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THE INTERNATIONAL DEBT AND CREDIT PROBLEM

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IT was with great pleasure that I accepted some months ago Herr Geheimrat Sering's invitation to read a paper at your Conference, as there was then the possibility that I might take part in your discussions as an independent, so to speak. For it is in this sense that I, at least, have always used my position as President of the Reichsbank. In the meantime, I have been made by the Leader and Chancellor acting Minister of Economics. Nevertheless, I thought it right not to cancel to-day's lecture, but I must ask you to take my remarks as merely private ones and not as statements of a member of the Government.

On the other hand, the government office which I hold for the time being has provided me with the welcome opportunity to convey to you the best wishes of the Government of the Reich. I have reported to the Chancellor on the tasks of this Conference and he has shown great interest in it. The Chancellor told me—I am very glad to state—to convey to this International Conference of Agricultural Economists his greetings and his best wishes for the success of their important work.

The question of when prosperity will finally return to the world is, in the fifth year of the international crisis, troubling people everywhere. If the present economic development were taking place according to economic laws alone, this question might prove answerable. But, since Versailles, business has been overshadowed by politics, and, therefore, we can only observe whether and, if so, what economic factors are putting obstacles in the way of economic recovery.

From the graphs (Appendixes 1 *a–l*) you can see at least that the financial position of the big Central Banks does not bar the way to economic recovery. The gold reserves which in the graphs of the countries with depreciated currencies still appear at their old parity are—leaving aside for the moment the catastrophic development in Germany—generally bigger than those of the years before the crisis. The note circulation, too, is generally higher than one might expect. Above all, the exceptionally great increase of deposits proves best that there is sufficient money that is only waiting to be productively employed.

The rates of interest for money on short-term are abnormally low in all creditor countries, and show a tendency to drop still farther. The rates on the capital market, however, have fallen comparatively little, but the movement is not uniform, though there is also a prevailing tendency to drop. It is impossible to reconcile the tenacity with which the rate of interest on long-term loans, notwithstanding the severe crisis in most countries, still clings to a high level, with economic experience or scientific theory. After all, the fundamental reason is merely that politics have not yet created that atmosphere of international confidence which is indispensable for long-term investments. Capitalists could never be persuaded of the durability of the so-called Treaty of Versailles, and from the very beginning held the encirclement of a defenceless state in the heart of Europe by highly armed neighbours to be a constant menace to the world's peace. That produces its effect of course not only on the international, but also on the national, readiness to make investments.

Imports and exports everywhere show an enormous shrinkage compared with before the crisis. Even the latest development is predominantly retrogressive. The comparatively favourable picture of Great Britain cannot deceive us regarding this fact, as it must be taken into account that British statistics show trade within the Empire as foreign trade, whereas in reality—at least since Ottawa—it must be considered as home trade. This empire trade, however, includes a very considerable part of British foreign trade (Appendix 2).

The other economic figures do not present a uniform picture. Since the middle of 1933 a favourable development of the economic situation is to be seen, which, however, is weakened nearly everywhere by relapses, a sign that the return to prosperity cannot develop properly. Correspondingly the general movement of prices still shows in a number of cases a slight tendency to drop.

Further characteristics of the general situation are, on the one hand, the complete break-down of international credit (Appendix 7), the constant shrinkage of world trade (Appendix 4), and the gigantic extent of the private hoarding of gold; on the other hand, the decrease of universal unemployment (Appendix 5), the slightly diminishing pressure exercised by excessive world supplies (Appendix 6), and the increasing world production of gold (Appendix 3).

The fact that the favourable development of the economic situation in the various countries affected has not been steady, but was interrupted by relapses, results from the fact that it was mainly started by artificial measures. Measures of this kind, in so far as they can be reconciled with a sound economic policy, are, in view of the severity of the crisis, not only justified but often absolutely indispensable. Their effect, however, is always limited to the country in question. They thus create an indispensable condition for arriving at a more prosperous international situation. Real prosperity, however, can only develop if prosperous conditions in the different countries are united by means of international trade. This unifying element of international trade is still completely inoperative at present. It must fail to act, because international credit, as I shall explain later in detail, is at present prevented from fulfilling its functions. For the evolution of international trade the development of the prices of raw materials is of decisive importance. The slump in the prices of raw materials started the international crisis. It began in the years 1928–9 and had already assumed considerable proportions in 1930 (Appendix 8). Accordingly the purely raw material producing countries were already affected in 1929 to a large extent by the crisis, whereas it did not attain full force in the European manufacturing countries—Germany is an exceptional case—until 1930. It is hardly necessary to mention that the break-down of the international credit machinery in 1931 then depressed the prices for raw materials to a record low level. The catastrophic consequences of this slump are equally well known. The producers of raw materials had only one remedy at their disposal, namely, restriction of production. But particularly in the case of agricultural produce it is very difficult to effect a restriction of production owing to the scattered position of the producers; besides, such measures require considerable time to take effect. Nevertheless, under the pressure of necessity this measure has been adopted and really resulted in a certain measure of success. A year or two ago the drop in prices came to a standstill. Very much more has not been accomplished. Again and again the prices for raw materials tend to rise, but the development always fails (Appendix 9). This limited success could be foreseen, for it is simply impossible even to overcome a price slump of such dimensions solely from the side of the producers. It is also contrary to reason and ethics that, on the one hand, the cultivation of wheat is being restricted or coffee thrown into the sea, whereas, on the other hand, millions of human beings are scarcely able to satisfy their most urgent needs. But even for the producers of raw materials the situation is untenable in the long run. To-day's prices are not sufficient to allow of profitable production and costs cannot be reduced any further. So to-day farm and plantation work in nearly all oversea countries is just barely maintained only by artificial state measures, subsidies, price control, the elimination of foreign competition, &c. This state of affairs cannot be borne much longer. There can be no real turn for the better until there is an improvement on the side of demand. Demand, however, is just as much lacking in the fifth year of the crisis as in the first year. The low level of international trade provides appalling proof of this.

Disorder in currencies is generally held responsible for the paralysation of international trade. While this explanation is not erroneous, it is, nevertheless, superficial. At the beginning of the crisis the currencies not attached to the gold standard were unstable. The danger of incalculable losses obliged the merchant to restrict himself to absolutely indispensable transactions. Meanwhile even the depreciated currencies have attained comparative stability. That ought to have had a favourable effect on international trade, even without legal stabilization, if there did not exist two other reasons which produce the opposite effect. In the first place, the fact that to-day two-thirds of all currencies have arrived at a lower basis (Appendix 10) gives rise to the fear that the countries which have adhered to the old gold standard will also be obliged to devaluate sooner or later. Still more important is the fact that the depreciation of the currencies renders the equalization of the trade balances between gold countries and countries with depreciated currencies increasingly difficult. Devaluation means for the countries with a devalued currency difficulties as regards imports and improved conditions as regards exports, and for the gold countries inversely, higher imports but more difficult conditions for exports. It is evident that the gold countries will not consent to continual import-dumping but will retaliate with trade restrictions. It is equally evident that the export possibilities of the gold countries are very severely prejudiced by the advantages enjoyed by the others with depreciated currency (Appendix 11). As international trade is always based on reciprocity, it is bound to shrink under these circumstances. Up to this point the attributing of the world crisis to currency disorder cannot be contradicted. That it nevertheless does not reach the core of the matter is seen at once if we proceed to reason logically. For this would lead us inevitably to the conclusion that the world crisis would be overcome as soon as the countries still on a gold basis would devaluate too. This conclusion has actually been frequently drawn by writers and in the press, but it is most naïve, as is shown by the simple consideration that such a measure would lead back to approximately the same point whence the depreciating of currencies started in 1931. Whether the yardstick to be applied in international relations is longer or shorter cannot possibly play a decisive part as long as the alterations of the length of the yardsticks are approximately the same. The problem of the world crisis cannot be solved in this way. The discussion about the question of whether the currencies ought to be stabilized first and then the commercial obstacles removed or whether the reverse procedure should be adopted is therefore completely superfluous. The currencies can only be set in order and the commercial obstacles can only be gradually removed after the disappearance of the disturbing factor responsible for both phenomena. This disturbing factor is the political indebtedness caused by the World War; in 1931 it caused the German credit crisis and the abandonment of the gold standard by Great Britain, and has in general led to an immense and almost hopeless aggravation of the world crisis.

Before the World War international indebtedness (Appendix 12) did not constitute a problem. It had an economic basis and had developed organically within the natural scope of economic laws. These credits were mostly given by the industrial countries of western and central Europe with abundant capital at their disposal to the eastern European and oversea countries with small capital resources of their own. The latter paid interest and redeemed the capital slowly by means of deliveries of raw materials. The trade balances of the debtor countries were therefore favourable and those of the creditor countries unfavourable; or, to put it in another way, the creditor countries received their interest and sinking-fund claims in the form of raw materials. This interplay of the countries participating in world trade was the consequence of organic developments, and automatically prevented more serious friction in the economic field. Great Britain, for instance, requires American cotton, Australian wool, Brazilian coffee, and so on; and the United States, Australia, and Brazil generally encountered no difficulty in paying by means of such raw materials. Political payments without economic equivalent did not exist. Since the whole international credit system had grown in a natural way, the mutual credit relations were bound to develop organically as far as their relative volume was concerned. The basis of world trade relations consisted in the exchange of raw materials from oversea countries against manufactured goods from Europe. The payment of the interest and sinking-fund sums corresponding to the debit balances of trade of the creditor countries was made possible by the fact that concomitantly with growing prosperity the demand for raw materials increased automatically. The limit of economic capacity to be found in these relations was not surpassed and could not be surpassed. A widely ramified network of long-term commercial treaties solidly supported the play of the economic forces on the world market and facilitated long-term transactions.

Like world trade and world indebtedness, the rates of interest in the different countries had developed along organic lines. In the industrial countries where each new investment met with the brisk competition of already existing investments, rates of interest were low—corresponding to the earning power—and averaged about 4 per cent. (Appendixes 13 and 14). In the undeveloped countries producing raw materials, the rates of interest were considerably higher, and this was possible because the exploitation of raw materials generally yields much higher profits than the manufacture of goods.

This organically constructed mechanism of world trade was destroyed by the World War. The present situation may be summarized as follows: in the United States the industrialization of the country which had already begun in pre-War times was completed during the World War with an abnormal rapidity. Furthermore, the United States has raised its customs barriers to an almost prohibitive degree. It has therefore, to a large extent, ceased to buy European manufactured goods. On the other hand, notwithstanding its increased home consumption, it continues to be the largest raw material supplier of the world, having increased its agricultural and other primary production considerably by means of credits and modern technique. On the other hand, it has not only paid back its whole pre-War indebtedness, but also become the creditor of the whole world. In Europe, France has created for herself a considerably stronger industrial position by annexing the Lorraine ore deposits, the Alsatian textile industry, and so on. Great Britain secured the lion's share of the German colonies, the German commercial fleet, &c., and has thus improved her position on the world market. The larger neutral countries obtained the advantage of a considerable increase of their capital resources. The losses were almost exclusively borne by Germany, regarding which I shall have more to say later on. In spite of the enormous weakening of her raw-material basis, Germany is at present internationally indebted to about the same extent as she was formerly a creditor. Finally, as far as south-eastern Europe is concerned, the break-up of the Austria-Hungary Monarchy—and, partly, an expensive armament policy—has created a situation that is almost hopeless from the economic point of view. The trade balances of the different countries have been unable to adapt themselves adequately to those vast modifications which took place suddenly and for non-economic reasons (Appendix 15). In particular, the United States still has the favourable trade balance it had before as a debtor country. As regards rates of interest, we also see that Germany alone had to pay for the War. Germany's rates of interest are far above those of all other industrial countries (Appendixes 16 and 17). Such abnormally high rates of interest in a highly industrialized country are an economic contradiction.

Since 1918 business has been strangled by politics. The Versailles dictate had, as Adolf Hitler concisely but exhaustively expressed it, the tendency to deprive Germany of her possibilities of livelihood. Until the coming into force of the Dawes Plan, Germany was bled to the extent of 42 billions of goldmarks, especially in the form of the transfer of property, to say nothing of the enormous losses entailed by the cession of territory (Appendix 18). The country which had been drained to such an extent was then forced to make yearly reparation payments at the rate of 2½ billion goldmarks, which sum was reduced to 2 billions by the New Plan. These immense sums, corresponding to about half of all the receipts from taxation of the Reich and its Federal States and municipalities in 1913, have been raised by Germany, but Germany was unable to transfer them. The transfer was made possible only by the continuous raising of foreign credits, which method was in direct contradiction to the intentions of the Dawes Plan. Since 1924 the governments of the reparation creditors have cashed their reparation claims in the following way: foreign banks, merchants, and private investors have given credits in foreign currencies to certain German enterprises; that is to say, these enterprises have only received the corresponding value in reichsmarks, whereas the foreign currencies flowed temporarily into the Reichsbank. On the other hand, the German Government, by means of taxation, &c., has caused the reichsmark value of reparation payments to be paid by German trade and industry as a whole; it then soon purchased the equivalent foreign currencies from the Reichsbank and transferred them to the reparation countries. The Layton Report of 1931 states unmistakably, on the basis of the figures of the German balance of payments, that in the years since the Dawes Plan Germany has not obtained any surplus in her trade and service balance from which reparations could have been transferred. The Allied Governments have therefore received the reparations which accrued until the end of 1930, amounting to 10·3 billions, in reality from their own citizens or from those of neutral countries. To this sum of 10·3 billions of reichsmarks given in the Layton Report must be added, from the standpoint of German foreign debt, about another 5 billions of reichsmarks, including reparation payments since the beginning of 1931 and the interest burden on reparation services performed with borrowed money. Germany has thus got into debt for more than 15 billions of reichsmarks with foreign private capitalists for reparation services alone. This system, as preposterous as it is unwarrantable, and against which the Reichsbank has protested often enough to the Reparations Agent as well as to the public at home and abroad, was bound to break down as soon as foreign countries ceased to grant further credits.

It remains difficult to understand that the responsible financial authorities in foreign countries and also the Transfer Committee of the Reparations Agent did not realize the enormous danger of this glossing over of the reparation problem, which they must have seen owing to the continual warnings of the Reichsbank already long before the break-down in 1931. The behaviour of international finance in 1931 is itself absolutely incomprehensible. If private financing of the reparations by means of international credit machinery had been admitted, then all energy ought at least to have been applied somehow to help this credit machinery over the crisis. If one intends to solve a problem by means of international credit, one cannot suddenly recall, to the extent of billions, the credits granted for this purpose. I admit that the fault for this lies much less with the business men than with the politicians. In 1924 the world considered the Dawes Plan to be the final peace settlement and believed that the road was open for the recovery of international business. Instead of maintaining and strengthening this peaceful atmosphere, the policy of the victorious powers has been to maintain the Versailles system of oppression, changing only the methods of its application.

It ought at least to be honestly admitted that both the mistakes of the politicians and the helplessness of business men are due to foreign countries, and the hopeless attempt to explain the German transfer problem with the assertion that Germany has used the foreign credits wrongly should be abandoned. No doubt regrettable errors have occurred in Germany. However, Germany can claim that she raised her foreign loans under the pressure of the unsuitable reparations system. This argument cannot be adduced by foreign countries; nevertheless, numerous examples of an incorrect credit policy can be given in nearly every country. I need only recall the enormous credit expansion in the United States, Kreuger's gigantic swindles, the general wave of wage-raising, or the increase of international short-term indebtedness. However, the national mismanagement of capital need not be looked upon as particularly tragic, as the purging process of the crisis would have put it right again. But internationally there has been mismanagement of capital on a very large scale. Had the world been seriously ready to solve the reparations problem with the aid of credit, it would, first of all, have had to be removed from the sphere of astronomic magnitude and brought within the reality of economic possibilities. Further it would have been necessary—and that is the essential point in this respect—to direct international credit not to Germany, but towards the undeveloped countries of South America, Asia, Africa, &c. Foreign capital—apart from relatively small amounts required for the strengthening of the Central Bank's position and for the rebuilding of her foreign trade machinery—was of no service to Germany. If she was to pay reparations, she needed buyers for her goods, and these buyers could in the first place be the undeveloped countries, if it was desired to avoid friction in world trade. If foreign credits had been employed in financing machine deliveries to China and the like, then, assuming that the volume was reasonable, one would at the same time have avoided the German transfer problem and furthered world business to a considerable extent.

In any case, the result of the reparations policy on the one hand and of the incorrect investment of the credits on the other was a foreign indebtedness of Germany of over 25 billion reichsmarks[1] at the end of 1930, of which about 15 billions were short-term loans. To-day Germany's foreign indebtedness amounts to about 13·9 billions (Appendix 19); that is, less than the reparations paid since the Dawes Plan together with the interest due. Therefore in the course of about three years Germany has repaid 11 billions, or more than her entire non-political indebtedness. This, however, includes (at present only on paper) the reduction of 4 billions caused by the depreciation of foreign currencies. The actual repayment of over 7 billions was made possible:

1. by completely sacrificing the Reichsbank's gold and exchange reserve amounting to about 3 billions (Appendix 20);
2. by liquidating all foreign claims, in any way realizable, and other foreign property of German enterprises and private persons still available or reconstructed;
3. by rigorous restriction of imports (Appendix 21) and, simultaneously, by forcing exports to the utmost;
4. by a deflationary policy which the Basle experts recognized as 'unparalleled' (Appendix 22).

The results were accomplished:

1. notwithstanding the fact that the German home rates of interest

[1] Credits only, without taking into account foreign capital investment in Germany.

were always very excessive—seen from an international point of view—in consequence of the losses of capital during and after the War (Appendixes 16 and 17);

2. notwithstanding the fact that entire spheres of production, above all agriculture, had become hopelessly unremunerative;
3. notwithstanding the fact that the number of unemployed rose to one-third of all those capable of working (Appendix 23);
4. notwithstanding the fact that almost all foreign countries ruthlessly closed their doors to German exports (Appendix 24);
5. notwithstanding the fact that the currency depreciation of two-thirds of the whole world and to the extent of from 40 to 60 per cent. of the original parity (Appendix 10) severely prejudiced the capacity of German goods to compete;
6. notwithstanding the fact that the boycott movement caused a further decline in exports;
7. notwithstanding the fact that the burden of foreign indebtedness has increased owing to the slump in prices to a far greater extent than the paper profit from the currency depreciation (Appendix 25).

To-day Germany's transfer capacity is completely exhausted. Germany has fully repaid her commercial debts at enormous sacrifice. She can no longer meet from her own resources the reparations which to-day, unfortunately, are no longer due to the governments, but to trustful private holders.

The problem of German foreign debts signifies far more than the difficulties experienced in the history of finance of the past. It is not only a matter between the German debtors and the foreign creditors, but affects the whole of world business. The peculiarity of the German problem is the fact that every single debtor meets his engagements in reichsmarks, whereas German business, as a whole, is not in a position to transfer these amounts in foreign currency. The development of the world crisis proves that the German problem is a world problem. Shortly before the outbreak of the German credit crisis during the summer of 1931 even a scholar of standing like Irving Fisher predicted an early decline of the crisis. The tremendous intensification of the world crisis which followed instead has been caused by the recall of foreign funds from Germany and the breakdown of the international credit and currency structure this caused. A further proof are the foreign trade barriers which clearly show that the world business was unable or did not wish to absorb German exports to such a degree as the payment of interest and redemption of the German indebtedness would have necessitated. It is this impossibility, which the Basle experts expressly recognized (Appendix 22), that constitutes the crux of the German debt problem. No doubt exists anywhere in the world to-day that foreign debts can only be redeemed and interest paid on them in the form of goods and services. Germany has always done her utmost to increase her exports; but in fighting against currency depreciation amounting to from 40 to 60 per cent. or against quotas, success could not be attained. Under such circumstances it is purposeless and senseless to wish to enforce payment by means of some kind of pressure on Germany. Such pressure can only cause great damage. These means of pressure not only hurt German business but all other states participating in world business, for a country as important as Germany cannot simply be struck out of world business without causing the severest reactions in all other countries interested in world trade. Exporters in all countries will still remember what Russia's dropping out of the world business meant at the time. Yet Russia's part in world trade during the last pre-War year amounted only to 3·9 per cent., whereas Germany's part ranged between 9 and 11 per cent. Among the fifteen largest exporting countries in the world (Appendix 26) there were five who sent more than 12 per cent. and a further five who sent more than 8 per cent. of their exports to Germany during 1928, the last boom year. These figures show that the overcoming of the world crisis is very improbable without placing Germany's foreign indebtedness on a sound basis.

Such a process, on the other hand, offers a guarantee for the recovery of foreign trade and thereby for the end of the world crisis, for the remaining world's indebtedness is no real danger. The so-called inter-allied debts can be disregarded, for the service on them is in practice no longer paid, and this, it is interesting to note, on the plea that it is impossible to carry through the transfer, a contention which is always denied in Germany's case. The oversea countries have always been indebted, and possess in their sources of raw materials the natural basis for the debt service, provided enough time is allowed for meeting it. In their case the overstrain in comparison to a normal debt-level has been partly removed or at least greatly relieved during the last 12 months by conversions, reduction of the rate of interest, and so on. The debts of the south-eastern European countries have been reorganized to a lesser degree, but they are on the whole much less than Germany's foreign debts, and, moreover, these countries, partly for political reasons and partly in consequence of the relative smallness of the debts, have met with great consideration at the hands of their creditors.

That the sound settlement of indebtedness also makes it possible to restore stable currencies and to drop trade barriers has already been stressed.

People in foreign countries in general reproach Germany with having done nothing or with not having contributed enough towards solving the problem of foreign indebtedness. The assertion that a central bank policy specializing in the 'classical theory' can render every transfer possible by corresponding pressure on the price-level can be easily disproved. The classical theory functioned in pre-War times as the difficulties which had to be overcome then were of modest dimensions in comparison with those of the present time. This is clearly proved by the relatively small fluctuations of the price indexes, even in times of crisis (Appendix 27) and by the considerable stability of the net balance of trade (Appendix 28). The economic disturbances were slight because the international pre-War indebtedness had a natural, i.e. an economic, origin and it therefore, as already shown, remained more or less automatically within a sound limit. Collection and transfer settle themselves in general, thanks to the productiveness of the credit in such a system which is balanced in itself. The expression 'gold automechanism' itself shows that the natural play of the economic forces provided the basis for all theories of classical national economy. But if the natural course of business is forcibly interrupted, as happened to the largest possible extent owing to the one-sided political bullion payments of post-War times, the rules of classical theory fail. But classical theory also fails when intercourse between the nations is gagged by state measures. In times of extreme trade restrictions and currency manipulations it loses its meaning. He who wishes to re-establish the classical theory to-day must first create normal conditions in world trade, and that again is not possible without doing away with political indebtedness.

The failure of the classical theory has been proved in practice in the course of the world crisis. In the years 1931–2 Germany tried in fact to lower her price-level to such an extent and thereby increased her exports so much that the highest possible amount of transfer could be attained. But it was overlooked that the standard of living and the economic structure of a nation cannot support such arbitrary interference. The consequences of that policy were the typical symptoms of a deflation crisis of which the existence had long been recognized and thoroughly proved by foreign national economists as well. Owing to the slump many enterprises and even whole branches of industry became unremunerative and were ruined, and thereby deprived other enterprises of their outlet and hence of their possibility of living, until finally gigantic unemployment figures faced the Government with the inexorable alternative of stimulating trade or facing chaos. Abroad, the German deflation policy was confronted by the unfortunate fact that the economic common sense of the world developed proportionately with the growth of the world crisis, but unfortunately in the opposite direction. Foreign countries had no intention of absorbing cheap German goods; on the contrary, foreign trade restriction increased to the same, if not to a higher, extent as the cheapening of German exports; the German transfer capacity decreased instead of increased. Under such conditions, it is—to put it mildly—illogical for foreign countries now to recommend the Reichsbank to adopt a fresh deflation policy.

The proposal of a devaluation policy is just as misleading. I have already said that such a policy would, on the whole, lead back almost to the point at which the international credit crisis broke out. Especially for Germany there still remain a number of other objections. Germany is to a relatively great degree dependent on the import of foreign raw materials. A devaluation would make them considerably dearer. The consequences would be, firstly, the increase of the cost of living which the wages would have to follow, and, further, an increase of the cost of the proportion of raw materials in our export goods which, in consideration of the finishing character of our industry, would very often absorb a considerable part of the gain on devaluation. Furthermore, devaluation would at first mean a decrease of the foreign currency received for the individual exports, and it is questionable whether this decrease could be fully balanced at all by means of the hoped-for increase of the quantities exported. All the more so, as unfortunately it may be assumed that the world, even now, is not willing to abandon its ominous policy of defensive measures. The psychological dangers of every recognizable currency deterioration, which are especially dangerous for Germany, need hardly be mentioned. The decisive point is finally the impairing of the position of our foreign indebtedness that would be caused by devaluation. The English example so often quoted is misleading, for England is indebted in her own currency. She could therefore relieve the burden of her foreign debts by decreasing the value of the pound and that even without suffering an equally great loss on her foreign claims, as these, for the most part, are participations and therefore are not substantially affected by the devaluation of the pound. Our debts, on the contrary, are for the most part in foreign currency and would, therefore, increase in the ratio of the mark devaluation. The difficulties of the transfer problem would, therefore, not be decreased but increased by devaluation.

Finally, may I briefly mention those proposals which aim at a permanent solution of the debt problem by means of an international clearing system. On paper all problems can be solved by this means; in practice, unfortunately, Germany can no more buy the necessary cotton in Switzerland than the United States is likely to have a great demand for German motor-cars. The unavoidable consequence of a clearing of the balances of payment of the different countries, carried through consistently, would cause a complete disorganization of the world's foreign trade, which is clearly shown by Germany's high imports from her principal creditor country, the United States (Appendix 29). Besides this it would mean the wilful destruction of the expensive foreign trade machinery, built up laboriously in the course of decades. But this idea becomes still more absurd if one wishes to clear not the balances of payments but only the balances of trade; in this case one infallibly attains, without touching the debt problem at all, a permanent shrinkage of world trade because all countries would tend to revert to the smallest volume of their imports. Experience shows more and more that clearing is submerging the export houses in a flood of petitions, grants, returns, claims, &c. In consequence of this it is generally realized to-day that any kind of clearing represents no solution of the problem, but only a makeshift which must disappear again as soon as possible.

During the whole crisis Germany has always emphasized her intention to pay and proved it in practice. At the same time foreign countries have more and more refused to accept German goods. As the debtor can only pay if the creditor accepts the payment, it stands to reason that the German debt problem can only be solved internationally. In spite of all conferences, this solution has not been found up to now. Neither have export possibilities been found for Germany nor have her foreign debts been reduced to a bearable extent. Only small concessions have been wrested by the course of events which is constantly becoming more serious, and, otherwise, one had hoped for a better future. However, the future will not improve of itself, but must inevitably become still worse. A moment's reflection shows this. Enormous credits have been invested since 1924 in the production of oversea raw materials. In order to provide markets for the increased quantity of materials produced by this process, credits have at the same time been granted to finance the demand. As, of course, the greatest demand came from Germany, impoverished during and after the War, the credits in general found their way to Germany. The American loans were accompanied by a large flow of goods (Appendix 30), thereby forming an essential factor for the prosperity of the United States and of the whole world. This development broke down with the credit crisis for one reason, because every credit excess must some day be paid for and principally because Germany was not in a position permanently to resist the double pressure of reparations and excessive rates of interest. It is simply impossible for any country to economize and transfer abroad one-sided payments of two billion reichsmarks year after year. It is equally impossible for an industrial country whose economic structure is based on rates of interest of from 4 to 5 per cent., to bear rates from 6 to 8 per cent. for a period of ten years. At the beginning of this crisis the greatest possible mistake was made: the German demand was killed by enormous credit recalls and no one worried how this would influence the outlet of the creditor countries, and, thereby, the world prices of raw materials. It may be comprehensible that this threatening consequence was overlooked under the shock of the suddenly arising world crisis, and, after all, a certain purging crisis was inevitable. But it is not to be understood why this method of throttling the demand is still being continued to-day. The effect of national deflation is clearly realized to-day. We know that it starts in some single branches of production—generally in agriculture which is working with the smallest margin of profit—constantly encroaching upon further branches with merciless consequences and threatening in the end to choke the whole economic system. On the other hand, we do not fully realize the effects of the international deflation process, although the disastrous development of all the figures concerning world production, world trade, world unemployment, &c., since 1931 furnishes an appalling object lesson. The latest development in Germany especially shows only too clearly where a policy of procrastination leads to. The flow of foreign currency to Germany is not even sufficient to maintain the already very greatly restricted amount of imports. This forces Germany to accelerate with all possible energy the exploitation of her domestic sources of raw materials (crude oil, iron ores, copper, &c.), to work up old and scrap materials (scrap and textile waste), to force the utilization of substitutes (synthetic petrol, aluminium, artificial yarn), &c. It is useless to reproach us that Germany is thereby harming herself. We know it only too well, and we do it only because there is no other way open to us, because, without foreign currency, we can buy no foreign goods. World business cannot be indifferent to such a development, for the quantities which Germany imported in normal times were far too great (Appendix 31). Most of the raw-material markets have already reacted of late to the German import restrictions and will be forced to do so still more. This, however, is by no means the end of the development. The falling off of outlets for foreign producers and exporters cannot remain without consequences for foreign economic systems. International deflation is just as contagious as national deflation. Taking further into account that the currency problem cannot be solved without the debt problem, economic dangers are increasing to an unmeasurable extent. To-day a number of countries with gold currency are making the little hopeful but very dangerous experiment of attempting to make good for the competition of the countries with depreciated currencies by a national deflation policy. But by these methods world trade must decline still more, while international deflation must be furthered.

However, it would be fundamentally wrong to regard the international debt problem only from an economic point of view. In the past the world crisis has already lead to an impoverishment of large classes of the population in all countries. Such a development is bound to have serious social consequences and, in fact, the consequences are already showing themselves to such an extent that they can no longer be overlooked. In Germany, the country that was first and hardest hit, the danger of bolshevization was warded off at the last moment by National Socialism. In many foreign countries there is still a dangerous ferment (Appendix 32). Hardest hit by the price slump in agricultural produce and raw materials, many farmers have been seized with despair, which must become all the more dangerous the longer the price slump in raw materials prevails. The unrest has also spread to the industrial workers, especially in those countries in which a deflation policy has been, or is about to be, adopted. The farmer riots in the United States and the restless mood of the French peasantry, the strike wave far above the normal in the United States, and the sanguinary unemployment riots in Amsterdam are serious warning signals. If the free-money movement in Switzerland is already represented by an official party, if France is upset again and again by financial debates and by waves of capital flight, and if in England communistic propaganda cells are working systematically, then all this proves that even in the richest countries difficulties are arising which must not be underrated in the long run. But even disturbances of a purely or predominantly political character should not be judged solely from a political point of view. These recent phenomena cannot be understood unless we keep in mind the dark background of general economic distress on which they appear. The business man, whatever his country may be, cannot in considering them avoid the question why shocks of such an extent and with such a universal repercussion were inconceivable in pre-War times. Social enemies, criminals, and utopians were to be found at all times in all countries. They can, however, only appear on the surface if economic distress gives them an opening. The reason for the whole world's unrest to-day is simply that the world crisis is threatening the standard of living everywhere. The standard of living cannot be kept down under pressure for ever without those thereby hit rising in revolt. Abroad, in many cases, it was not believed that Germany was seriously threatened by Communism. Should the crisis continue any longer some countries would change their point of view from their own experience. Bolshevism finds to-day in the shrinkage of world business a more favourable soil than even in the first post-War years. In view of such a serious international situation the question is justified whether it would serve the purposes of world business in general or of the foreign creditors in particular to add economic pressure to the political pressure of the first post-War years. As far as we Germans are concerned, they can take away our faith in the world's common sense and conscience, but what they cannot do is to kill our faith in ourselves.

The world is thus confronted by the alternative of either—

remaining passive in the question of debts, of writing off Germany not only as a buyer but also as a debtor, and of putting back world business by several decades,

or of—

pushing the lever of credit policy to the other side, by cooperating in solving the German transfer problem and clearing the way for international economic recovery.

Germany's attitude is absolutely clear. Germany cannot renounce her claim that her trade and industry and at the same time world trade and industry should at last be freed from the paralysing effects of unilateral political pressure; for, as the nation that has been hardest hit, she cannot lend a hand so that the pause in the development of economic and cultural progress in the world dating from Versailles may be prolonged for years or decades. On the other hand, Germany admits that the problem of debts has become more complicated by private creditors taking the place of the reparations powers. She is well aware that German debtors have given their signatures to private creditors. She acknowledges without any reserve the binding force of these signatures. She is prepared to pay all she can and all that foreign countries are willing and able to receive in the form of goods or services at reasonable prices.

All these principles have been upheld by Germany from the very start and will be further upheld by her. But that is not sufficient. Theoretically there would be two possibilities for a solution:

1. to free German goods from all restrictions, or
2. to cancel German debts.

Neither way is feasible in practice. The first would be rendered impossible by the opposition of foreign industries, and the second by the resistance of foreign investors. The only practicable way, therefore, must lie in the middle, whereby the governments of the creditor countries would agree to admit more German goods and the creditors consent to a reduction of their claims. If willingness is lacking on the one hand, this must necessarily be made up for by the other, for Germany can only pay in goods or not at all. Both claims are absolutely justified even from the point of view of foreign countries. Foreign governments have to uphold not only the interests of their industrials but also those of their investors. The latter cannot be done, as long as the transfer problem exists, by exerting on Germany pressure which can only be prejudicial, but by permitting an increased import of German goods. But the claim to relief as to the debts is also justified, because the creditors have enjoyed for years such a high rate of interest as never would have been maintained even under comparatively normal circumstances. The rate of interest is necessarily limited by the profit-making possibilities, and these are much lower in a highly industrialized country than those then stipulated for Germany. The Dawes Loan, for instance, still bears interest at the rate of 7 per cent., whereas economically a rate of about 4 per cent. would be justified. Taking this rate of 4 per cent. as a basis, a holder of Dawes Loan bonds would, by June of this year, have already received repayment of 34 per cent. of his capital in the form of excessive interest payments (Appendix 33). Moreover, the quotations of German foreign bonds (Appendix 34) prove that international financial circles are agreed that the then loan agreements can no longer be wholly fulfilled as economic conditions have changed essentially in the meantime.

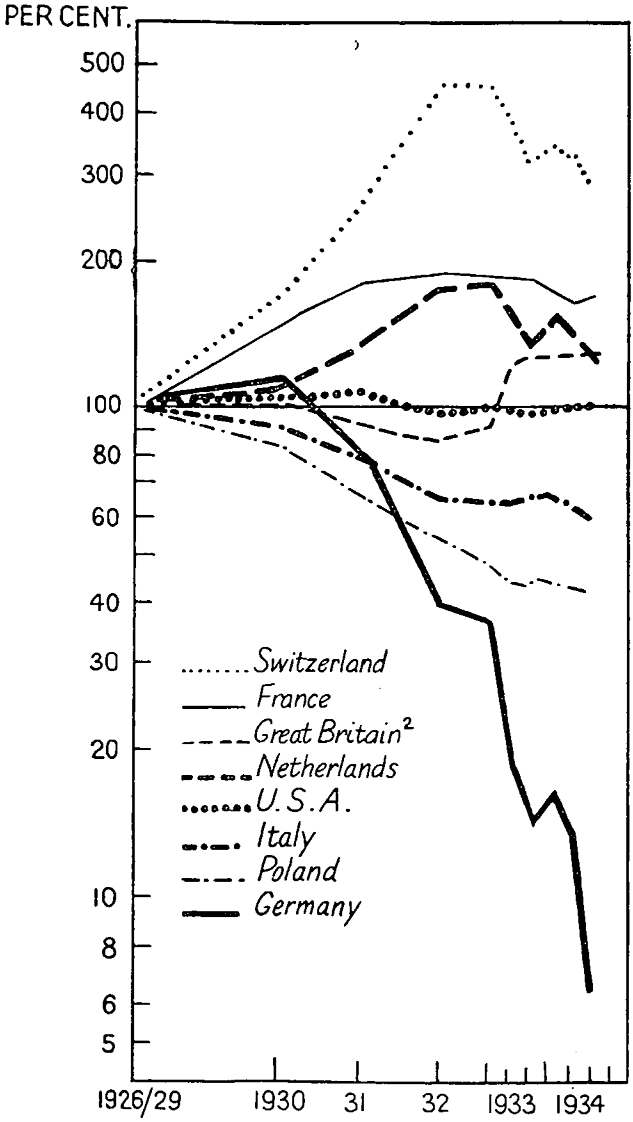
Such a middle course by itself would have been crowned with success one or two years ago. To-day it is not sufficient. Germany's shortness of foreign currency compels her to restrict imports rigorously. Foreign industries have already adapted themselves too much to the protective measures in the form of duties, &c., which have now been in force for years. The depreciated currencies cannot be restored to par. The failure to make timely arrangements has borne bitter fruits. On the one hand, Germany has been bled to such an extent that, for the moment, she cannot bear even a reduced rate of interest; on the other hand, international markets have shrunk to such an extent that, in order to raise the prices of raw materials, much stronger stimuli will be needed. Only broad-minded and far-reaching measures can pave the way out of this nearly hopeless situation. Germany can only fulfil her debt service if the volume of world trade increases. It is impossible for her to contribute to this increased volume of world trade under the pressure of the international deflation process. There therefore remains no other solution but to grant her a full moratorium of several years to enable her to recover. At the same time the burden of her foreign debt will have to be reduced to a degree that can be borne for a long time to come after the moratorium comes to an end. If these two conditions are secured by an international agreement, the decisive obstacle in the way of a revival of world trade will be removed. The natural result will then be that Germany will obtain those credits for goods which will allow her to exert her normal buying-power on the international markets. Such credits for goods have nothing to do with the misguided international financial policy of the past epoch, because they liquidate themselves automatically in the normal economic way and have always formed an indispensable bridge in the exchange of goods between the nations. When this has been done, Germany, the link now missing, will be again interpolated in the world's chain of demand, and international commerce will again recover its equilibrium. As soon as that has happened, and as soon as the curve of international economic development is once more on the up grade, all other obstacles will be overcome without great difficulty.

It may be hard to realize that to-day much greater sacrifices are needed in order to reverse the helm of world business. But it is equally certain that the sacrifices will become greater, the more time is still allowed to slip by. It is not Germany's fault that the world has in the past again and again postponed the execution of the liberating resolve for international co-operation, for Germany was always ready to contribute everything that lay in her power. Nor is it Germany's fault if the courage for a necessary life-saving action is not yet forthcoming, for Germany's readiness has never changed. But it is Germany's duty to point out, that, by every month lost, her international economic position is inevitably further weakened, the shrinkage of international trade increased, the world crisis prolonged, and recovery made more and more difficult.

TABLE OF APPENDIXES

APPENDIX 1 *a*

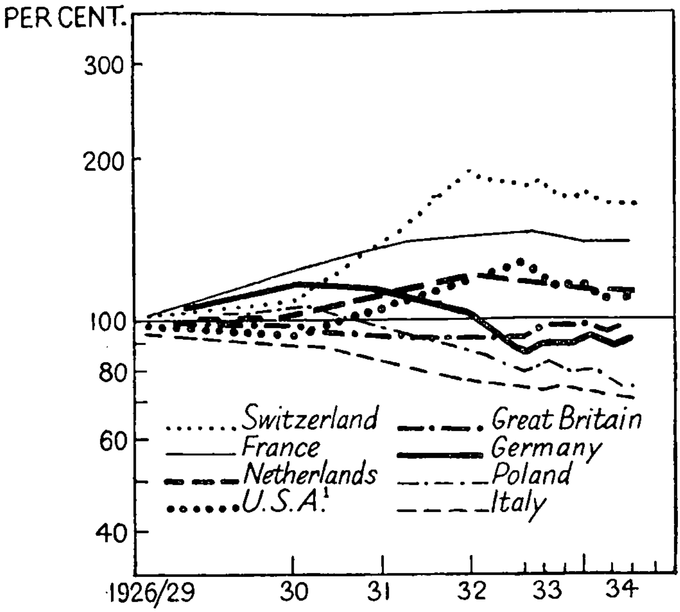
The International Economic Situation
Gold and Total of Foreign Exchange of Central Banks[1]



[1] As far as countries with depreciated currencies are concerned, gold at old parity.
[2] Gold only, without Exchange Equalization Fund.

APPENDIX 1 *b*

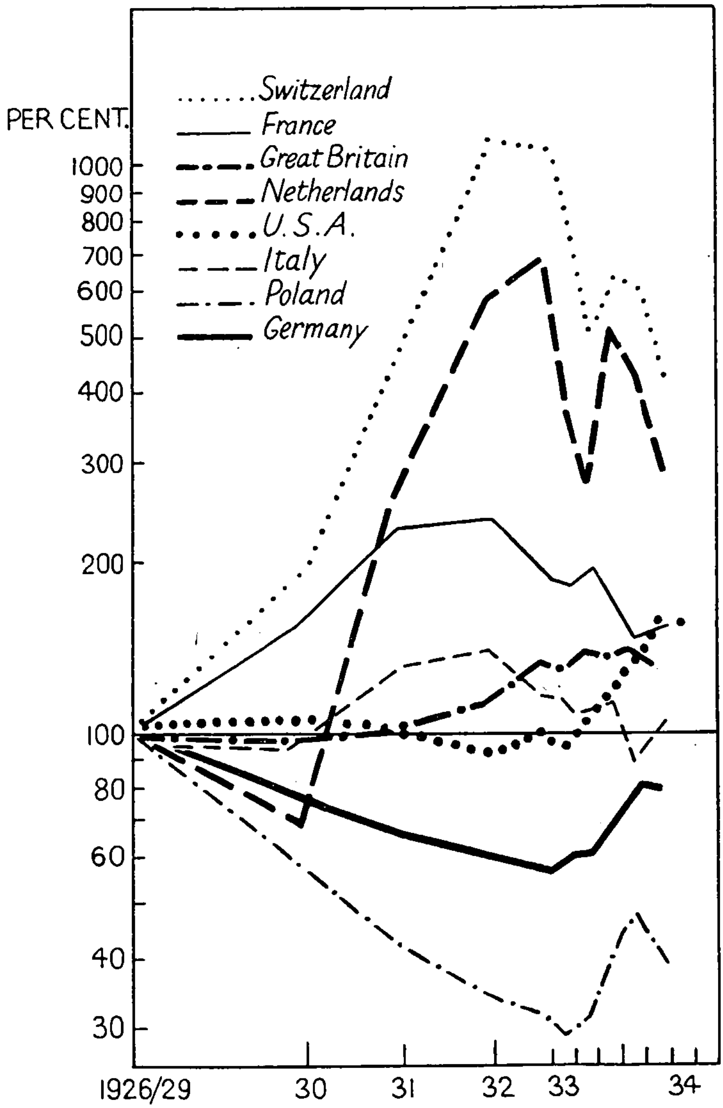
The International Economic Situation
Note Circulation



[1] Total of money in circulation.

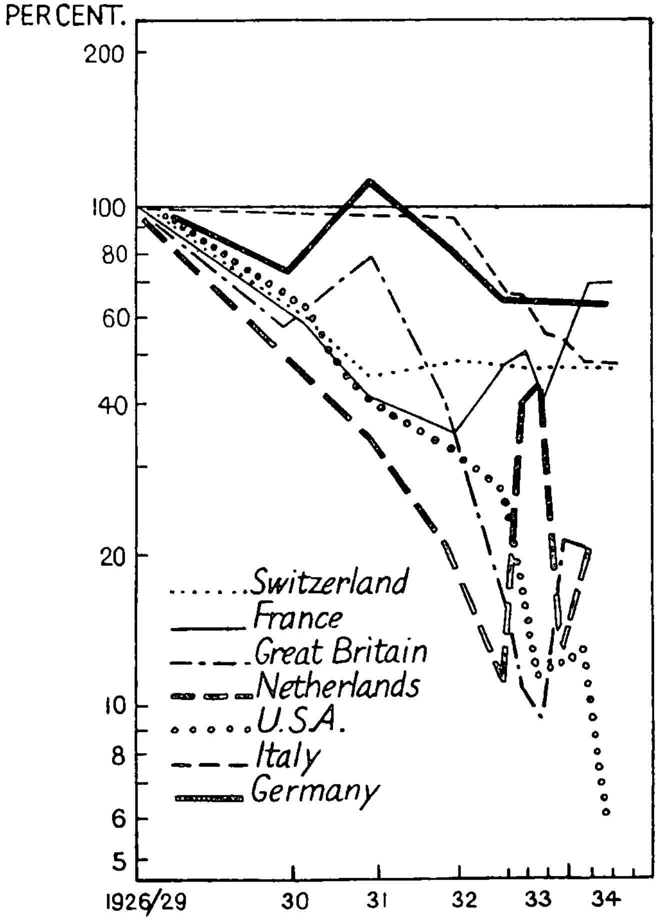
APPENDIX I *c*

The International Economic Situation
Deposits with Central Banks



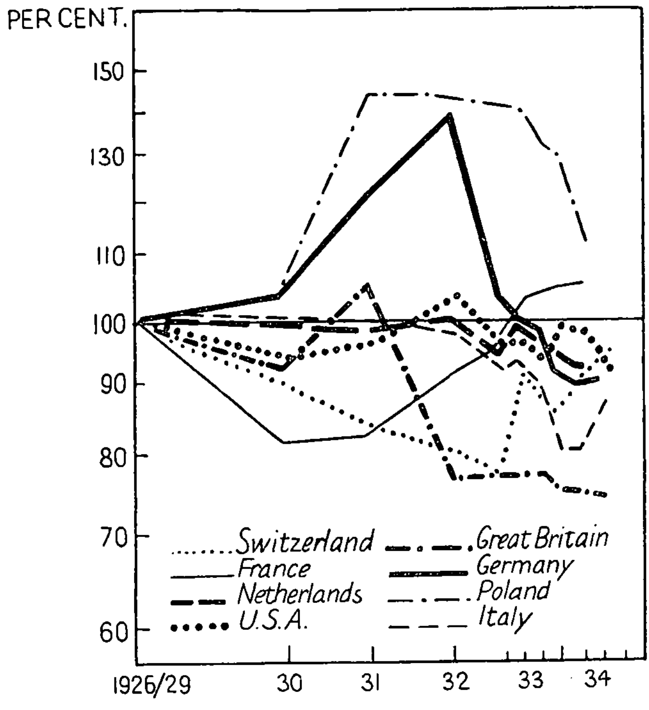
APPENDIX 1 *d*

The International Economic Situation
Rate for Bankers' Bills



APPENDIX I e

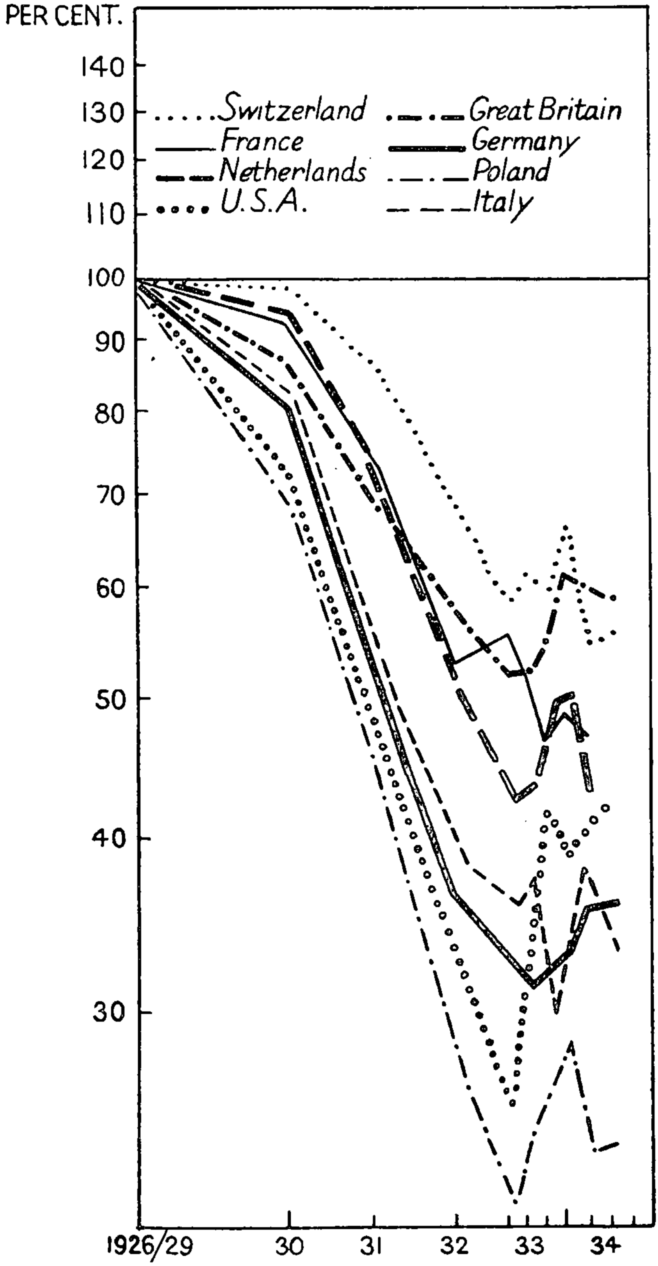
The International Economic Situation
Average Yield of Government Loans



APPENDIX 1*f*

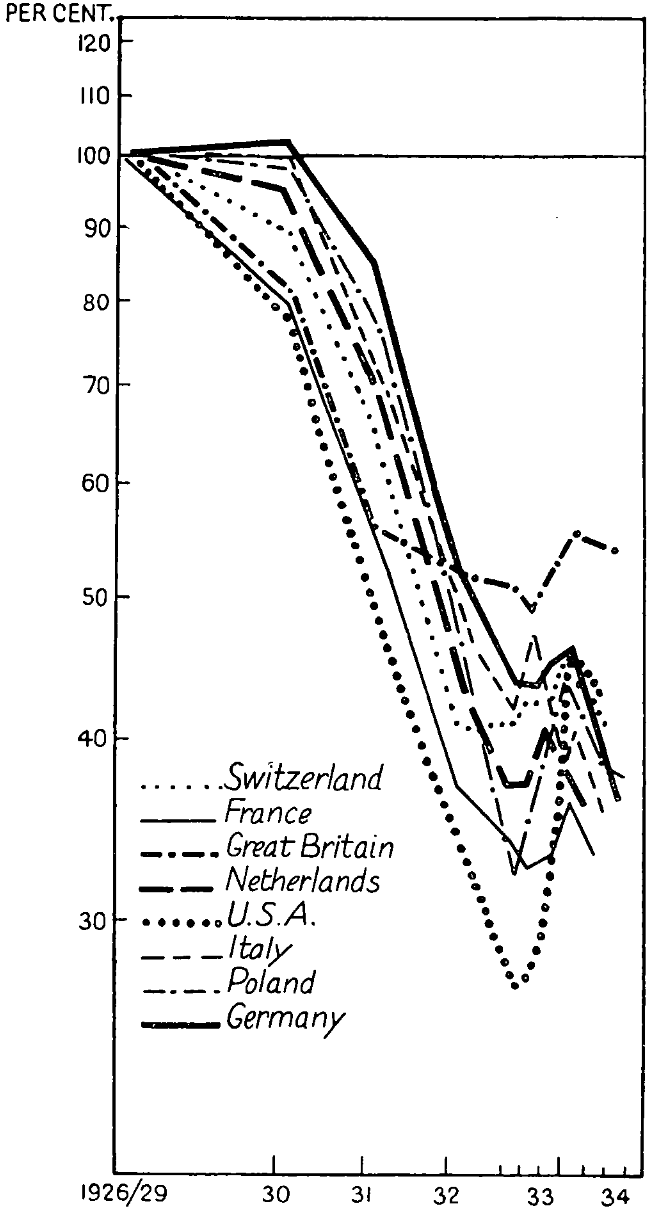
The International Economic Situation

Imports



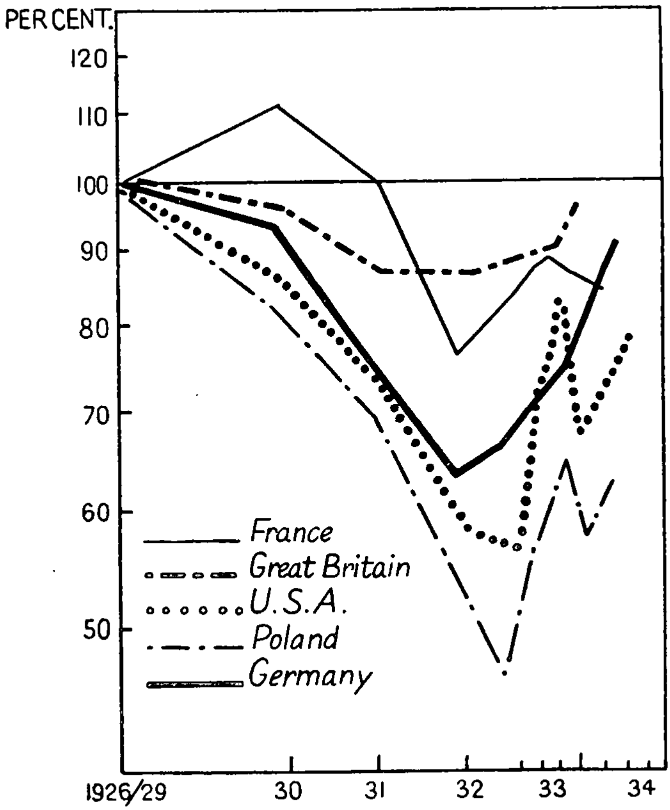
APPENDIX 1 g

The International Economic Situation
Exports



APPENDIX 1 *b*

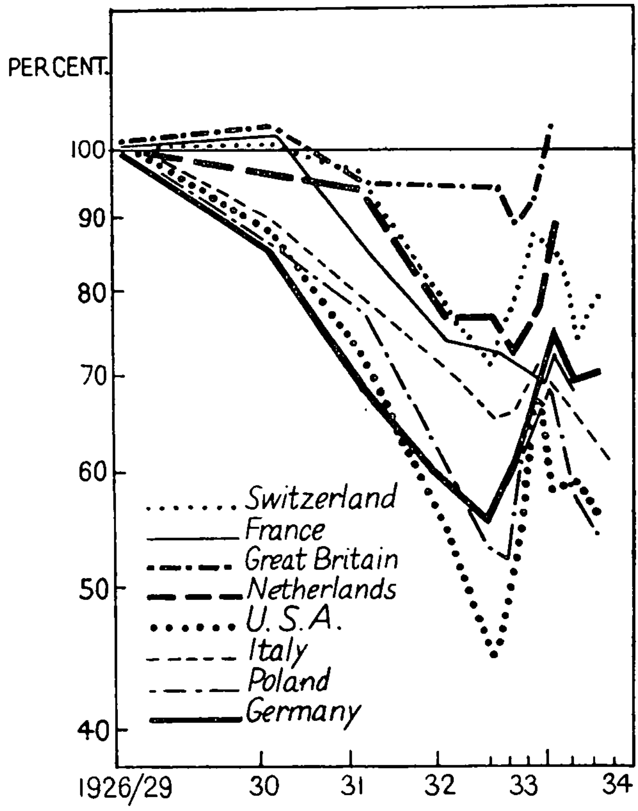
The International Economic Situation
Index of Production[1]



[1] Or other typical figures of production.

APPENDIX 1 *i*

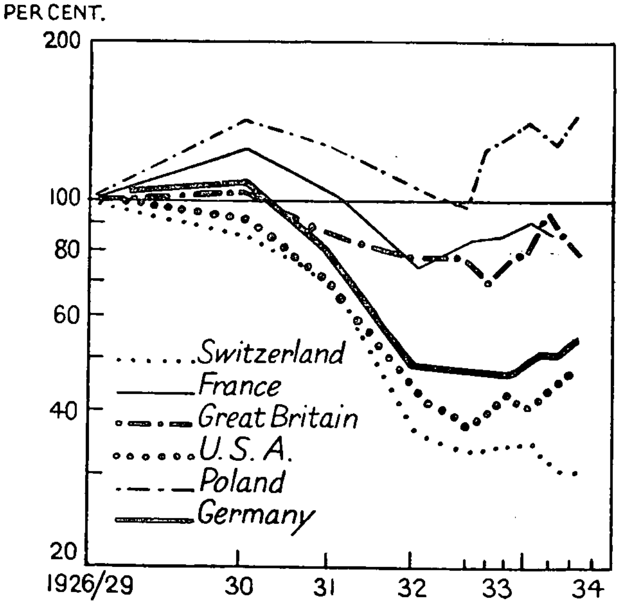
The International Economic Situation
Goods Traffic[1]



[1] Or railway car loadings.

APPENDIX I k

The International Economic Situation
Clearings



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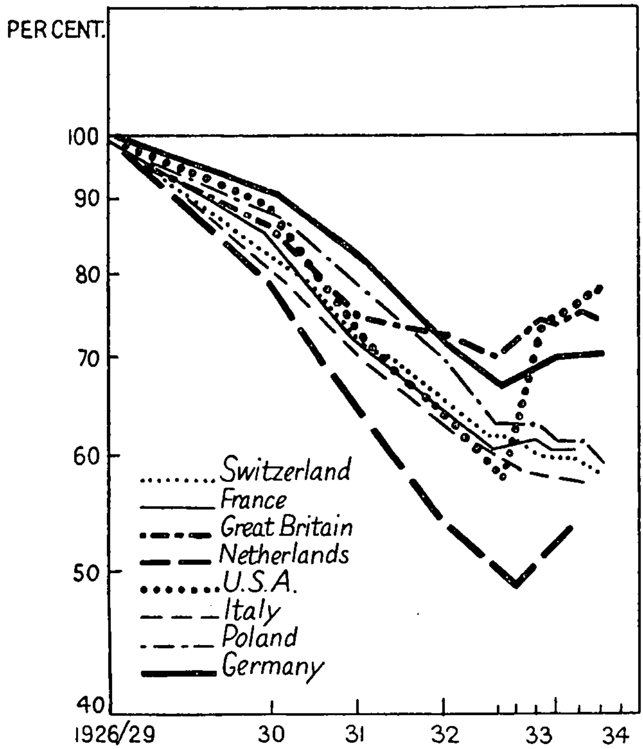
The International Economic Situation
Wholesale Commodity Index



APPENDIX 2

Foreign Trade of Great Britain in 1929 and 1933
Empire and Foreign Countries[1]

	1929		1933		1933 as compared with 1929
	Mill. £	%	Mill. £	%	
Imports from:					
British Countries	358·9	29·4	249·4	36·9	30·5% decrease
European Gold-Countries	255·7	20·9	106·3	15·7	58·4% ,,
Other Countries	606·2	49·7	320·1	47·4	47·2% ,,
Total of Imports	1,220·8	100·0	675·8	100·0	44·7% ,,
Exports to:					
British Countries	324·4	44·5	163·5	44·5	49·6% ,,
European Gold-Countries	138·3	19·0	71·6	19·5	48·2% ,,
Other Countries	266·6	36·5	132·3	36·0	50·4% ,,
Total of Exports	729·3	100·0	367·4	100·0	49·6% ,,

[1] According to *Accounts relating to Trade and Navigation of the United Kingdom.*

APPENDIX 3

World Gold Production[1]

Year	In 1,000 oz. fine	In millions of Swiss Francs
1915	22,594	2,420
1923	17,786	1,905
1924	19,050	2,041
1925	19,031	2,039
1926	19,369	2,075
1927	19,446	2,083
1928	19,583	2,098
1929	19,585	2,098
1930	20,750	2,223
1931	22,206	2,379
1932	24,226	2,595
1933	24,720	2,648

[1] *Annual Report of B.I.S.* for 1933–4.

APPENDIX 4

Development of World Trade during the Crisis[1]

Year	*Imports*		*Exports*		*Value of turnover*		*Volume of turnover*[2]	
	1,000 mill. of RM.	%	*1,000 mill. of RM.*	%	*1,000 mill. of RM.*	%	*1,000 mill. of RM.*	%
1929	148	100·0	136	100·0	284	100·0	208	100·0
1930	120	81·1	109	80·1	229	80·6	188	90·4
1931	87	58·8	77	56·6	164	57·7	163	78·4
1932	58	39·2	52	38·2	110	38·7	132	63·5
1933	52	35·1	47	34·5	99	34·9	133	63·9
1st half of 1934	23·4	31·6	20·6	30·3	44·0	31·0	..	..

[1] 52 countries representing 90–5 per cent. of the entire world trade.
[2] The volume of world trade has been computed by eliminating the variation in prices from the figures of value and by taking the average of the wholesale price index figures of the Board of Trade (Great Britain) and of the Bureau of Labor Statistics (U.S.A.). (*Stat. Jahrbuch f. d. Deutsche Reich.*)

APPENDIX 5

Movement of the World Unemployment[1]

in thousands

	1930	*1931*		*1932*		*1933*		*1934*
	Dec.	*March*	*Dec.*	*March*	*Dec.*	*March*	*Dec.*	*March*
World	19,000–20,000	21,000	24,000	25,500	28,000	30,000	23,500–24,000	22,500
Germany	4,384	4,744	5,668	6,034	5,773	5,599	4,059	2,798
Belgium	181	207	293	350	327	383	358	345
France	23	72	177	347	307	350	345	379
Italy	664	735	1,015	1,085	1,167	1,111	1,132	1,057
Netherlands[2]	81	103	147	165	351	342	394	333
Poland	300	373	312	360	220	280	343	388
Great Britain	2,500	2,666	2,671	2,660	2,776	2,821	2,263	2,225
Sweden	83	73	110	99	129	121	110	98
Czechoslovakia	240	340	486	634	747	878	780	790

[1] According to *Wirtschaft und Statistik* and *Bulletin Mensuel de Statistique* (League of Nations).
[2] Up to March 1932 only those unemployed, who have been (voluntarily) insured; from December 1932 total of unemployed registered.

APPENDIX 6

Stocks on World Raw Material Markets End of June 1926–33 and at the Beginning of 1934[1]

Commodity	*Unit*	*1926*	*1927*	*1928*	*1929*	*1930*	*1931*	*1932*	*1933*	*1934 Jan.*[2]	*1934 April*[2]	*1934 May*[2]
Wheat . . .	1,000 t.	3,802	4,981	6,654	9,558	10,312	12,068	12,106	13,254	17,462	15,154	14,224
Coffee . . .	1,000 t.	444	482	1,044	847	1,608	1,498	1,891	1,381			
Cotton . . .	1,000 t.	979	1,282	1,125	1,015	1,350	1,717	1,836	1,892	2,231	1,943	1,670[3]
Rubber . . .	1,000 t.	183	279	263	294	425	546	653	606	661	660	681
Coal . . .	1,000 t.	10,829	5,356	5,848	2,958	13,988	19,663	21,492	20,973	18,627	18,611	18,584
Oil . . .	Mill. hl.	447	502	590	603	601	553	504	482	495	496	
Copper . . .	1,000 t.	60	87	53	75	288	375	600	525			
Lead . . .	1,000 t.			54[4]	49[4]	58	140	180	202	218	232	241
Tin . . .	1,000 t.	16	16	16	24	43	53	50	47	28·4	22·7	20·4[3]

[1] Compiled according to Weekly Statements of the *I.f.K.* iv, p. 91; v, p. 89; vi, p. 31 and of *Wirtschaft und Statistik.*

[2] As to the figures given in the last three columns, seasonal influences are, here and there, to be taken into consideration.

[3] Estimated for June.

[4] Estimated for March.

APPENDIX 7

Break-down of International Credit during the Crisis

(*a*) *International Short-term Indebtedness*[1]

End of	*1,000 millions of Swiss Francs*
1930	70
1931	45
1932	39
1933	32[2]

Of which Germany owed:

1930	18·5 = 26·4%
1933	8·4 = 26.2%

(*b*) *Foreign Securities issued at New York Exchange*[3]

During the year	*Mill.* $
1928	1,583
1929	785
1930	1,148
1931	269[4]
1932	67
1933	62

1 Liabilities of the European Countries and of the U.S.A. only.
2 *Annual Report of B.I.S.* for the year 1933–4.
3 According to *Commercial and Financial Chronicle.*
4 Of which 218 mill. $ during the first six months.

APPENDIX 8

Wholesale Prices on Foreign Markets

Annual or monthly average

Commodity	*Market*	*Quantity*	*Currency*	*Year 1927*	*June 1928*	*Dec. 1928*	*June 1929*	*Dec. 1929*	*June 1930*	*Dec. 1930*	*June 1931*	*Dec. 1931*
Wheat, Eng. Gaz. av.	London	112 lb.	*s. d.*	11.6¾	11.0⅜	9.8	9.7½	9.4¾	8.6¾	6.3	5.11¼	6.5
Sugar, Cuban 96 deg.	New York	1 lb.	cts.	4·75	4·39	3·94	3·54	3·76	3·26	3·30	3·32	3·14
Coffee, Rio No. 7	New York	1 lb.	cts.	14·75	15·58	17·97	16·75	9·94	9·10	7·09	6·76	6·88
Copra, Ceylon	London	lt[1]	*£ s. d.*	28.11.7	28.5.6	26.6.10	22.7.0	24.2.6	20.7.0	17.0.6	13.2.0	16.19.6
Coal, Northumberland unscr.	Newcastle	lt[1]	*s. d.*	14.0⅜	12.0	12.6	14.3	15.6	12.6	12.6	12.4	12.4
Petrol 60/62 Beaumé fob.	New Orleans	am. gall.	cts.	8·58	9·47[2]		9·51[2]		9·00	5·88	4·00	4·75
Pig iron, Cleveland No. 3	Gr. Brit.	lt[1]	*s. d.*	73.3⅜	66.0	66.0	71.10½	72.6	67.6	63.6	58.6	58.6
Copper, Electrolytic	New York	1 lb.	cts.	13·13	14·75	16·06	18·00	18·00	12·36	10·63	8·25	6·88
Tin	New York	1 lb.	cts.	64·44	48·15	49·91	44·13	39·72	30·31	25·28	23·50	21·38
Zinc	New York	1 lb.	cts.	6·59	6·49	6·70	6·98	5·99	4·45	4·10	3·40	3·15
Lead	New York	1 lb.	cts.	6·75	6·30	6·46	7·00	6·25	5·43	5·10	3·92	3·79
Cotton, middling upland	New York	1 lb.	cts.	17·48	21·54	20·53	18·81	17·28	14·46	10·02	9·05	6·25
Wool, N.S.W. greasy, super combings	London	1 lb.	*d.*	27.50	27.63[2]		23.00	17.00	14.00	11.00	11.00	11.00
Hides, best heavy ox	London	1 lb.	*d.*	8¼	9¾	7¾	6⅜	6¼	6¼	6⅛	4¾	5⅞
Rubber, Plant. crepe[3]	New York	1 lb.	cts.	31·46	22·15	19·31	21·57	16·52	12·36	8·96	6·88	4·88

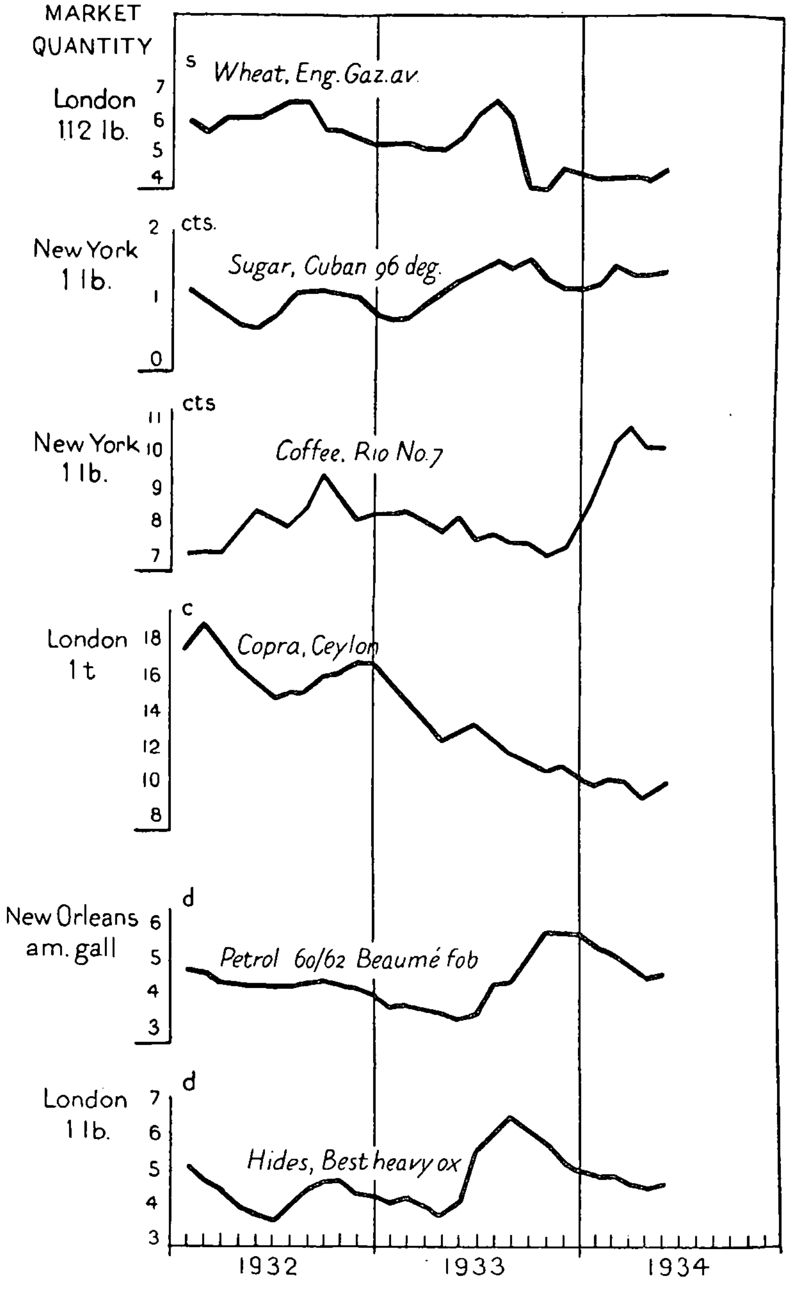
[1] lt—long ton—2,240 lb.

[2] Annual average.

[3] From 1929, previously Up-River fine. From *Statistisches Jahrbuch f. d. Dt. Reich.*

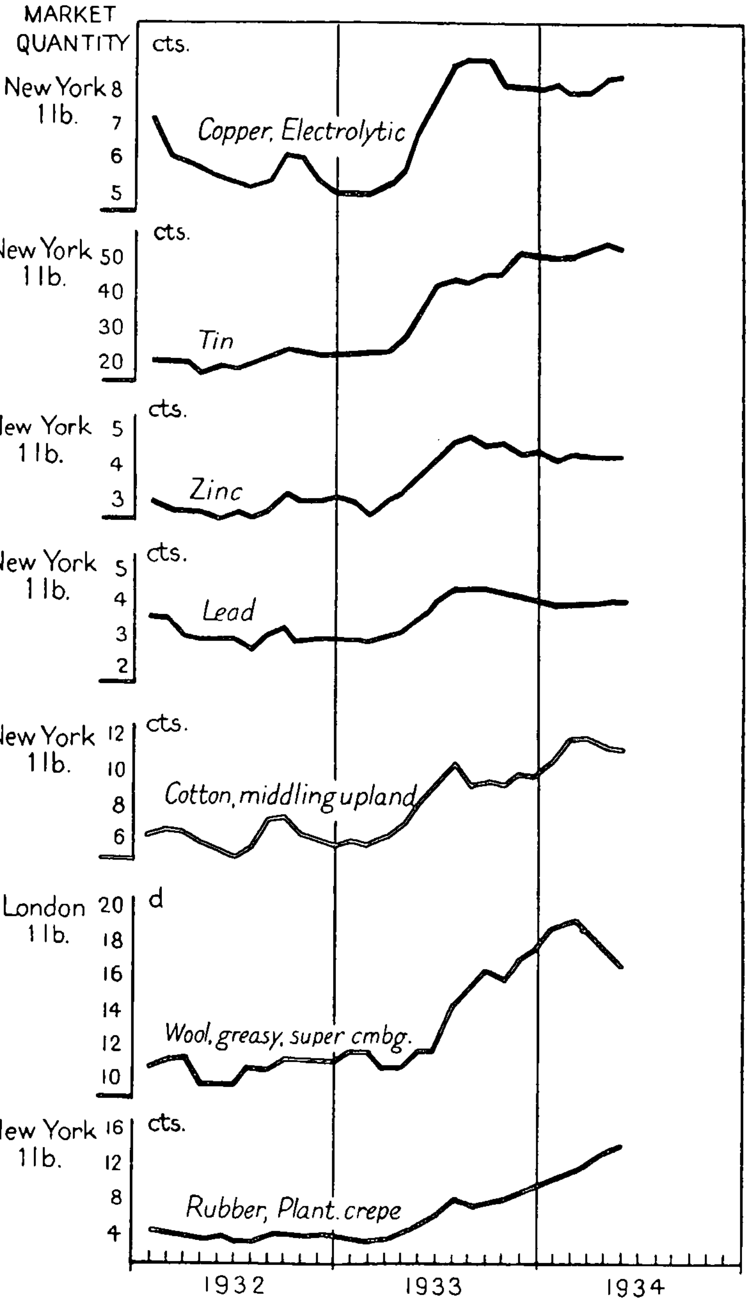
APPENDIX 9

Wholesale Prices on Foreign



APPENDIX 9

Markets, 1932–4[1] *(monthly average)*



[1] As per *Wirtschaft und Statistik.*

APPENDIX 10

Share of the Countries with Depreciated Currencies in the World Trade during the Years 1929 and 1933 respectively[1]

Country	*Depreciation in the middle of 1934 in % of parity*	*Share in the World Trade in % of turnover*	
		1929	*1933*
Great Britain	38	13·21	13·93
British India and Malaya	same as £	4·58	3·94
Canada	40	3·59	2·86
Australia and New Zealand	47	2·62	2·70
Other countries of the Empire	same as £	4·02	4·31
Great Britain and Empire		28·02	27·74
U.S.A.	40	14·03	10·47
Japan (including Corea and Formosa)	64	4·47	5·09
Argentine	66	2·55	2·13
Czechoslovakia	16⅔	1·76	1·46
Sweden	42	1·42	1·58
Spain	58	1·38	1·22
Denmark	50	1·31	1·49
Brazil	63	1·29	1·31
Austria	17	1·13	0·92
Other countries with depreciated currencies[2]			
Europe (3)	23 Jugoslavia —54 Greece	2·40	2·56
Asia (7)		1·01	1·20
South and Central America (18)		3·95	3·03
		64·72	60·20

[1] According to *Stat. Jahrbuch f. d. Dt. Reich* and statements of the *Stat. Reichsamt.*

[2] Countries sharing less than 1 per cent. in the world trade.

APPENDIX 11

German Exports 1928 and 1933 respectively[1]

To	*1928 in mill. RM.*	*1933 in mill. RM.*	*Decrease in %*
(*a*) *Countries with depreciated currencies:*			
Sweden	430·7	191·1	
Norway	168·5	85·0	
Denmark	427·5	144·7	
Scandinavian countries . . .	1,026·7	420·8	59·01
Great Britain	1,179·8	405·6	65·62
South Africa	100·0	40·2	
Canada	68·1	28·0	
Australia	63·9	20·6	
British India	222·9	86·8	
Important countries of the Empire .	454·9	175·6	61·40
U.S.A.	795·9	245·9	69·10
(*b*) *Gold Countries:*[2]			
Switzerland	572·8	352·4	38·48
France	693·4	395·0	43·03
Belgium-Luxemburg	488·6	278·1	43·08
Netherlands	1,175·3	612·8	47·86
Italy	546·9	227·3	58·44

[1] According to *Stat. Jahrbuch f. d. Dt. Reich* (1928) and *Wirtschaft und Statistik* (1933).
[2] Figures of trade with Poland not apt for comparison.

APPENDIX 12

I. *The World Indebtedness 1913*

Foreign investments of	*Amount in 1,000 millions of RM.*	*Made to*
United Kingdom[1] .	70–80	U.S.A. (53%), Asia (16%), Africa (14%), Australia (12%), Europe (5%)[3]
France[1] . . .	35–45	Russia (35 to 40%),[4] rest dispersed
Germany[2] . .	25–30	Various countries, mostly oversea

[1] No own indebtedness of any weight.

[2] Own indebtedness according to highest estimate 10,000 millions, probably less.

[3] *Handw. B. d. Staatsw.*, 1929, suppl., article: 'Internationale Kapitalbewegungen'.

[4] According to various French statements.

The whole international net pre-War indebtedness may be estimated at not more than *150,000 millions of goldmarks.*

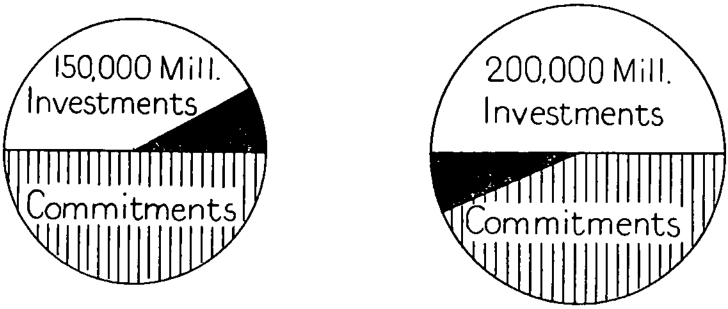
II. *Present Indebtedness*

In the absence of somewhat reliable data on private indebtedness to-day's world indebtedness can be estimated quite approximately only. Considering the heavy decline after the crisis, it may be estimated—taking into account the depreciation of currencies—at about *200,000 millions of Reichsmarks.*

III. *Germany and the Interlocking of International Capital*

(*a*) 1913:
Germany is creditor
with 22,000 millions = 14%

(*b*) 1933:
Germany is debtor
with 18,000 millions = 9%



APPENDIX 13

Pre-War Rates for Bankers' Bills

In %

Average	*Berlin*	*New York*[1]	*London*	*Paris*	*Amsterdam*	*Switzerland*
1876	3·04		1·89	2·09	2·75	
1880	3·04		2·31	2·51	2·69	
1885	2·85		2·09	2·46	2·39	
1890	3·78		3·73	2·65	2·56	
1895	2·01		0·85	1·55	1·51	
1900	4·41		3·70	3·17	3·44	
1905	2·85		2·66	2·10	2·38	
1906	4·04		4·05	2·72	3·74	
1907	5·12		4·53	3·40	4·84	4·49
1908	3·52	4·62	2·31	2·25	3·00	3·41
1909	2·87	3·92	2·31	1·79	2·04	2·75
1910	3·54	5·07	3·18	2·44	3·59	3·36
1911	3·54	2·56	2·94	2·61	3·19	3·40
1912	4·22	3·70	3·64	3·16	3·89	3·89
1913	4·98	3·20	4·39	3·84	4·27	4·52

[1] From 1911 rate for overnight money.

APPENDIX 14

Pre-War Yield of Securities with Fixed Interest

NOTE. The calculation of yield has been based on:

for Germany:	up to 1889 4%, from 1890 3½% Reich Loan;
for U.S.A.:[1]	4% Centr. Pacific Railway First Refunding Mortgage Gold Bonds;
for United Kingdom:	2½%, from 1903 2¾% Consols;
for France:	3% rent;
for Netherlands:	3% Government Loan;
for Switzerland:	3½% S.B.B.-Obl., series A–K.

In %

Average yield	*Germany*	*U.S.A.*	*United Kingdom*	*France*	*Nether-lands*	*Switzerland*
1880–4	3·94	..	3·02	3·70		
1885–9	3·76	..	2·94	3·66		
1890–4	3·49	..	2·82	3·11		
1895–9	3·40	..	2·52	2·94		
1900–4	3·49	about 4·00	2·86	3·01		about 3·56
1905–8	3·61	,, 4·10	2·86	3·09	3·29[2]	,, 3·58
1909–13	3·83	,, 4·20	3·18	3·19	3·55	,, 3·77

[1] The yield of U.S.A. State Bonds cannot be compared.
[2] 1906–8.

APPENDIX 15

Pre-War and Post-War Trade Balances

Import or Export surplus in % of the whole Foreign Trade

	1905–13	*1925–33*
A. *Present Creditor Countries:*		
U.S.A.	+14·4	+ 7·3
United Kingdom	−14·4	−23·7
Netherlands	−10·6	−16·8
Switzerland	−17·8	−16·9
France	− 7·2	− 6·0
B. *Present Debtor Country:*		
Germany	− 9·3	− 0·9

Inquiries concerning other larger debtor countries cannot be made, as partly considerable territorial changes have taken place (as f.i. in Austria) and partly reliable figures are not available (as in the case of South America).

APPENDIX 16

Post-War Rates for Bankers' Bills

In %

Average	*Berlin*	*New York*[1]	*London*[2]	*Paris*	*Amsterdam*	*Switzerland*
1925	7·62	3·44	4·13			2·27
1926	4·92	3·59	4·47			2·52
1927	5·49	3·51	4·24		3·65	3·27
1928	6·53	4·16	4·15	3·06	4·18	3·33
1929	6·87	5·09	5·25	3·44	4·82	3·31
1930	4·43	2·53	2·56	2·31	2·09	2·01
1931	6·78	1·65	3·60	1·54	1·39	1·44
1932	4·95	1·31	1·87	1·31	0·77	1·52
1933	3·88	0·67	0·67	1·82	1·02	1·50
First six months 1934	3·86	0·38	0·95	2·62	0·99	1·50

[1] Rate for 90 d/s bills.

[2] Rate for three-month bank bills.

APPENDIX 17

Post-War Yield of Securities with Fixed Interest

Note. The calculation of yield has been based on:
for Germany: Fixed interest securities at Berlin Bourse;
for U.S.A.: 4¼% Liberty Loan 1933–8;
for United Kingdom: 3½% Conversion Loan;
for France: 3% rent;
for Netherlands: 3½% Government Loan of 1911;
for Switzerland: 3½% S.B.B.-Obl., series A.–K.

In %

At the end of	*Germany*	*U.S.A.*	*United Kingdom*	*France*	*Netherlands*	*Switzerland*
1925	9·72	4·17	4·65	6·01	4·03	4·23
1926	7·99	4·09	4·67	5·45	4·03	4·67
1927	7·25	4·09	4·55	4·84	4·06	4·45
1928	7·83	4·24	4·42	4·54	3·90	4·27
1929	8·18	4·19	4·71	3·56	3·96	4·29
1930	7·95	4·10	4·28	3·51	3·71	3·91
1931	9·00	4·27	4·83	3·79	5·00	3·87
1932	8·96	4·10	3·54	3·87	3·61	3·58
1933	7·23	4·17	3·47	4·48	3·65	3·77
End of June 1934	6·54	4·09	3·37	3·86	3·50	4·20

APPENDIX 18

Losses of German Trade and Industry by the Versailles Treaty (besides Reparations)[1]

In 1914 the German Reich had		*Of which belonged to the ceded territories*
an area of	541,000 qkm.	71,000 qkm. = 13·1%
a population of	67,800,000	6,400,000 = 9·4%
In 1913 in Germany totalled:		
the oxen and cow stock . .	21,000,000	2,600,000 = 12·4%
the pig stock	25,600,000	3,200,000 = 12·5%
the forests	14,000,000 ha.	1,500,000 ha. = 10·7%
the production of cereals . .	30,000,000 t.	5,000,000 t. = 16·7%
the production of potatoes . .	54,000,000 t.	11,000,000 t. = 20·4%
the coal output	190,000,000 t.	49,000,000 t. = 25·8%
the iron ore output . . .	28,600,000 t.	21,300,000 t. = 74·5%
the zinc output	646,000 t.	441,000 t. = 68·3%
Total aggregate amount of potash, contained in the mines (as estimated):		
(*a*) crude salt	21,500 mill. t.	1,500 mill. t. = 7%
(*b*) clean potash	2,300 mill. t.	300 mill. t. = 13%

Besides Germany lost her colonies.

[1] Figures taken from Dr. Paul Blankenburg und Max Dreyer, *Nationalsozialistischer Wirtschaftsaufbau und seine Grundlagen.*

APPENDIX 19

Development of German Foreign Indebtedness since December 1930

Amounts in thousands of millions of RM.
(calculated at the quotations of the basic dates)

Amount at the end of	*Short-term credits*	*Long-term credits*	*Total*	*Other foreign capital investments in Germany*	*Total of columns 3 and 4*
	1	*2*	*3*	*4*	*5*
December 1930 .	14·5–15·00	10·8	25·3–25·8	6·8	32·1–32·6
July 1931 . .	13·1	10·7	23·8	5·9	29·7
November 1931 .	10·6	10·7	21·3	5·3	26·6
February 1932 .	10·1	10·5	20·6	5·3	25·9
September 1932 .	9·3	10·2	19·5	4·3–5·3	23·8–24·8
February 1933 .	8·7	10·3	19·0	about 4·2	about 23·2
September 1933 .	7·4	7·4	14·8	,, 4·2	,, 19·0
February 1934 .	6·7	7·2	13·9	,, 4·2	,, 18·1

APPENDIX 20

Decrease of Gold and Exchange Reserve of the Reichsbank

(Gold and foreign exchanges eligible for cover)

Date	*Holdings*	*After deduction of*[1]
	in millions RM.	
1930: 30 June . . .	3,078	..
31 December . .	2,685	..
1931: 30 June . . .	1,721	..
31 December . .	524	632
1932: 30 June . . .	393	569
31 December . .	367	553
1933: 30 June . . .	273	..
31 December . .	396	..
1934: 30 June . . .	77	..

[1] Amount of the rediscount credits of the Reichsbank and the Deutsche Golddiskontbank.

APPENDIX 21

German Foreign Trade 1929 to June 30, 1934

(Total of goods trade without gold and silver)

Period	*Imports*	*Exports*	*Balance* +*favourable*	*Balance* −*adverse*	*Imports*	*Exports*
	Values in millions of RM.				*Quantities in 1,000 t.*	
1929	13,447	12,663		−784	66,777	69,378
1930	10,393	11,328	+ 935		56,952	63,581
1931	6,727	9,206	+2,479		40,780	57,296
1932	4,667	5,677	+1,010		33,148	42,915
1933	4,204	4,871	+ 667		35,391	41,832
First 6 months of 1934	2,303	2,086		−217	20,691	21,517

APPENDIX 22

EXTRACT FROM:

I. *Report of the committee of August 18, 1931, appointed on the recommendation of the London Conference of 1931 (Wiggin, Layton)*

Pages 1–2. On the other hand, Germany plays so important a role in the economic life of the world and of Europe in particular that until the situation in Germany improves there can be no general recovery from the existing state of depression.

The payments made to foreigners in these years (1924–30) have not therefore been effectively made out of Germany's own resources and will not be so made until such time as a corresponding part of these commercial debts are repaid by the export of gold, goods, or services.

Page 7. To export nearly twice as much as Germany imports would—even if it were practicable—involve a serious dislocation of her economic life. To maintain exports (part at all events of which could at once be made from existing stocks) in the highly competitive conditions obtaining at the present time involves the sale of goods at very low prices, while the reduction of imports on the scale proposed involves a low level of consumption in Germany. It is therefore a policy of continued impoverishment and high unemployment brought about by restricted credit. Clearly also it will accentuate the world depression by reducing the sales of other countries to Germany and by creating intense competition from her exports in other markets. If, as is to be feared, this results in the taking by other countries of counter measures to protect their markets the level of trade will be still further depressed. We consider it highly undesirable in the general interest that Germany should be compelled to adopt so drastic a solution.

Page 10. We would point out that the case of Germany provides the most forcible illustration of the fact that in recent years the world has been endeavouring to pursue two contradictory policies, in permitting the development of an international financial system which involves the annual payment of large sums by debtor to creditor countries, while at the same time putting obstacles in the way of the free movement of goods. So long as these obstacles remain, such movements of capital must necessarily throw the world's financial balance out of equilibrium.

II. *Report of the special Advisory Committee of December 23, 1931 (Beneduce, Layton)*

Page 5. Every country has been shaken by that crisis, but its effects in Germany, as well as in some other countries of Central and Eastern Europe, were devastating. . . .

The pressure upon the whole structure of Germany culminated in the Emergency Decree of December 8, 1931, which includes measures without parallel in modern legislation.

Page 10. Ever since the inflation period the demand for capital in Germany in relation to the supply from domestic sources has kept interest rates above those prevailing in other countries. During 1930, advances to manufacturers of first-class standing seldom cost less than 8 per cent.; in recent months the cost has been about 50 per cent. higher, i.e. the rates have risen to about 12 per cent. This burden naturally imposes a heavy strain on German industry, and is one of the causes of the present decline in industrial activity.

Page 12. In view of the measures taken in the four Decrees, relating to taxation and expenditure, issued in the last two years, and in particular in that of December 8, 1931, the Committee is of opinion that the burden of taxation has become so high that there is no margin for a further increase.

Page 19. The Young Plan, with its rising series of annuities, contemplated a steady expansion in world trade, not merely in volume but in value, in which the annuities payable by Germany would become a factor of diminishing importance. In fact the opposite has been the case.

APPENDIX 23

Development of Unemployment in Germany since 1930

(Total number of unemployed at the end of each month, without the so-called invisible unemployment)

In thousands

Months	*1930*	*1931*	*1932*	*1933*	*1934*
January	3,218	4,887	6,042	6,014	3,773
February	3,366	4,972	6,128[1]	6,001	3,373
March	3,041	4,744	6,034	5,599	2,798
April	2,787	4,358	5,739	5,331	2,609
May	2,635	4,053	5,583	5,039	2,529
June	2,641	3,954	5,476	4,857	2,481
July	2,765	3,990	5,392	4,464	2,426
August	2,883	4,215	5,224	4,124	
September	3,004	4,355	5,103	3,849	
October	3,252	4,624	5,109	3,745	
November	3,699	5,060	5,355	3,715	
December	4,384	5,668	5,773	4,059	

[1] Maximum.

APPENDIX 24

Measures restricting Importation in the Principal Creditor Countries since Autumn 1931 (examples)

Preliminary remarks:

The measures specified are chiefly measures specifically directed against Germany or measures calculated materially to obstruct exportation from Germany.

GREAT BRITAIN

September 1931. Departure from the gold standard.

December 1931. Duty of 50 per cent. *ad valorem* on numerous finished goods.

March 1932. Duty of 10 per cent. *ad valorem* on almost all imported goods. The 50 per cent. *ad valorem* duty on finished goods withdrawn and additional duties of 10–23½ per cent. substituted as from April 26, 1932.

May 1932. Raising of the duty on yarns and fabrics of silk and rayon.

November 1932. As a result of the Ottawa Agreements imposition of new and raising of existing duties on commodities not originating within the Empire.

February 1933. Raising of the duty on iron and steel wire.

May 1933. Raising of the duty on fabric gloves, basket or wicker work, earthenware goods.

April 1934. Raising of the duty on electric arc-light carbons.

May 1934. Raising of duty on glassware.

France

Autumn 1931. Import quotas for the principal agricultural products. Beginning of a general quota policy leading gradually to a complete undermining of the Franco-German Commercial Treaty of 1927. Discriminatory additional duty on German malt.

Winter 1931–2 and spring 1932. The import quota system extended to the principal industrial goods and German imports at the same time considerably reduced. These measures only partly mitigated by Franco-German industrial agreements.

April 1932. Raising of the turnover tax on imports to 4 per cent. for half-finished goods and to 6 per cent. for finished goods (cancelled again only as from August 1, 1934, and after Germany had been discriminated against for some time in comparison with important competitor countries).

Import prohibition for German potatoes and horticultural products (retaliatory measure against the German decree to check the immigration of the colorado beetle from France).

Authority granted to make certificates of origin compulsory for imported goods.

1933. Extension of the quota system to an increasing number of commodity groups.

Imposition of so-called quota duties on numerous goods falling under the quota system (as for instance on coal).

Tariff engagements cancelled in many cases and duties on various goods raised the exportation of which was greatly in Germany's interest.

Certificate of origin made obligatory for a large number of finished goods.

Autumn 1933. A system of reciprocity adopted with regard to import quotas (the existing quotas continued without equivalent only up to 25 per cent. The remaining 75 per cent. only against equivalent export quotas granted to France).

January 1934. The Franco-German negotiations having been broken off, the German export surplus was reduced by 300 million francs by severe reduction of the import quotas granted to Germany, whereas practically all other countries retained their existing quotas to their full extent (100 per cent.).

After comparatively mild retaliatory measures by Germany (in the relation of 2 : 1) the German French Commercial Treaty of 1929, including its additional agreements, was denounced by the French Government.

Spring 1934. More tariff engagements were cancelled and duties raised on goods exported especially by Germany.

Netherlands

January 1932. The tariff is raised by about 20–5 per cent.

1932. Numerous import quotas are established (for instance, for shoes, fabrics, china and earthenware, electric glow lamps).

1933. Further import quotas (for instance for underclothing, sheet zinc, wire and wire-tacks, leather, vacuum cleaners, furniture, household glassware, oil-cake), reduction of quotas (for instance table linen, cotton fabric), duties raised for numerous articles (for instance for microscopes, field-glasses, typewriters and calculating machines, cameras and accessories, thermometers, watches).

1934. Introduction of a turnover tax of 4 and 10 per cent. resp. *ad valorem* which is also collected on importation and of an additional duty of 1 and 2 per cent. resp. *ad valorem*; considerable restriction of almost all quotas, introduction of numerous new quotas (for instance, for rayon and linen fabrics, nitrogeneous fertilizers, cement, various chemicals, iron stoves and baths, thread, coal, locks).

Introduction of a new tariff on July 1, 1934, with increased rates in many cases and a considerable increase of the number of dutiable goods. The compulsory clearing with Germany introduced on August 15, 1934, does not directly hamper German exports but delays payments as numerous complaints testify.

Switzerland

1931. Numerous duties raised (for instance, for rubber and gutta-percha fabrics, shoes, &c.).

February 1932. Import quotas directed specifically against Germany, such as for artificial manures, pine wood, furniture, cotton covers and ribbons, silk fabrics, worsted goods, motor-cycles, lead-pencils.

May 1932. Import permits made obligatory for coal, sugar, cereals (so-called compensation goods); quotas for fruit, vegetables, &c.

June 1932. Quotas for worsted fabrics, wicker furniture, wickerwork goods, &c.

July 1932. Quotas for timber, turnery ware, corsets, &c.

Oct.–Dec. 1932. Quotas for rayon.

Duty on potatoes raised; the so-called surplus duty raised (on goods imported without import permit in addition to the quota) for worsted and knitted goods.

1933–4. Further extension of the quota system (radio apparatus, wool and cotton fabrics, motor-cars, bicycles, woollen yarn, &c.) and of the raising of duties (radio apparatus, bicycle parts, carbide, &c.). To-day of 1,200 Swiss tariffed articles already about 400 are subject to the compulsory import permit system. Adjustment of the commercial relations between Germany and Switzerland by short-term and provisional arrangements only (at the end of July 1934 a German–Swiss Clearing Agreement was at last concluded).

U.S.A.

Very high protective tariffs from the outset. In 1930 tariff law imposing plainly prohibitive duties on many commodities (tariff raised on an average from 33·22 to 40 per cent.).

September 1932. Compensation duties on commodities for which the manufacturing countries have increased their own duties.

April 1933. Departure from the gold standard.

1933. Further increase of duties on some commodities that are imported almost exclusively from Germany by up to 50 per cent.

General measures obstructing importation

1. Goods are frequently passed free of duty with a proviso that an additional dumping duty may be collected later on. Thus the importer does not know from which primary cost he is to start in calculating the selling price of the goods and in consequence of this uncertainty refrains from giving further orders. The investigations made by the American authorities in order to establish the existence of conditions warranting anti-dumping measures are in themselves a great obstruction to commerce.

2. The narrow-minded application by the authorities of the American marking regulations frequently involves an increase in the cost of production and therefore hampers importation. At the same time the regulations operate so as to facilitate boycotting movements.

APPENDIX 25

Increase of Germany's Foreign Debts Burden caused by the International Collapse of Prices

The burden of the German foreign indebtedness has been relieved on paper by 20 to 25 per cent. in consequence of the depreciation of foreign currencies. This relief is being essentially over-compensated by the international sudden fall of prices. The table below shows, by means of some clear examples of German exports, the after-effects on exports of this collapse of prices.

In order to raise one million RM. for payments abroad, Germany had to export:

Class of goods	*1928* (t.)	*1933* (t.)	*Thus more 1933:* %
Leather and furs[1]	35	73	109
Chemical raw material[2]	5,131	10,134	97
Coal and coke	47,093	83,703	78
Copperware	336	595	77
Textiles[3]	86	148	73
Paper and paper articles	1,401	2,133	52
Textiles (finished articles)[4]	82	115	40

1 Leather and leatherware, including boots and shoes, furs and furriery.

2 Sulphate of ammonia and other chemical raw material and half-finished products.

3 Made from silk, rayon, wool, cotton, flax, hemp, and jute.

4 Clothing, linen, and other textile goods.

APPENDIX 26

The 15 largest Trading Nations and their Export-percentage to Germany as compared with their Exports total of 1928[1]

Country	Percentage of world Exports	Total of exports In mill. RM.	Exports to Germany In mill. RM.	Exports to Germany Percentage of exports total
U.S.A.	15·61	21,081	1,928	9·1
Great Britain	10·93	14,755	835	5·7
France	6·34	8,562	924	10·8
Canada	4·16	5,613	191	3·4
British India	3·75	5,067	494	9·8
Japan, proper	3·37	3,839	24	0·6
Argentina	3·16	4,264	586	13·7
Belgium-Luxemburg	2·67	3,607	493	13·7
Netherlands	2·48	3,348	788	23·5
Italy	2·45	3,305	409	12·4
China	2·19	2,954	68	2·3
Australia	2·01	2,849[2]	246	8·6
Dutch Indies	1·97	2,658	80	3·0
Czechoslovakia	1·95	2,630	579	22·0
Brazil	1·48	1,994	223	11·2
Total	64·52			

[1] According to *Stat. Jahrbuch f. d. Dt. Reich.*
[2] Year ending June 30.

APPENDIX 27

Wholesale Prices: Fluctuations of the Indexes from 1900 to 1913[1]

Year	Germany 1913 = 100	Great Britain 1910–14 = 100	U.S.A. 1910–14 = 100
1900	87·3	91	82
1901	81·8	85	81
1902	81·0	84	86
1903	80·3	84	87
1904	83·1	85	87
1905	86·1	87	88
1906	87·7	93	90
1907	98·3	97	95
1908	93·1	88	92
1909	93·2	90	99
1910	90·5	94	103
1911	97·2	97	95
1912	108·0	103	101
1913	100·0	103	102

[1] Germany according to *Stat. Jahrbuch*; Great Britain and U.S.A. to Warren-Pearson *Prices.*

APPENDIX 28

Pre-War Net Balances of Trade

(In four-yearly averages)

In 1,000 millions of marks	*Germany*	*Great Britain*
1890–3	−0·9	−2·4
1894–7	−0·9	−2·9
1898–1901	−1·2	−3·4
1902–5	−1·1	−3·6
1906–9	−1·7	−2·9
1910–13	−1·4	−2·8

In order to meet the German foreign indebtedness in its present state a favourable trade balance of +1·0 would be required.

The consequences of this for the world trade would be the following: the German adverse balance for 1924–33 amounted in the yearly average to 500 millions of reichsmarks. We may take this figure as starting-point, although it is too favourable considering the violent forcing of exports in the initial stage of the world crisis. If Germany could export raw material, the world would have to receive commodities for 1,500 millions of reichsmarks more from Germany than hitherto. As, however, Germany has no appreciable sources of raw material but has to export finished commodities, the production of which necessitates importation of foreign raw material and half-finished goods to a considerable extent, the amount for which foreign countries would have to receive surplus commodities from Germany would increase theoretically to about 3,000 millions of reichsmarks. This amount which is equal to 55 per cent. of the exports of the United States in 1933, would alone be sufficient to dislocate the world's markets. In practice the proportion is even more unfavourable in view of the complicated structure of the world's commercial system.

APPENDIX 29

German Imports 1924–9 and the Share of the U.S.A. therein[1]

(In millions of RM.)

Year	*German import*	*Of which from U.S.A.*
1924	9,083	1,708
1925	12,362	2,196
1926	10,001	1,602
1927	14,228	2,073
1928	14,051	2,026
1929	13,447	1,790

[1] According to *Stat. Jahrbuch f. d. Dt. Reich.*

APPENDIX 30

Imports and Indebtedness of Germany from 1924 to 1929 as per Statements laid before the Experts Conference held at Basle on August 18, 1931

(In billions of RM.)

Year	Capital-Transactions[1] Long term	Capital-Transactions[1] Short term	Sundries	Total	Imports
1924	+1·0	+1·5	+0·4	+2·9	9·7
1925	+1·1	+0·3	+1·7	+3·1	12·0
1926	+1·4	+0·1	−0·9	+0·6	9·9
1927	+1·7	+1·8	+0·4	+3·9	14·1
1928	+1·7	+1·4	+1·2	+4·3	13·9
1929	+0·6	+1·1	+1·0	+2·7	13·6

[1] The total debts estimates of the Layton Report were approximately 6 billions RM. too low, as is seen from the first official inquiry of the German foreign indebtedness of July 28, 1931. It is not possible to distribute this amount exactly on the different years.

APPENDIX 31

Germany as Purchaser on the World Market

(*Wochenber. d. Inst. f. Konj.-Forsch, Nr. 16* of 25. iv. 34

In 1931 totalled:

	Production In metric tons	Imports to Germany In metric tons	Imports to Germany % of production
Raw wool			
World	1,650,000[1]	rd. 220,000[2]	13·3
Raw silk			
World	58,100	3,049	5·2
Cotton			
World	5,969,000	379,809	6·4
Iron ore			
France	38,784,200	1,920,339	5·0
Algeria	898,800	403,358	44·9
Tunis	447,000	118,369	26·5
Sweden	7,070,900	2,802,822	39·6
Spain	3,190,200	803,590	25·2
Copper			
World	1,250,700[1]	192,104	15·4
Lead			
World	1,242,100[1]	64,570	5·2
Tin			
World	152,900[1]	13,513	8·8
Zinc			
World	951,900[1]	118,982	12·5
Tobacco			
World	1,700,000	69,791	4·1
Rubber			
World	810,000	48,010	5·9

[1] World production without Germany.

[2] Washed wool, wool washed on the back and tops calculated in raw wool.

APPENDIX 32

Some Examples of Social Disturbances Abroad in 1933 and 1934[1]

1. Mutiny on a Dutch man-of-war in Dutch-India at the beginning of February 1933 following on a reduction of pay (22 dead, 22 wounded).
2. Strike of railway-men in Bucarest and Klausenburg in the middle of February 1933 (5 dead, 28 severely wounded, numerous slightly wounded).
3. Anarchistic and syndicalistic strike attempts in Madrid, Barcelona, &c., at the beginning of May 1933 (9 dead, numerous wounded).
4. In October 1933 labour troubles in the coal and iron districts of the United States; numerous bloody collisions. At about the same time in the five principal agricultural states of the United States permanent troubles, delivery and tax strikes of the farmers, numerous collisions between farmers and police.
5. Revolt of the Arabian rural population of Palestine at the beginning of November 1933. Political and social causes (21 dead, 92 severely wounded).
6. Anarchistic and syndicalistic labour troubles in Spain at the beginning of December 1933; political and economic causes (about 100 dead, numerous wounded; considerable damage).
7. Labour troubles in France, especially in Paris, at the beginning of February 1934. General strike attempt; chiefly home political causes (29 dead, numerous wounded).
8. Middle of February 1934 Marxist labour revolt in Austria (297 dead, 802 wounded; considerable damage).
9. Strike troubles in Barcelona in the middle of April 1934 (2 dead, 15 wounded).
10. Collision during the strike of the (flour) mill workers in Greece in the middle of May 1934 (4 dead, several wounded).
11. At the beginning of July 1934 communist troubles in Amsterdam. Direct cause: reduction of the unemployment relief (10 dead, 60 severely wounded).
12. Strikes in different large towns of the United States; bloody collisions between the strikers and the militia (several dead).
13. Strike troubles in San Francisco in July 1934 (8 dead, 197 wounded, approximately 150 million dollars damage).

[1] From various sources.

APPENDIX 33

On the Question of a Reduction of Interest for Dollar Bonds

The holder of a 7% Dawes Loan bond of $1,000.00 has received, since issue of that loan, interest 19 × $35.00	= $665·00
If the rate of interest were only 4%, he would have received only 19 × $20.00	= $380.00
The difference of	$285.00
would have yielded—at a rate of 4% and when accrediting the interest every 6 months—in interest and compound interest	$57.60
The bondholder thus having received an excessive amount of . . .	$342.60
	i.e. 34% of the original amount of the bond.

APPENDIX 34

Dollar-Bond Prices in New York

	Dawes Loan	*Young Loan*	*Municipal Loan*	*Industrial Bonds*	*All Securities*	*Interest yield of all securities*
1928	106·5	..	96·0	96·4	96·3	6·77
1930	104·8	80·8	87·4	87·7	89·0	7·24
1931	85·3	59·3	60·8	63·9	66·0	10·81
1932	63·5	42·2	37·4	36·2	42·6	15·56
June 1933	67·2	43·3	37·2	37·9	42·5	14·97
Sept. 1933	61·4	40·9	32·3	38·1	41·0	15·51
Dec. 1933	75·5	52·0	45·3	51·1	53·6	11·85
March 1934	78·3	51·8	49·4	58·4	57·8	11·04
April 1934	69·5	44·0	42·7	51·8	51·3	12·38
May 1934	69·2	44·7	44·5	52·1	51·7	12·27
June 1934	53·2	37·6	39·4	48·4	45·7	13·92

The much greater steadiness of industrial obligations, as compared with public loans, shows that the German re-purchases of dollar bonds exert a powerful influence to keep prices on a rather steady level and thus are in the interest of foreign countries as well.