold it in turn to the Commonwealth Bank, thus increasing the London balances of the latter, the balances of the trading banks with it, and the deposits of the exporters with the trading banks.

The increase in deposits with trading banks was particularly marked in the case of current, or non-interest-bearing, accounts, which amounted to 51 per cent of time deposits at the middle of 1934, as compared with 47 per cent a year earlier. Further evidence of the increased activity of deposit accounts is to be found in the figures for bank clearings in the six capital cities, which rose from a monthly average of £ A 29.8 million in the first half of 1933 to a monthly average of £ A 34.5 million in the first half of 1934.

In view of the more favourable business conditions reflected in these and other relevant statistics, it would seem that the relatively slight rise in advances shown in the above table must be ascribed to the fact that the liquidation of old debts largely counterbalanced the fresh credits extended by the banks. The slight fall in security

AUSTRALIA.

COMMERCIAL BANKS

Table 39 (a)

ACCOUNTS	SUMMARY OF POSITION : AVERAGES FOR QUARTER ENDING JUNE 30TH :				
	1930	1931	1932	1933	1934
Number of Banks.	11	11	10	10	10
ASSETS.					
	£A (000,000's omitted)				
1. Cash.	37.6	53.2	49.8	41.3	53.3
(a) Gold, silver and small coins.	4.6	2.0	2.0	1.9	1.9
(b) Inland notes and balances with Central Bank	33.0	51.2	47.8	39.4	51.4
2. Other Items of a Cash Nature.	1.9	1.3	1.3	1.4	1.6
3. Bills discounted and bought.	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—
(c) Commercial bills, Foreign.	—	—	—	—	—
4. Investments and Securities.	19.3	21.5	43.7	52.8	52.1
(a) Government	—	—	—	—	—
(b) Others.	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	4.1	2.9	3.8	3.7	3.5
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances.	262.8	241.3	229.3	234.1	237.0
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	7.6	8.0	8.0	8.0	8.2
10. Sundry Assets	—	—	—	—	—
11. Total Assets	333.3	328.2	335.9	341.3	355.6
LIABILITIES.					
12. Capital paid up	—	—	—	—	—
13. Reserve Funds	—	—	—	—	—
14. Profit-and-Loss Accounts, Undivided Profits, etc.	—	—	—	—	—
15. Notes in Circulation	0.2	0.2	0.2	0.2	0.2
16. Cheques and Drafts in Circulation	2.8	2.3	2.1	2.1	2.4
17. Due to Banks (Correspondents)	2.7	1.5	1.3	1.2	1.3
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	270.0	262.8	280.0	277.6	299.7
(a) Current accounts and sight deposits	89.8	81.1	87.1	89.0	101.4
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	180.2	181.7	192.9	188.6	198.3
(d) Other deposits	—	—	—	—	—
19. Rediscounts and Other Borrowings	—	—	—	—	—
20. Acceptances and Endorsements	—	—	—	—	—
21. Sundry Liabilities.	—	—	—	—	—
22. Total Liabilities.	275.7	266.8	283.6	281.1	303.6
23. Value of currency in Swiss francs at the end of June of each year.	23.60	19.26	14.93	14.00	12.38

holdings from £A 52.8 to £A 52.1 million is due to the funding of Treasury bills to the amount of £A 5.2 million out of the loan issued in November 1933 and to the amount of £A 3.5 million out of the loan issued in June 1934. The banks did not take up enough of these loans to offset the retirement of Treasury bills held by them. The ordinary banks' aggregate holding of Treasury bills fell from £A 33.5 million in June 1933 to £A 29 million in June 1934.

The reduction in interest rates (which was recorded in the last issue of this *Memorandum*) continued during 1933 and 1934. In April 1934, the interest allowed on two-year deposits was reduced from 3 to 2½ per cent and on one-year deposits from 2½ to 2¼ per cent. In August 1934, the rate on three months' deposits was reduced from 2 to 1½ per cent. The rates on bank advances have also been reduced. As from July 1st, 1934, the maximum charge to primary producers has been 5 per cent and to public institutions 4½ per cent. The Commonwealth Bank has announced an overdraft rate of 4½ per cent and a charge of 3½ per cent for credits to organisations handling Australian rural products.

The following table, given in continuation of those published in previous editions, enables a comparison to be made between the movement of deposits in savings banks, commercial banks and the Commonwealth Bank of Australia :

June quarter £ A (000,000's)	1932	1933	1934
Commonwealth Savings Bank	115.9	117.5	123.6 ^a
Other savings banks	82.1	84.8	86.5 ^a
Total savings banks	198.0	202.3	210.1 ^a
Commercial banks	284.1	280.4	303.1
Commonwealth Bank	63.6	62.6	78.9
Grand total	545.7	545.3	592.1

^a Provisional.

The grand total involves double counting to the extent that banks maintain deposits with one another. Neglecting this factor, it may be stated that, at the middle of 1934, deposits in Australian banks reached the highest level ever recorded. The increase between 1933 and 1934 was particularly marked in the case of the trading banks and, for the reasons explained above, the Commonwealth Bank ; but deposits with the savings institutions also increased.

The attached Summary Table is based on official statistics for the principal trading banks published in the *Australasian Insurance and Banking Record*. They are averages for the quarter ending June 30th each year. As they cover only the accounts of offices situated within the Commonwealth and exclude completely capital and reserve funds, etc., total assets and total liabilities do not balance.

Balance-sheet Summary.

1. Cash.

The amounts shown in the Summary Table under (a) are made up as follows :

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

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

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

2. Other Items of a Cash Nature.

This item consists of the banks' holdings of cheques and drafts on other banks.

4. Investments and Securities.

The amounts shown in the Summary Table include the banks' holdings of Treasury bills.

11. Total Assets.

These refer only to business transacted by the Australian offices of the banks.

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

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

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

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

22. Total Liabilities.

For the reasons indicated above, total liabilities do not correspond with total assets (see note to group 11).

NEW ZEALAND

Introductory Note.

The main features of the banking situation in New Zealand in the course of 1933-34 are the growth of deposits, continued increase in London balances, sharp rise in Government securities, further contraction of advances, and the beginning of operations by the new Reserve Bank. The trends of commercial banking from the middle of 1932 to the middle of 1934 (*i.e.*, up to the opening of the Central Bank) are brought out in the following statement, which shows the principal assets and liabilities within New Zealand, of the six trading banks :

June quarter : £N.Z. (000,000's)	1932	1933	1934
1. Discounts and advances	50.6	46.8	41.3
2. Government securities	9.1	14.4	27.2
3. Deposits	52.2	55.8	63.8
(a) Free	(16.8)	(18.9)	(22.9)
(b) Fixed	(35.4)	(36.9)	(40.9)
4. Free deposits as percentage of fixed deposits	47.5	51.2	55.9

As in the case of Australia, the rise in the price of wool improved the New Zealand balance of trade and led to an increase in deposits in New Zealand, which had its counterpart in an accumulation of sterling assets. In the twelve months ending June 1934, exports increased by £N.Z.11.2 million, while imports rose by only £N.Z.0.6 million. Deposits reached their highest recorded (June quarter) figure in 1934, having risen by £N.Z.8 million in the course of the year ; in consequence, however, of the sluggishness of the import trade, advances fell by a further £N.Z.5.5 million to reach their lowest figure since 1923. Cash holdings fell by over £N.Z.1 million between 1932 and 1933 and remained substantially unchanged during the following year, and the excess of deposits over advances was used by the banks to purchase Government securities, as is shown in the following statement :

June quarter	Excess of de- posits over advan- ces	Govern- ment securi- ties
	£N.Z. (000,000's)	
1932	1.6	9.1
1933	9.0	14.4
1934	22.5	27.2

During the year ending June 1934, the excess of deposits over advances in New Zealand increased by £N.Z.13.5 million, which suggests that the sterling

reserves of New Zealand increased by about that amount. In making this calculation, however, there should be added to advances (and therefore deducted from the excess of deposits over advances) loans made to the Government for expenditure in New Zealand to cover budgetary deficits and expenditure on public works. These loans are included under Government securities, but the great bulk of the latter consists of New Zealand Treasury bills taken over by the banks in exchange for their sterling assets since the raising of the exchange rate at the beginning of 1933.¹

Under the Banks Indemnity (Exchange) Act, the banks were required to sell to the Government all exchange accumulated overseas. It would appear that the large amounts accumulated since the beginning of 1933 are the result, not only of the large favourable balance of trade, but also of an inward flow of capital to New Zealand to take advantage of the relatively high interest rates prevailing there and to speculate in favour of a rise in the New Zealand exchange rate on London, which had been fixed at £N.Z.125 = £100 early in 1933. The sterling balances held by the Government are estimated at £22 million² in the record quarter of 1934. When the Reserve Bank³ began operations on August 1st, 1934, the Government transferred to it the bulk of its sterling reserves and was credited with the equivalent in New Zealand currency at the rate of £N.Z.124 = £100. With these funds the Government redeemed £N.Z.22 million of its Treasury bills held by the six trading banks, whose cash holdings — in the form of deposits at the Reserve Bank — were correspondingly increased. The first weekly return of the Reserve Bank, dated August 6th, is summarised below :

LIABILITIES.		ASSETS.	
	£N.Z. (000's)		£N.Z. (000's)
1. Paid-up capital	500	8. Reserve :	
2. General Reserve Fund	1,000	(a) Gold	259
3. Bank-notes	* 7,791	(b) Sterling exchange	24,486
4. Demand liabilities :		12. Investments	1,500
(a) State	2,499	14. Other assets	14
(b) Banks	14,537		
(c) Others	—		
7. Other liabilities	28		
	26,355		26,355

¹ It is officially stated that, on March 31st, 1934 (when the trading banks' holdings of Government securities amounted to some £N.Z.24 million), the volume of Treasury bills outstanding under the Banks Indemnity (Exchange) Act was £N.Z.19.4 million (see Dominion of New Zealand, *Monthly Abstract of Statistics*, August 1934, page 34).

² *Australasian Insurance and Banking Record*, August 21st, 1934.

³ The main provisions of the Reserve Bank Act were summarised in the last edition of this volume.

NEW ZEALAND.

COMMERCIAL BANKS

Table 40 (a)

ACCOUNTS	SUMMARY OF POSITION : AVERAGES FOR QUARTER ENDING JUNE 30TH :				
	1930	1931	1932	1933	1934
Number of Banks	6	6	6	6	6
ASSETS.					
	£N.Z. (000,000's omitted)				
1. Cash	6.9	7.0	6.3	5.2	5.1
(a) Gold, silver and small coins	6.8	6.9	6.2	5.1	5.0
(b) Inland notes and balances with Central Bank	0.1	0.1	0.1	0.1	0.1
2. Other Items of a Cash Nature	0.7	0.5	0.4	0.3	0.5
3. Bills discounted and bought	1.2	0.9	0.7	0.6	1.9
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	6.3	5.0	9.5	14.8	27.6
(a) Government	5.6	4.6	9.1	14.4	27.2
(b) Other	0.7	0.4	0.4	0.4	0.4
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	0.7	1.7	1.3	1.7	0.8
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	52.9	52.5	49.9	46.1	39.4
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	1.2	1.3	1.3	1.3	1.3
10. Sundry Assets	—	—	—	—	—
11. Total Assets	69.9	68.9	69.4	70.0	76.6
LIABILITIES.					
12. Capital paid up	—	—	—	—	—
13. Reserve Funds	—	—	—	—	—
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—
15. Notes in Circulation	6.4	5.8	6.0	6.3	6.4
16. Cheques and Drafts in Circulation	0.3	0.2	0.2	0.2	0.2
17. Due to Banks (Correspondents)	0.7	1.6	1.3	1.7	0.8
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	58.8	55.0	54.0	57.5	64.8
(a) Current accounts and sight deposits	23.2	18.1	16.8	18.9	22.9
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	30.5	33.1	35.4	36.9	40.9
(d) Other deposits	5.1	3.8	1.8	1.7	1.0
19. Rediscounts and Other Borrowings	—	—	—	—	—
20. Acceptances and Endorsements	—	—	—	—	—
21. Sundry Liabilities	—	—	—	—	—
22. Total Liabilities	66.2	62.6	61.5	65.7	72.4
23. Value of currency in Swiss francs in June of each year	24.01	22.90	17.07	14.06	12.41

It is worth observing that, as a result chiefly of the redemption of the Treasury bills, bankers' cash early in August stood at about three times its June level. Other changes immediately evident in the accounts of the trading banks in consequence of the establishment of the Central Bank are a decline in their note circulation and in their gold holdings. The right of note-issue being concentrated in the hands of the Reserve Bank, the circulation of the trading banks fell from £N.Z.6.2 million on July 30th to £N.Z.4 million on August 20th. In the same period their holding of gold and subsidiary coin fell by over £N.Z.2.4 million, and those of the Reserve Bank increased by the same amount.

Special reference should be made to the fact that, on July 19th, 1934, prior to its opening, the Reserve Bank made an announcement in which it was stated that the buying and selling rates of sterling for immediate delivery on August 1st would be £N.Z.124 and £N.Z.125 respectively per £100, and that the Reserve Bank would "aim at retaining these rates unchanged for a long period, unless there should be a marked alteration in existing conditions". This announcement was followed by a statement on the part of the Associated Banks of New Zealand saying that their buying and selling rates of sterling for immediate delivery as from August 1st would be £N.Z.124 and £N.Z.124 10s. respectively per £100. The Reserve Bank began operations with a bank rate of 4 per cent.

Reference to the first table of the present chapter will show that, between the middle of 1933 and the middle of 1934, the percentage of free to fixed deposits rose from 51.2 to 55.9; it still remains well below the more normal percentage of 88.7 in 1929. This relative shift of deposits was no doubt due in part to the considerable reductions in

interest rates on time deposits. Between 1930 and the middle of 1934, the rate on two-year deposits was steadily reduced from 5 to 3 per cent, the overdraft rate from 7 to 5 per cent, and the yield on Government loans in New Zealand from 5½ to 3½ per cent. On July 4th, 1934, the two-year deposit rate was further reduced to 2½ per cent, and the rate on one-year deposits to 2½ per cent. On August 1st, 1934, the Post Office rate on deposits in excess of £N.Z.500 was reduced to 2½ per cent, but the rate on deposits of less than £N.Z.500 was maintained at 3 per cent. The deposit rate of the private savings banks is 3 per cent. The movements of savings accounts in the Post Office and in the private savings banks are shown below:

£N.Z. (000,000's)	Post Office Savings Bank	Private savings banks	Total
End of March			
1932	43.3	10.1	53.4
1933	42.0	10.5	52.5
1934	44.9	10.8	55.7

In addition to the shift from time to current accounts mentioned above, evidence of increased business activity in New Zealand is to be found in the figures for bank debits. The weekly average of bank debits to all accounts rose from £N.Z.15.9 million in the first half of 1933 to £N.Z.40.5 million in the first half of 1934; in the latter period, bank debits were only 12 per cent below the 1929 level.

The attached Summary Table is based upon official statistics published in the *Australasian Insurance and Banking Record*. As in the case of Australia, only the accounts of offices within the Dominion are shown, and capital and reserve accounts are entirely omitted; consequently, total assets are not equal to total liabilities.

Balance-sheet Summary.

1. Cash.

The amounts shown under (a) include a certain amount of bullion and bars in addition to coin.

The small amounts shown under (b) consist of the legal-tender notes of other banks.

2. Other Items of a Cash Nature.

This item consists of cheques and drafts on other banks.

3. Bills discounted and bought.

Part of discounts may be included under advances in the official returns.

11 and 22. Total Assets and Liabilities.

The sums shown are totals of the accounts given in the Summary Table; they exclude assets and liabilities held outside New Zealand.

15. Notes in Circulation.

By the law establishing the Reserve Bank, the privilege of note-issue was withdrawn from the ordinary banks; they are required to redeem their outstanding notes only in Reserve Bank notes or subsidiary coin, and on August 1st, 1936, must pay over an account equal to the value of their then outstanding notes to the Reserve Bank, which will assume liability for their redemption.

AUSTRALIA AND NEW ZEALAND. COMMERCIAL BANKS

Table 42 (a)

ACCOUNTS	SUMMARY OF POSITION AT JUNE 30TH :					
	1929	1930	1931	1932	1933	1934
Number of Banks	12	12	12	12	11	11
ASSETS.						
	£ sterling (000,000's omitted)					
1. Cash	85.8	74.8	74.8	79.8	74.9	74.2
(a) Gold, silver and small coins	—	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—	—
2. Other Items of a Cash Nature	43.2	33.8	21.7	22.2	22.5	29.4
3. Bills discounted and bought	—	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—
4. Investments and Securities	54.5	40.7	41.1	59.8	72.8	82.7
(a) Government	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
7. Loans and Advances	208.8	322.8	308.1	290.0	287.2	289.3
(a) On current account	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
8. Cover for Acceptances	6.0	5.9	4.7	4.4	4.6	6.0
9. Premises, etc.	8.5	9.1	9.5	9.7	9.8	9.8
10. Sundry Assets	—	—	—	—	—	—
11. Total Assets	496.8	487.1	459.9	465.9	471.8	491.4
LIABILITIES.						
12. Capital paid up	46.1	46.3	46.4	46.4	45.4	45.5
13. Reserve Funds	35.7	36.7	37.0	37.1	36.0	36.0
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	4.5	4.3	3.9	3.1	2.7	2.6
15. Notes in Circulation	7.5	6.8	6.4	6.5	7.0	7.1
16. Cheques and Drafts in Circulation	31.2	29.3	22.2	19.0	19.8	21.6
17. Due to Banks (Correspondents)	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
18. Deposits	365.8	357.8	339.3	349.4	356.3	372.6
(a) Current accounts and sight deposits	—	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—	—
(d) Other deposits	—	—	—	—	—	—
19. Rediscounts and Other Borrowings	—	—	—	—	—	—
20. Acceptances and Endorsements	6.0	5.9	4.7	4.4	4.6	6.0
21. Sundry Liabilities	—	—	—	—	—	—
22. Total Liabilities	496.8	487.1	459.9	465.9	471.8	491.4

AUSTRALIA AND NEW ZEALAND. COMMERCIAL BANKS

Table 41 (b)

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS ENDING :					
	1929	1930	1931	1932	1933	1934
Number of Banks.	12	12	12	11	11	11
	£ sterling (000,000's omitted)					
Capital and Reserves	86.6	88.1	89.4	86.2	87.5	87.3
1. Gross Profits	6.76	6.22	4.85	3.11	2.48	2.69
<i>To be deducted :</i>						
2. Expenses	—	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.02	0.02	0.02	0.02	0.02	0.02
4. Written off on (Depreciation Accounts for)	0.25	0.21	0.13	0.01	0.07	0.07
(a) Premises, etc.	0.25	0.21	0.13	0.01	0.07	0.07
(b) Investments and securities	—	—	—	—	—	—
(c) Other assets	—	—	—	—	—	—
5. Remaining Net Profit	6.49	5.99	4.70	3.08	2.39	2.60
6. Carried forward from Preceding Year	1.79	1.85	1.97	1.96	1.60	1.08
7. Taken from Reserves or Capital.	—	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	8.28	7.84	6.67	5.04	3.99	3.68
9. Carried to Reserves.	1.07	0.82	0.30	0.11	0.55	0.11
10. Dividends	5.36	5.05	4.41	3.33	2.36	2.49
11. Directors' Fees, etc.	—	—	—	—	—	—
12. Carried forward to Following Year	1.85	1.97	1.96	1.60	1.08	1.08
13. Total as above	8.28	7.84	6.67	5.05	3.99	3.68

Balance-sheet Summary.

The figures shown in Summary Table 41 (a) are based upon a compilation of the balance-sheets of the most important banks operating in Australia and New Zealand. This compilation appears annually in the September number of the *Australasian Insurance and Banking Record*; it shows the aggregate position of the banks at the end of their financial year, which is June 30th or thereabouts in most cases. The table covers the ten trading banks operating in Australia and, in addition, the National Bank of New Zealand, which carries on business only in New Zealand, apart from its London head office. Table 41 (a) therefore represents a combination of Tables 39 (a) and 40 (a)

plus the accounts of Australian and New Zealand banks held in London. For the composition of each item in the Summary Table, reference may be made to the detailed notes to the Summary Tables for Australia and New Zealand above. The amounts shown under "1. Cash" include coin and bullion, cash balances, Australian notes, notes of other banks, money at short call and some relatively small amounts of Government and other securities held by the Bank of New Zealand in London; "2. Other Items of a Cash Nature" refer to bills receivable in London and remittances in transit, including a certain amount of remittances in transit between branches.