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Third Greek Stabilization Program............ 1
Philippine Legislation on War-time
Deposits and Debts......................... 4
Economic Developments in Belgium............ 7
Merger of Basler Handelsbank and Swiss
Bank Corporation..........................10

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Third Greek Stabilization Program

J. Herbert Furth

The Greek inflation[1] continued to disrupt the country's economy until the second half of January. Between the end of June 1945 and the middle of January 1946, the note circulation increased from 31 billion to more than 100 billion drachmas, and the "free market" price of the gold sovereign--a reliable index of the general price level since Greek businessmen calculate their prices in gold--rose from 12,500 drachmas to 172,000 drachmas. The anti-inflationary acts of the Government were feeble enough. A law of November 19, 1945, restored the value of bank deposits made before the German occupation (April 27, 1941) and rendered valueless by the currency conversion of November 1944, up to 100,000 drachmas (200 dollars at the official rate of exchange) for each depositor in order to restore confidence in the domestic currency. A law of December 5, 1945, gave the Government the right to control the granting and the use of bank credit, and established an Advisory Committee on credit policy, composed of representatives of the Government, the Bank of Greece, and the Chambers of Commerce and Industry. A law of December 7, 1945, ordered all bankers and businessmen to surrender their holdings of gold and foreign exchange to the Bank of Greece--apparently without the Government making any pretense of enforcing this regulation.

In January, however, the Greek Government succeeded in enlisting the assistance of both the United States and the United Kingdom. On January 13, 1946, the Export-Import Bank of Washington granted Greece a credit of 25 million dollars. On January 24, the United Kingdom granted a stabilization credit of 10 million pounds, waived repayment of the credit of 46 million pounds granted in 1940-41, and undertook to make

1/ Review of Foreign Developments, January 1, 1946, p. 5.

immediately available consumers' goods valued at 0.5 million pounds. The United Kingdom also promised to provide vessels and dredges for the restoration of coastal shipping, materials for the rehabilitation of ports, inland transportation, and industrial plants, and technical assistance in financial, commercial, and industrial matters. In return, the Greek Government pledged the following reforms: stabilization of the drachma at the rate of 20,000 drachmas per pound sterling, giving the drachma a value of 0.02 cent in United States currency or one-tenth of the value fixed in June 1945; establishment at the Bank of England of a special currency stabilization fund composed of the new credit of 10 million pounds and 15 million pounds out of the reserves of the Bank of Greece and representing a coverage of the note circulation of more than 400 per cent at the newly fixed sterling rate; appointment of a Currency Committee, consisting of the Governor of the Bank of Greece, two members of the Government, one British and one American citizen, with full authority over the issue of currency and a veto power for each member against increases in the note circulation; and, finally, a new program for controlling foreign exchange transactions, eliminating the budget deficit, stabilizing wages and prices, distributing UNRRA supplies, and restoring agricultural and industrial production.

Within a few days after the conclusion of the agreement, the gold sovereign dropped to 130,000 drachmas, or about three times the new parity value. Dollars were quoted at a premium of about ten per cent above the new official rate, and sterling was traded at a slight discount. The Government fixed wages at ten times the amount of June 1945. The quotation of the gold sovereign indicates that the price level has been stabilized at about ten times the figure of June 1945, and the new wage level corresponds therefore to the increase in prices. This means that both wages and prices in terms of gold or foreign exchange are about the same as they were during the period immediately following the promulgation of the Varvaressos program.[1]

The credits granted by the United States and the United Kingdom certainly should end the financial troubles of Greece as far as the foreign exchange situation is concerned. In 1946, Greece will receive about 185 million dollars of UNRRA shipments for which payment will not be required, and will earn about 125 million dollars from exports and emigrants' remittances. The Government has announced its intention of using for additional imports that sum and the proceeds of the Export-Import-Bank loan of 25 million dollars as well as the equivalent of about 120 million dollars in sterling balances, freed by the action of the British authorities. The total of about 455 million dollars is almost three and one-half times as much as the average pre-war value of Greek imports. Even considering the rise in world prices and the increased import needs caused by the disruption of domestic production, that sum should be ample for all import requirements. The spending of those sums would leave the Greek monetary authorities, in addition to the currency stabilization fund of 100 million dollars, at least another 150 million dollars in gold and public and private dollar and sterling balances, which would about suffice to cover the entire deficit in the Greek balance of payments expected for 1947.

1/ Review of Foreign Developments, June 11, 1945, p. 5.

The foreign exchange problem, however,--although stressed time and again by the Greek Government--is a minor part of the financial troubles of Greece. Rehabilitation of the Greek economy requires most of all an increase in domestic production and the cessation of the currency expansion. On the first point, the Government promises only to prepare new plans. On the second, the Government submits a more detailed program. This program is eminently sensible, but so were the programs of November 1944 and June 1945. The main innovation is the establishment of the Currency Committee. The foreign members of this Committee will be appointed by the Greek Government and will act merely as private citizens, but will presumably have some unofficial ties with the British and American monetary authorities. In theory, their veto power should prevent any further currency inflation. Actually, it will be impossible for these members to stop the printing press as long as the Greek Government does not have other means to finance its expenditures, since in that case their action would result either in stopping the activities of the Government or--more likely--in some evasion of the provisions of the agreement.

The Government may be able to curtail its expenditures, especially by reducing its swollen bureaucratic apparatus, and to increase its revenues by tax reform, improvement in fiscal procedure, and proper pricing of UNRRA goods the sale of which forms a very important part of its present receipts. It will be impossible, however, to do away with the entire deficit within the near future. This means that the Government can avoid the issue of new fiat money only if it can borrow from the public, i.e., if the public regains confidence in the future of its currency and the efficiency of its fiscal system. The new program may increase that confidence and thus be instrumental in solving the financial problem. Partisan sentiment, however, appears to be so strong in Greece--stimulated perhaps by the impending elections--that the Greek public discusses the program mainly from the political rather than from the economic point of view. The Left contends that the Anglo-Greek agreement means the "foreign enslavement" of Greece, and the Right requests that the program be implemented by a rightest domestic policy. Only the moderates appear to be willing to support the new program without reservations. In the summer of 1945, the Varvaressos program failed because of attacks from both the Left and the Right. If the two extremist wings again unite to discredit the present plan, it is to be feared that it will be no more successful than its predecessors.

Philippine Legislation on War-time Deposits and Debts

Arthur B. Hersey

Final disposition of the problem of validating or invalidating war-time financial transactions in the Philippines was postponed when President Truman disapproved on February 7 a bill passed recently by the Philippine Congress. The President, acting on the advice of High Commissioner McNutt, stated that the bill "would work to the benefit of persons who did business with and under the Japanese to the prejudice of those who were loyal both to the Philippine Commonwealth and to the United States." His approval is required before an act of the Philippine Congress and Executive affecting currency may become law, under the terms of the Tydings-McDuffie Law and the Philippine Constitution.

Commonwealth Act No. 727, as passed by the Congress and approved by President Osmena,[1] represented a drastic revision amounting in some respects to a reversal of intent of the original bill backed by the High Commissioner and his advisers. The treatment of bank deposit liabilities in the Act was similar to that in Philippine Executive Order No. 49 of June 6, 1945, which had been subsequently declared unconstitutional by a lower court in the Islands.

The issues involved in this legislation are not simple. A solution absolutely just to all interests can hardly be found, as the following analysis will suggest. Briefly, the background is as follows.

Between January 1942 and November 1944, the Japanese flooded the Philippine Islands with fiat currency known in at least four languages as mickey mouse money. The existing peso currency was declared legal tender but it went largely into hoarding. As the result of currency inflation and scarcities of goods, the cost of living, expressed in mickey mouse pesos, rose at least one hundred-fold.[2] During this time, the Japanese took over and liquidated assets of foreign banks, and made partial payments to depositors. Most American and Chinese deposits in these and other banks were transferred to Japanese institutions. Many Philippine debtors among the commercial and land-owning classes paid off their pre-war debts to Philippine banks that remained open or to Japanese liquidators of enemy property. The Japanese military currency was declared worthless on November 18, 1944, when a moratorium was imposed on all debts.[3] Philippine currency is now reestablished at its pre-war exchange parity with the United States dollar, but living expenses in December were about six times the pre-war level. The authorities now hope to bring the market price of rice down to four times pre-war which represents the approximate landed cost of rice from North and South America.

1/ Passed on December 20, 1945, and approved on January 18, 1946.

2/ Review of Foreign Developments, August 27, 1945.

3/ Executive Order No. 32 of March 10, 1945, lifted the moratorium with respect to debts incurred "in any area after declaration by Presidential Proclamation that such area has been freed from enemy occupation and control."

Three main issues are involved in the legislation in question: (1) whether bank deposits built up during the occupation should now be validated and if so to what extent; (2) whether war-time payments to holders of pre-war bank deposits should be recognized; and (3) whether payments made on other financial obligations during the war-time inflation should now be validated.

With respect to bank deposits made but also withdrawn during the Japanese occupation, the High Commissioner and the Congress are in agreement that these transactions should not be reopened or revalued. As to balances built up during the occupation, two different policies are proposed. The law as passed invalidated these, leaving bank depositors in the same position as holders of mickey mouse currency. The High Commissioner's bill, however, would have recognized war-time deposits to a limited extent, revaluing them on a sliding scale ranging from 100 per cent for deposits made any time in 1942 to 59 per cent for deposits made in October 1943, 11 per cent in April 1944, and 1-2/3 per cent in November 1944.

The second question at issue relates to pre-war deposits withdrawn during the occupation. The legislature's solution, favored by the Secretary of Finance and the Bank Commissioner, was to validate such withdrawals. The High Commissioner's office proposed to revalue the withdrawals according to the schedule already mentioned. This would mean a partial reinstatement of pre-war deposits withdrawn in 1943 or 1944. For example, pre-war deposits withdrawn in October 1943 would now be reinstated to the extent of 41 centavos on the peso, 41 representing the difference between 100 and 59, the value to which the military peso had fallen according to the schedule. (As already indicated, this favorable treatment would not be accorded to deposits made in 1942 and subsequently withdrawn, even though a deposit made in 1942 represented as much purchasing power as one made before the war.) As between persons who held bank deposits before the war and persons who held Philippine currency, this provision would seem to be equitable, assuming that people who used their hoards of pre-war currency were able to obtain a premium over mickey mouse currency.

As a practical matter, Philippine bankers now argue that the increase in their liabilities from such a partial reinstatement of deposits already withdrawn would exceed the increase in their assets from any similar reinstatement of bank loans (see below). They claim that closed banks would be unable to reopen and that those already opened would close unless the Government made large sums available for bank rehabilitation.1/

Particular interest attaches to one class of deposit "withdrawals." These were the transfers to the Bank of Taiwan and to the puppet Chinese Association in Manila of deposits of "enemy aliens," principally Americans and Chinese, ordered by the Japanese in October 1943. Some banks have voluntarily reinstated the deposits of persons

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1/ A bill passed at about the same time as Act No. 727 appropriated 10,000,000 pesos to aid in the rehabilitation of Philippine banks through the purchase of preferred stock.

who lost control of their funds in this way. A suit brought by an American businessman against the Philippine National Bank to obtain reinstatement has been upheld by a lower court. If this ruling should be reversed, there would be no recourse under present law for such depositors except through reparations claims against Japan. The language of the law that was disapproved by President Truman is not clear on this topic, though it seems to treat these transfers as completed transactions like ordinary deposit withdrawals. The High Commissioner's bill, as indicated above, would result in a 41 per cent reinstatement.

The third issue on which there is strong difference of opinion is whether pre-war debts, other than bank deposits, should be considered to have been liquidated by payments made in depreciated mickey mouse currency. The issue is not entirely clear-cut, since even the present legal tender has less than its pre-war purchasing power. The High Commissioner's bill proposes to reinstate such obligations on the sliding scale. The law passed by Congress validates the war-time payments.1/ Among those strongly in favor of the High Commissioner's reinstatement plan are the American and British banks, which were not open but whose assets were in part liquidated by the Japanese authorities, often prior to their maturities. Insurance companies, which received large amounts of prepayments on premiums, also favor this plan.

A fourth issue, on which the two proposals do not differ greatly, concerns unpaid balances on debts incurred during the Japanese occupation. The act passed by Congress would neither have wiped these out like bank deposit balances nor revalued them according to a fixed schedule, but called for their liquidation "in accordance with the value of the Japanese military note in relation to the Philippine peso obtaining on the date when and at the place where the obligation was incurred," the determination to be made by a court in case of disagreement.2/

It will be seen from this account that the High Commissioner's bill was based on a single principle, consistently applied except in the case of war-time deposits subsequently withdrawn. This principle is that war-time transactions in creation or liquidation of financial liabilities of all kinds should now be revalued in accordance with the depreciation of the Japanese military peso below the Philippine peso. Whether a fixed schedule can measure this depreciation fairly for all places at all times is perhaps doubtful. The act passed by the Commonwealth Congress and disapproved by President Truman applies the revaluation principle only to unpaid balances on war-time debts. Its general principle is to let past transactions stand as valid. It reverses this principle for bank deposit liabilities created during the occupation, but this reversal of principle is consistent with the repudiation of mickey mouse currency after the liberation.

For the time being, a moratorium remains in effect on all obligations incurred before the liberation. Until Executive Order No. 49 is passed on by the Supreme Court, banks will presumably refuse to pay out war-time deposits and will not as a rule reinstate war-time withdrawals.

1/ Executive Order No. 49 did not touch on this subject, and applied only to bank deposits.

2/ This would include, apparently, insurance and annuity contracts written during the occupation.

Economic Developments in Belgium J. Herbert Furth

The National Bank of Belgium, as is revealed in its weekly statement of January 17, 1946, has started to purge its balance sheets of the fictitious items resulting from the currency exchange of October 1944. At that time, the bulk of all outstanding bank notes and deposits was "frozen," and of the frozen sum 40 per cent became "permanently blocked" and the remaining 40 per cent "temporarily unavailable." On the basis of the fiscal reform legislation enacted in the fall of 1945,[1] the Bank has now transferred the "permanently blocked" holdings to a blocked account of the Treasury, which has paid the former owners in bonds of restricted negotiability bearing an interest rate of 3.5 per cent. The "temporarily unavailable" amount, greatly reduced by gradual unfreezing measures, is also scheduled to disappear, partly through further unfreezing and partly through its use for the payment of the newly enacted taxes. As a consequence, all frozen sums will soon be transferred to the Treasury accounts which thus will rise to about 60 billion francs.

The Treasury intends to use the resulting balance to cancel part of its debt to the Bank. At present, this debt is only about 37 billion francs, but the Government no doubt will have to assume responsibility for the bulk of the debt of the German-created "Bank of Issue" which during the period of occupation acted as intermediary between the National Bank and the German clearing system, and which owes to the National Bank about 65 billion francs as the equivalent of the German clearing debt. Thus the Treasury will eventually have a debt toward the National Bank of about 100 billion francs. After cancellation of that part of the debt that will correspond to the Treasury's credit account of about 60 billion, the Government will therefore owe to the National Bank about 40 billion francs. This sum would be slightly more than one-half of the Bank's demand liabilities (notes and non-frozen deposits). The remainder will be covered principally by gold and foreign exchange, which at present total 34.5 billion francs or about 45 per cent of all demand liabilities.

A comparison of the Bank's weekly statements of January 11, 1945, (the first one published after liberation) and January 17, 1946, (see balance sheet on following page) shows that the Bank has weathered the difficulties of the past year without impairing its position. Gold and foreign exchange holdings have increased by a total of 1.8 billion francs and advances to the private sector of the economy by 1.2 billion. The Government debt has increased by 7.5 billion, but virtually the entire increase took place during the first months of the year as the result of financing the costs of the Allied armies on Belgian soil.[2] Other assets decreased by a sum of 1.7 billion so that the balance sheet total increased by only 7.7 billion francs. On the liabilities side, the most important change is the rise in the note circulation from 42.7 billion to 71.9 billion francs, which is offset to a large degree by the decrease in the amount of "blocked" deposits (Treasury and other) from 84.3 billion to 61.9 billion. Thus about 78 per cent of the increase in the amount of outstanding bank notes merely reflected the transfer of blocked accounts back into active circulation.

1/ See Review of Foreign Developments, September 24, 1945, p. 4.
2/ See Review of Foreign Developments, April 30, 1945, p. 4.

Balance Sheet of the National Bank of Belgium

(Millions of francs)

Assets	Jan. 11, 1945	Jan. 17, 1946
Gold	32,094	31,943
Foreign exchange	688	2,543
Advances to Government	29,031	36,560
Advances on public securities	2,310	461
Other advances	661	1,835
Other assets	2,227	1,400
"Bank of Issue"	64,590	64,597
	131,601	139,339
Liabilities		
Note circulation	42,713	71,941
Demand deposits	3,551	4,318
Blocked Treasury account	10,493	35,696
Other blocked accounts	73,842	26,229
Other liabilities	369	501
Capital and reserves	633	653
	131,601	139,339

The drastic curtailment of the note circulation which resulted from the currency conversion in October 1944 did not prove permanent, but this does not mean that the conversion failed in its purpose. The bulk of the currency reflation took place at a time when the productivity of the Belgian economy was rising so that it did not exert strong inflationary pressure upon prices and wages. The danger of such pressure had been greatest during the first months after liberation, and at that time the conversion scheme certainly was an anti-inflationary tool of great efficiency.

The foreign exchange situation of Belgium is very favorable. The gold and foreign exchange holdings of the National Bank alone represent the equivalent of 787 million dollars. In addition, Belgium has private dollar balances of 129 million; the Government has declared that it has no intention of requisitioning these balances, but will see to it that they are used for paying for necessary imports. Moreover, the Belgian Government expects to receive during 1946 repayment of advances to the Allied troops in Belgium amounting to about 65 million dollars for unpaid arrears of 1944-45 and about 45 million dollars for current payments up to the end of 1946. It also expects to receive about 170 million dollars for those goods and services (mainly the use of the Port of Antwerp and of the Belgian transportation system) which up to September 1945 were furnished as "reverse lend-lease" to the United States, the United Kingdom, and Canada. Finally, Belgium has been promised an amount of 90 million dollars in lend-lease and surplus property goods in settlement of its reverse lend-lease claim against the United States. All Government claims in foreign currencies thus reach a total of about 370 million dollars.

Belgium will also have at its disposal the proceeds of credits from the United States of 100 million dollars, from the United Kingdom in the equivalent of 20 million dollars, and from Canada (part of it still to be negotiated) in the equivalent of 71 million dollars. Moreover, various trade and payments agreements concluded by Belgium with Denmark, Finland, France, Italy, Portugal, Spain, Sweden, and Switzerland create the possibility of financing Belgian imports up to an equivalent of 128 million dollars. These actual or potential credits total almost 320 million dollars. Finally, Belgium can expect receipts from its foreign investments and exports; these have been estimated for 1946 at about 50 million dollars from the United States alone. Expected receipts from other countries should not be added indiscriminately to the total since these receipts in many instances will only decrease the sum of imports financed through the above-mentioned credits rather than increase total imports. Even if these receipts are disregarded altogether, the grand total of gold and foreign exchange available to the Belgian economy in 1946 may reach the sum of 1,650 million dollars.

The country's foreign trade continues to show a heavy import surplus, with both imports and exports steadily increasing. In 1945, imports totalled 13.7 billion francs, or 313 million dollars, and exports 4.0 billion francs, or 91 million dollars. However, by the end of the year, the monthly average had reached about 2.6 billion francs (58 million dollars) of imports and 1.0 billion francs (23 million dollars) of exports. Developments in recent months warrant the assumption that in 1946 the monthly average of imports will reach about one and one-half times, and the monthly average of exports about twice the figures of December 1945. Under this assumption, total exports in 1946 would be about 1,050 million dollars and total imports about 550 million dollars. The trade deficit of about 500 million dollars could be covered out of the country's private dollar balances and the Government claims in dollars and sterling, without impairing the reserves of the National Bank and without necessitating the use of credits, except in order to overcome temporary lags or regional disequilibria.

The country's domestic finances still suffer from the effects of the war. Government revenues during the first eleven months of 1945 totalled 18 billion francs; receipts in November were about one and one-half times as large as in January, but still were only about half as large as expenditures. For the calendar year 1946 expenditures have been budgeted at 37.9 billion and revenues at 28.2 billion francs, leaving a current deficit of 9.7 billion to be covered by public borrowing. Revenues from the extraordinary taxes imposed by the fiscal reform legislation of 1945, amounting to 18.3 billion francs, have been excluded from the normal budget since they are overbalanced by an increase in the public debt of 19.8 billion resulting from the conversion of "blocked" balances into special Government bonds. Almost one-third of all Government expenditures is connected with the war and its immediate consequences. The cost of national defense, however, has been cut in half to 4.5 billion francs or less than one-eighth of all expenditures. Service of the public debt requires 6.4 billion francs or more than one-sixth of all expenditures. Pensions and public education are the other largest budget items.

Prices are still substantially higher than would correspond to purchasing-power parity with the dollar and sterling, and are about twice as high in relation to wage rates as in pre-war conditions. However, the Government expects the recent devaluation of the French franc to result in a fall in Belgian prices by cutting Belgian exports to, and increasing Belgian imports from, France. Belgium is still eager to increase its imports rather than to force its exports and the Government has therefore decided against following the devaluation policy of France, and is leaving the dollar and sterling exchange rate of the Belgian franc at its present level.

The confidence of the population in the future of its currency may be indicated by the constant rise in bank deposits. Savings deposits with the Caisse Generale d'Epargne increased between December 1944 and December 1945 from 19.4 billion to 21.2 billion francs. Commercial bank deposits increased between September 1944 and September 1945 from 43.6 billion to 55.6 billion francs, including 30.7 billion in "free" and 24.9 billion in "frozen" accounts. Postal checking balances increased between December 1944 and December 1945 from 10.7 billion to 16.5 billion francs. Capital issues of Belgian corporations during the first nine months of 1945 amounted to 1.8 billion francs, about 40 per cent of which represented the capital of newly formed corporations and the remainder capital increases and bond issues of existing companies. More important than the financial improvements, however, is the progress made in the production of goods and services. By the end of 1945, coal production had reached 80,000 tons per day or about 80 per cent of the pre-war average, as compared to 23,000 tons in February 1945. The production of gas and electricity was substantially higher than before the war. Steel mills were working at 65 per cent and textile mills at 55 per cent of their pre-war capacity. The railroad system, one of the densest in the world, has been completely rehabilitated, and the Port of Antwerp, although not fully repaired, has resumed its role as the most important harbor of the European continent. Unemployment has virtually disappeared. Unless the recent elections cause a complete change in its political and economic orientation, the country appears to have brighter prospects of economic stability than any other Continental European nation.

<u>Merger of Basler Handelsbank and Swiss Bank Corporation</u> Rosa Ernst

On August 1, 1945, the Swiss Banking Corporation granted a moratorium for one year to the Basler Handelsbank (see this <u>Review</u> for September 10, 1945). The Bank then resumed negotiations with the Swiss Bank Corporation with a view to a merger between the two institutions, and on October 30, 1945, the shareholders of the Handelsbank accepted the proposal with 92,463 affirmative and 8,224 negative votes. As soon as the merger was an accomplished fact, the moratorium was lifted. Swiss banking circles expressed hope that this move would clear up the banking situation which had become uneasy as a result of blocked assets in Germany held by several of the commercial banks. There now are five big commercial banks in Switzerland; even before the merger, the Swiss Bank Corporation was the largest of these with a balance sheet total of 1,608 million francs at the end of June 1945. The Corporation is now assuming responsibility for all domestic assets and liabilities of the Handelsbank as of

July 31, 1945. The liabilities, as shown in the balance sheet for that date, are as follows:

Liabilities		Thousands of Swiss francs
Bank deposits - sight		5,843
other		1,037
Deposits - sight		19,743
time		14,769
other		11,103
Cash certificates		32,052
Checks and short-term credits		725
Bills and acceptances		2,636
Other liabilities		1,329
	Total	89,238

In a speech before the general meeting of shareholders, the Vice-Chairman of the Board of Directors of the Handelsbank gave a brief outline of the events leading up to the merger. Since before 1931 the Handelsbank had had heavy blocked commitments in Germany and the complete collapse of that country in the spring of 1945 was bound to have serious repercussions on the Bank. Throughout the war years and until the end of 1944, Germany made regular interest and dividend payments on these blocked accounts. In 1944, the income of the Bank from this source alone was approximately 1.8 million francs. When restrictive measures were introduced by the Federal Government, the Bank no longer received this income despite the fact that the German Reichsbank made remittances to the Swiss National Bank on these interest and dividend accounts until April 1945.

Another speaker at the same meeting emphasized that the agreement with the Swiss Bank Corporation guarantees satisfaction in full of all claims of the Bank's creditors. The blocked foreign assets, however, are to remain the exclusive property of the shareholders of the Handelsbank, the Bank Corporation taking over only the domestic assets and liabilities. However, the Bank Corporation agrees to undertake the administration of these blocked assets in consultation with the board of directors of the Handelsbank, and will receive for this service a commission of 10 per cent on both interest and capital payments arising from these assets. The Bank Corporation is also taking over the majority of the employees of the Handelsbank, and is making available to the latter an amount of 1.15 million francs to take care of salaries and indemnification for employees to be discharged.

According to the balance sheet for December 31, 1944, blocked foreign assets of the Handelsbank amounted to 38.92 million francs, as against 49.55 million at the end of 1939 and 55.0 million at the end of 1937. All of these credits were originally granted before September 30, 1931, with the exception of a small amount of 250,000 francs. Under the standstill agreement of July-October 1931 certain credits were guaranteed by the Deutsche Golddiskontbank. These credits amounted to 7.25 million francs at the end of 1937, but were repaid in full by May 1944. Unfortunately, about 85 per cent of the total credits extended did not enjoy such

guarantee. The table below shows the blocked foreign assets (as of July 31, 1945) not taken over by the Swiss Bank Corporation:

Blocked Foreign Assets of the Basler Handelsbank

(In millions of Swiss francs)

Credits		
Germany: Subject to standstill agreement of 1944	34,958.2	
Other	11.4	
Poland	2,000.0	
Hungary	792.7	
Italy	482.0	
Czechoslovakia	315.3	
France	120.0	
Other	427.1	39,106.7
Investment securities		
Spinning and Weaving Mill, Steinen A.G. (RM 1,576,100) book value	322.4	
Other - (Shares in Belgian, Italian, Polish, and Yugoslav electric holding companies)	88.3	410.8
Blocked assets subject to transfer		39,517.5
Other holdings		
Credit and Industrial Society, Birsfelden (in process of liquidation)	1,487.3	
Montan-Union A.G., Binningen	2,035.2	3,522.5
Total foreign assets		43,040.1

Lend-Lease Pipeline Agreement with Russia - A Correction C.R.H.

In the Review of February 11, an article discussing the lend-lease pipeline agreement with Russia stated that the loan to the Soviet Union was the first in which the United States had provided for conditional postponement of scheduled amortization payments. This statement was in error. Conditional postponement of amortization payments was incorporated in the 3(c) lend-lease agreements signed with France, Belgium, and the Netherlands in February and April of 1945. The phraseology of the pertinent portion of the Russian agreement leaves no doubt that it was based upon the earlier pattern.