

Mr. Thomas

L.5.2
CONFIDENTIAL

RFD. 11

Board of Governors of the Federal Reserve System
Division of Research and Statistics
International Section

REVIEW OF FOREIGN DEVELOPMENTS

May 28, 1945

Will France Adopt Export Subsidies.....1
 Future Policy on Lend-Lease Aid to the
 Soviet Union.....3
 Currency Expansion in the Netherlands.....4
 Scandinavian Exchange Rates.....5
 Recent Financial Developments in Greece.....6
 Foreign Financial Contributions to Germany
 During the War.....8

.....

Will France Adopt Export Subsidies?

H.J.D.

In the article "The French Exchange Rate" published in the last issue of the Review, the opinion was expressed that the present exchange rate of about 50 francs to the dollar would prove far too high when France seeks to resume her export trade and that certain dangers would be involved if France attempted to maintain that rate in the long run. The article concluded with the remark: "the example of Germany after 1931 illustrates what abnormal conditions develop when a country attempts to maintain an overvalued currency."

Since that article was written, France has taken a first important, if indirect, step toward adoption of export subsidies. A Presidential order of April 19, 1945, authorized the Minister of National Economy to impose levies on imports amounting to the difference between French prices and foreign prices in order to assure the sale of imported goods at French market prices. Compensation clearing houses are to be established to handle all operations involving disbursements and receipts. No information has yet been released as to how the collected funds are to be used. In the light of past experience it is reasonable to assume that the proceeds from the levy on imports will be used to subsidize exports.

A similar system was used by Germany, Hungary, and other countries before the war and is being used at present by Turkey and Finland. To illustrate: Turkey is charging an import levy of 48 per cent on all imports against the pound sterling, the dollar, and other foreign exchange freely convertible into these currencies or into gold. From the proceeds of this levy, the Government is paying an export subsidy of 40 per cent on all exports sold for sterling or dollars. The

system has the practical effects of devaluation, inasmuch as it raises the prices of imported goods and lowers those of exported goods. The system obviates an adjustment of the exchange rate and tends to perpetuate itself because the price level is not put under pressure to adapt itself to international conditions. Adoption of a subsidy system in the case of France might be considered unobjectionable if it were to be used only as a temporary device and if a firm determination to adjust the exchange rate at some later date were known to prevail. For France the time for an adjustment of the exchange rate will come when the present relatively high rate has lost its usefulness as a short-term expedient (for curtailment of Allied soldier spending, accumulation of larger dollar and pound sterling balances, etc.).

In general, however, the system of export subsidies is in direct conflict with the trade liberalization program of the United States and with the underlying spirit of the Bretton Woods plans. The question may be raised whether American anti-dumping legislation might not be applied if France should actually begin to subsidize exports. According to the Tariff Act of May 27, 1921, a special dumping duty may be levied on imports "if the purchase price or the exporter's sales price is less than the foreign market value (or, in the absence of such value, than the cost of production)"; the special duty imposed should be levied--in addition to the regular duties imposed by law--in an amount equal to such price or cost difference. The Tariff Act of June 17, 1930, provides that countervailing duties shall be levied whenever a country pays or bestows directly or indirectly a bounty on an article to be exported, the duty to be paid--in addition to the duties otherwise imposed by the Act--at an amount equal to the net amount of such bounty or grant. While under the Tariff Act of 1921 the Secretary of the Treasury was free to exercise discretion as to whether or not an anti-dumping tariff was to be levied and was to be guided by his findings that "an industry in the United States is being or is likely to be injured, or is prevented from being established" by reason of the imports in question, the Tariff Act of 1930 appears to leave much less discretion to the Secretary and does not make application of the duties contingent on an injury afflicted to the economy. If France should subsidize exports, therefore, the possibility of countervailing duties would undoubtedly arise and it would remain to be seen what the Treasury decision would be. Before the war countervailing duties of 25 per cent were levied on imports from Germany in April 1939. In recent years no new countervailing duties appear to have been levied. Turkey extended her exchange premium of 40 per cent to include exports to the United States effective November 15, 1944, but no action has yet been taken by the Treasury.

Future Policy on Lend-Lease Aid to the Soviet Union

C.R.H.

Conflicting interpretations have been placed upon recent official statements regarding future Lend-Lease aid to the Soviet Union. On May 12, Mr. Leo T. Crowley, Foreign Economic Administrator, announced that new Lend-Lease shipments to Europe were being held up pending review of Lend-Lease programs to assure distribution of American resources in such a way as to make the greatest possible contribution to victory in the war against Japan. He stated, however, that exception would be made for shipments to countries at war with Japan or to countries through which redeployment of United States troops would take place. Newspapers promptly headlined the announcement as indicating cessation of Lend-Lease aid to Russia, the most important European recipient not covered by the exceptions. On May 14, however, Acting Secretary of State Grew issued a clarifying statement. He said that, while the changed military situation dictated cessation of the system previously followed in our Lend-Lease dealings with Russia, i.e., the embodiment of annual supply programs in formal protocols, Lend-Lease shipments to the Soviet Union would be continued if they were found to be "justified on the basis of adequate information regarding the essential nature of Soviet military requirements and in the light of competing demands". Mr. Grew added that, on this basis, substantial reductions in current programs for the Soviet Union could be anticipated. In his press conference of May 23, President Truman stated that Lend-Lease shipments to Russia were continuing and would continue to the extent agreed upon under the terms of the fourth protocol. Thereafter, he said, allotments would be made in the light of our commitments and in accordance with foreign contributions to the prosecution of the war and (according to a direct quote from the New York Times) "in the way which is right for the peace of the world".

It may be recalled that the current Lend-Lease protocol with Russia covers the supply program for the year ending June 30, 1945. Although the protocol was not formally signed until April 17 of this year, shipments went forward without interruption and by the end of March totaled 110 per cent of the volume scheduled for the first nine months of the protocol period. If this excess of deliveries has been maintained during the last two months, the supply program contemplated by the fourth protocol may by now have been largely fulfilled so that the policy announced by Mr. Grew may become effective in the near future.

Any attempt to forecast the effect of the new policy on the volume of our Lend-Lease aid to the Soviet Union would be extremely foolhardy. It may be pointed out, however, that the substantial reductions mentioned by Mr. Grew would be consistent with continuation of substantial aid. Published data reveal that total Lend-Lease exports to Russia in the 12 months ending last March were valued at 3,285 million dollars. Total Lend-Lease aid must have been somewhat greater in view of Mr. Crowley's revelation that total aid to the Soviet Union in February and March reached 783 million dollars as against recorded Lend-Lease exports in those two months of 452 million dollars. This relationship between total aid and total exports is not to be considered typical, since it is subject to distortion by variations in the timing of transfers and shipments from month to month. Total Lend-Lease exports to Russia from the date of that nation's entry into the war through March 1945 were valued at 8,410 million dollars.

Currency Expansion in the Netherlands

J.H.F.

Since the beginning of the campaign of liberation, information on the currency situation in the Netherlands has been fragmentary. The latest report available shows a bank note circulation of 5.4 billion guilders as of January 26, 1945. This is an increase of 0.55 billion since the end of October, and of 1.8 billion since the end of January 1944. The monthly rate of expansion, which amounted to about 100 million guilders during the first half year of 1944, has risen to about 185 million, although almost one-fourth of the country had been liberated in the fall of 1944. The sums do not include the amount made available by the Netherlands Government-in-Exile to the Allied Expeditionary Force in the form of Treasury notes. Contrary to the experience in Italy and Belgium, however, expenditures of the Allied armies in the Netherlands have been very small; and these notes will probably constitute an almost negligible part of the total circulation.

Before the fall of 1944, the rise in circulation was due entirely to advances to Germany, which were reflected in the Netherlands Bank's holdings of German Treasury bills and claims against the Reichskreditkassen. Between the end of October 1944 and the end of January 1945, however, these holdings increased by only 0.1 billion guilders, from 4.4 to 4.5 billion. On the other hand, holdings of domestic bills, negligible in the fall of 1944, rose to almost 0.5 billion guilders, thus covering about 90 per cent of the currency expansion. This development presumably reflects an increase in cash holdings of both the public and the banks, which forced the banks to seek rediscount credits. Such hoarding has accompanied the progress of the campaign of liberation in most European countries. In all probability, it has continued during recent months and the total currency issued by the Netherlands Bank has continued to rise at the same if not a more rapid rate. This kind of currency expansion in itself does not increase inflationary pressure, however, since it is balanced by a reduction in bank deposits and therefore does not constitute an increase in the total means of payment in circulation. After the return to normal conditions, the bulk of that currency should again be deposited with the banks. As in most other Western European countries, control of inflation in the Netherlands will depend not so much upon the amount of currency in existence as upon the restoration of equilibrium between the flow of money and the supply of goods.

Meanwhile, the Government of the liberated country has reappointed L.J.A. Trip as president of the Nederlandsche Bank. Mr. Trip held this office from 1931 to 1941, when he resigned under German pressure. He always has been an outstanding champion of currency stabilization and free trade. He has been particularly interested in problems of international and colonial finance, having been president of the Javasche Bank (1924-29) and chairman of the board of the Bank for International Settlements (1935-37). His reappointment may be interpreted as an indication that the Government intends to overcome the effects of the German occupation by thorough but conservative methods, which will avoid both the deflationary effects of early Government measures in liberated Belgium, and the cautious non-interventionism of the present French policy.

(The "liberation rate" of the guilder is about 37-3/4 U.S. cents.)

Scandinavian Exchange Rates

H.J.D.

With the liberation of Denmark and Norway, Danish and Norwegian occupation currency printed in England has been issued by the British forces in those countries. Preceding the liberation, agreements regulating the exchange rate had been reached between the British and United States Governments on the one hand and the Norwegian Government in exile and the Danish Embassy in London on the other.

For Norway a basic exchange rate of 20 kroner per pound sterling has been established by the Norwegian Government, with a corresponding dollar rate of 4.96 kroner per dollar (1 krone = 20.16 cents). The new rate makes the krone equivalent to one shilling. Norway has not, however, become a member of the sterling area, nor has that country yet concluded a monetary agreement with Britain, as Sweden did in early March 1945. The rate of \$1 = 4.96 kroner, which is considered to be a preliminary rate for the liberation and post-liberation periods, may be compared with the average rate of 4.30 kroner (1 krone = 23.23 cents) prevailing in 1939 and with the rate of 4.40 kroner to the dollar maintained during the war for inter-allied accounting purposes. The devaluation of the Norwegian krone since 1939 amounts to about 13 per cent.

For the issue of Danish occupation currency a rate of 24 kroner to the pound sterling has been agreed upon. This rate corresponds to about 5.96 kroner to the dollar (1 krone = 16.81 cents). The new rate may be compared with the average rate of about 4.91 kroner to the dollar (1 krone = 20.35 cents) prevailing in 1939; the devaluation since 1939 accordingly amounts to about 17 per cent. If price developments are taken into consideration, the present rates seem to overvalue both the Danish and the Norwegian krone. On the basis of movements in wholesale price indexes between 1939 and 1944, one would expect the Norwegian krone to be exchanged at a rate of about 6 kroner per dollar (against an actual rate of about 5 kroner) and the Danish krone at a rate of about 7.50 kroner to the dollar (against an actual rate of about 6 kroner).

For Sweden the pre-war rates have been maintained. In Stockholm the dollar has been quoted during practically the whole period of the war at 4.19 Swedish kronor (1 krona = 23.86 cents) and the pound sterling at 16.9 Swedish kronor; the latter rate has recently been incorporated into the British-Swedish clearing agreement of March 9, 1945.

For Finland also pre-war rates have been maintained during the war. In Stockholm the markka was quoted during the whole war period at .0847 Swedish krona, giving a dollar cross-rate via the Swedish krona of 49.47 markka per dollar (1 markka = 2.02 cents). Although the exchange rate has remained constant, Finland's foreign trade with Sweden has been greatly handicapped by the fact that prices have risen in Finland much more than in Sweden. The wholesale price index for Finland stood at 277 at the end of 1944, and for Sweden at 179 (first half of 1939 = 100). To facilitate trade between the two countries, Finnish importers from Sweden have had to pay a 40 per cent levy on certain products while Finnish exporters have received a subsidy on certain exports to Sweden. In March, it was reported that this system was to be extended to cover all trade with Sweden.

The exchange rate of the Iceland krona has remained stable since April 1941 when Iceland and the Faroe Islands joined the sterling area. The present rate is 26.22 kronur to the pound and 6.505 kronur to the dollar (1 krona = 15.37 cents) against an average 1939 rate of 25.34 kronur to the pound and 5.76 kronur to the dollar; depreciation against the dollar since 1939 amounts to about 11 per cent. American forces stationed on the island since July 1941 have used krona currency for all disbursements.

The government of Greenland, after consultation with the Danish authorities, issued in mid-1941 a new "skilling" currency with an official exchange rate of 20 skilling to the dollar (1 skilling = 5 cents) in order to facilitate transactions with the Greenland eskimos. Dollar currency has been used by members of the United States forces only within limited military areas.

The following table summarizes the movements of Scandinavian exchange rates since 1939:

(In cents per unit of foreign currency)

<u>Country</u>	<u>Unit</u>	<u>1939 average</u>	<u>Present rate</u>	<u>Devaluation in per cent</u>
Norway	Krone	23.23	20.16	13.2
Denmark	Krone	20.35	16.81	17.4
Sweden	Krona	23.99	23.86	-
Finland	Markka	1.99	2.02	-
Iceland	Krona	17.36	15.37	11.5
Greenland	Skilling	-	5.00	-

Recent Financial Developments in Greece

J.H.F.

The end of civil war in Greece has retarded the deterioration of the country's financial situation,^{1/} but fiscal and monetary rehabilitation is not yet in sight. During the five months immediately following the "stabilization" of the drachma (November 11, 1944), government expenditures amounted to 13.2 billion drachmas, and revenues to only 2.2 billion; the most recent returns show deficits of 0.8 billion drachmas per week, equal to about two-thirds of total expenditures. The deficit is covered entirely by advances from the Bank of Greece, i.e., by the printing of bank notes. On April 7, 1945, currency in circulation amounted to 15.7 billion drachmas, of which 13.4 billion was in "new" bank notes (issued since November 11, 1944), 1.8 billion in British Military currency (in process of being exchanged for bank notes), and the rest in "old" and subsidiary money. The total circulation is about seven times as high as in November 1944, and almost twice as high as in July 1939.

1/ See Review of Foreign Developments, February 19, 1945, p. 7.

The price and wage situation is even less satisfactory. On April 7, 1945, the index of free market prices stood at 177 per cent of the level of November 11, 1944; this was about 30 points below the peak reached at the end of January 1945, but 14 points above the level of the middle of March, and almost ten times as high as in July 1939. Controlled prices are lower, but rations, except for bread and pulses (beans and peas), are still quite inadequate. Daily wages of factory workers were fixed on February 12, 1945, at levels ranging from 240 drachmas for unskilled workers to 420 drachmas for foremen. These were about four times as high as the minimum wages fixed before the outbreak of war, but in view of the far greater increase in the cost of living, real wages are only about 40 per cent of the pre-war minimum. Salaried employees have fared no better; salaries of government employees range from 8,000 to 18,000 drachmas per month. In 1939, a standard family budget for a middle-class employee was estimated to require 14,341 drachmas (about 115 dollars) per month; purchase of the same items in March 1945 would have required 90,530 drachmas per month (about 600 dollars), or five times as much as top government salaries.

Prices of gold and foreign exchange have reflected the decrease in the domestic purchasing power of the drachma. The gold sovereign was quoted at 7,300 drachmas on April 7, 1945, as compared to 2,400 drachmas on November 11, 1944. The dollar was priced at 295 drachmas, or about 200 per cent of the "stabilization" parity, and the pound sterling at 973 drachmas, or about 165 per cent of parity. The overvaluation of the gold sovereign as against the pound sterling was about twice as great as in most other Near Eastern countries. This discrepancy is due to the traditional preference of the Greek population for the gold sovereign, which is still used as the main "investment" for savings. The Government has tried to protect the foreign exchange value of the drachma by new regulations forbidding unlicensed importation and exportation of gold and compelling the surrender of foreign exchange to the Bank of Greece. Past experience makes the success of these restrictions extremely doubtful. Unofficial reports for more recent dates indicate continuing deterioration of the currency situation which is reflected in further price rises and in black market rates for foreign currencies (see New York Times, May 24).

(The Greek drachma is valued officially at 0.67 U.S. cents.)

Foreign Financial Contributions to Germany During
the War

Paul Hornberg

Foreign financial aid to Germany during the war by occupied, satellite, and neutral countries consisted of straight contributions by foreign governments, of advances from foreign central banks to German credit institutions, and of direct or indirect foreign investments in Reich paper.

1) Straight contributions. The bulk of the straight contributions consisted of occupation costs paid by the governments of all countries occupied during the war. The countries involved were France, Belgium, Holland, Norway, Serbia, and Croatia. Terms of payment were fixed by agreement. In addition to official occupation costs, Holland paid a "voluntary contribution to the war against Bolshevism", which may be regarded as an additional occupation cost. The contributions of the new states which were set up under direct control of the Reich were not called occupation costs but "matricular" or "defense contributions". The new states were the Protectorate of Bohemia and Moravia, the General Government (Poland), the Reichskommissariat Ostland, and the Reichskommissariat Ukraine. Of the satellite countries, Italy alone paid a "war contribution"; this payment began in the fall of 1943. The following table shows the straight contributions of occupied areas during the war.

Table 1. Occupation Costs, Matricular, and Defense Contributions
(Million RM)

Country and type of contribution	1939 and 1940	1941	1942	1943	1944	Jan. to Mar. 1945	Total
Occupation costs-							
France ^{1/}	1,600	5,500	8,500	10,850	7,750	-	34,200
Belgium	368	1,304	1,488	1,576	1,104	-	5,840
Holland	1,062	1,892	2,192	2,192	2,192	548	10,078
Norway ^{2/}	225	225	510	570	1,130	280	2,940
Serbia ^{2/}	-	84	144	144	100	-	472
Greece ^{2/}	-	27	33	20	15	-	95
Total	3,255	9,032	12,867	15,352	12,291	828	53,625
Contributions-							
Protectorate ^{2/}	200	200	380	550	550	140	2,020
General Government ^{2/}	200	350	500	750	375	-	2,175
Ostland ^{2/}	-	-	200	300	200	-	700
Ukraine ^{2/}	-	-	50	350	-	-	400
Italy ^{2/}	-	-	-	2,800	8,400	2,100	13,300
Total	400	550	1,130	4,750	9,525	2,240	18,595
Grand total	3,655	9,582	13,997	20,102	21,816	3,008	72,220

^{1/} Utilized payments.

^{2/} Estimated.

2) Advances to the Reichskreditkassen. Advances of foreign central banks to the Reichskreditkassen differed from straight governmental contributions only in a formal sense. De facto they represented extensions of irredeemable credit by the foreign government to the Third Reich; they were advanced by the foreign central bank on behalf of the foreign government and received by the Reichskreditkassen, which acted as the central bank of the Wehrmacht and of the German occupying authorities. As a rule, occupation costs were paid by the foreign government into the account of the Reichskreditkassen in the foreign central bank. By agreement, the central bank was obliged to grant credits to the Wehrmacht's banking agency if instalments paid into the occupation costs account did not satisfy the requirements of the occupying forces. Officially, all claims against the Reichskreditkassen were guaranteed by a claim of the Reichskreditkassen against the Reich. In fact, however, additional payments by the foreign government offered the only method by which its central bank could be repaid. Denmark represented an exceptional case. It paid no occupation costs but was forced to grant increasing advances to the Reichskreditkassen through the Danmarks Nationalbank. To back the claims of the central bank, the Government opened a blocked account to which were transferred the proceeds from the sale of special debt certificates.

Additional claims against the Reichskreditkassen originated from its issue of special notes (Reichskreditkassenscheine) which were placed in circulation principally in the eastern territories. The bulk of the Reichskreditkassenscheine issued, however, was used for currency transactions within the German Army, and the amount circulating in the civilian sector of the occupied territories probably never exceeded RM 1.4 billion. The following table contains an estimate of all foreign claims against the Reichskreditkassen:

Table 2. Claims Against the Reichskreditkassen
(Million RM.)

Country	End of-					March 1945
	1940	1941	1942	1943	1944	
Belgium	120	288	424	288	320	320
Holland	125	160	160	280	23	55
Denmark	200	415	667	1,227	2,252	2,420
Norway ^{1/}	625	1,700	2,440	3,010	3,010	3,010
Ostland ^{1/}	-	300	700	940	900	900
Ukraine ^{1/}	-	100	400	610	600	600
Croatia	-	25	62	117	185	205
Serbia ^{1/}	-	40	160	160	160	160
Greece ^{1/}	-	43	167	300	400	400
Other occupied territories ^{1/}	50	319	470	768	450	330
Total foreign claims	1,120	3,390	5,650	7,700	8,300	8,400
Internal German claims ^{1/}	2,650	4,380	2,450	1,600	1,400	1,300
Total claims	3,770	7,770	8,100	9,300	9,700	9,700

^{1/} Estimated.

3) Advances to the Deutsche Verrechnungskasse. While no formal claims originated from the straight contributions of foreign governments and while advances to the Reichskreditkassen were, in fact, frozen accounts which could be settled only by subsequent contributions from the creditor country, advances to the Deutsche Verrechnungskasse were recognized as business claims against Germany. The Deutsche Verrechnungskasse was indeed the central clearing institute of Continental Europe during the war. The total clearing debt of the institute, however, did not originate solely from foreign trade transactions and other normal business items of the balance of payments. Large amounts were accumulated in connection with remittances of foreign workers in Germany (RM 2.1 billion by the end of 1943). In addition, the Verrechnungskasse acted as a clearing institution for the Wehrmacht, performing the same type of business in the Axis satellite countries as was carried out by the Reichskreditkassen in occupied territories. Balances acquired by the satellite countries, however, could be used, at least in part, while the occupied countries acquired only frozen claims. The Reich attempted at different times to mobilize some of the clearing "spitzen" due to its allies by repatriation of securities to the creditor countries, by payments in gold, by special agreements offering deliveries after the war, and by other means. The following table shows the German clearing debts by creditor countries:

Table 3. Claims Against the Deutsche Verrechnungskasse
(Million RM)

Country	End of-					
	1940	1941	1942	1943	1944	1945
German occupied countries-						
France	150	750	2,350	5,500	8,000	8,000
Belgium	80	632	1,976	3,904	5,040	5,040
Denmark	193	405	579	1,031	1,448	1,540
Norway ^{1/}	- 50	-100	-150	-250	-350	-350
General Government ^{1/}	-	-	350	700	875	875
Ukraine ^{1/}	-	50	400	790	790	790
Croatia	- 33	12	18	26	34	34
Serbia ^{1/}	- 22	30	130	195	235	235
Greece ^{1/}	-	63	83	100	110	110
Other occupied territories ^{1/}	52	108	264	504	418	396
Total	370	1,950	6,000	12,500	16,600	16,670
German allied countries-						
Slovakia	51	116	185	224	267	278
Hungary	-	183	540	978	1,416	1,416
Bulgaria	125	317	448	631	701	701
Rumania	16	311	406	492	539	539
Finland ^{2/}	- 30	-125	-275	-425	-500	-500
Italy ^{1/}	-	100	500	1,000	1,200	1,200
Other allied countries ^{1/}	68	78	246	400	277	266
Total	230	980	2,050	3,300	3,900	3,900
Neutral countries-						
Sweden	-100	72	58	48	- 30	- 36
Switzerland	29	260	491	491	578	578
Other neutral countries ^{1/}	71	88	251	361	252	238
Total	-	420	800	900	800	780
Grand total	600	3,350	8,850	16,700	21,300	21,350

^{1/} Estimated.

^{2/} In 1943, probably about RM 300 million was converted into a long-term German loan to Finland.

4) Foreign investments in Reich paper. Direct and indirect foreign investments in Reich paper became more and more important as the war progressed. Although the official foreign debt of the German Government, representing pre-war long-term indebtedness, decreased from RM 1.7 billion to RM 1.4 billion during the war, there was no net outflow of foreign capital since at the same time the Konversionskasse für Deutsche Auslandsschulden invested about RM 300 million in Reich paper out of accumulated interest and amortization payments due on foreign debts and repaid by the German debtors into blocked accounts. In addition, large amounts of foreign funds were invested in German Treasury bills after the disappearance of a foreign-exchange border between the Reich and the Protectorate and Holland made it possible for those regions to invest accumulated reichsmark claims in interest-bearing Reich paper. In Holland, only the Nederlandsche Bank invested its reichsmark funds in German Treasury bills. In the Protectorate, however, not only the Bank of Bohemia and Moravia but also other public credit institutions and commercial banks took advantage of the opportunity to earn interest upon their short-term funds. In addition, the Czech central savings bank, the central credit cooperative bank, and others maintained substantial balances with German central institutions, which in turn invested them in Reich paper. The following table shows an estimate of foreign investments in German Treasury bills and reichsmark balances:

Table 4. Reichsmark Investments of Foreign Countries
(Million RM)

Country	End of-						March 1945
	1939	1940	1941	1942	1943	1944	
Protectorate	330	1,030	2,040	3,450	5,940	9,940	12,130
Holland	-	15	1,240	2,310	3,985	6,055	6,585
Russia and Poland	-	-	-	-	-	20	20
Through Konversionskasse ^{1/}	700	700	700	700	800	900	900
Total	1,030	1,745	3,980	6,460	10,725	16,915	19,635

^{1/} At the end of 1938, about RM 600 million was invested in Reich paper by the Konversionskasse.

5) The foreign financial contributions by countries. Of the total foreign financial contributions, 60 per cent represented direct payments by the governments of occupied territories; 7 per cent advances to the Reichskreditkassen; 18 per cent clearing advances, and 15 per cent reichsmark investments. The greater share of the contributions was paid by the occupied countries, especially France, Belgium, Holland, and the Protectorate. These four contributed 72 per cent of the total, while 13 per cent was supplied by other occupied countries, about 12 per cent by Italy, 2 per cent by the other satellites, and about 1 per cent by neutral countries. Detailed data are shown in Table 5.

The last column of Table 5 shows the per capita contribution of each country and indicates the relative per capita importance of each to German war financing. It does not indicate accurately the relative financial burden which each country had to bear. For example, the relatively light payments of the poor eastern countries no doubt represented in some cases a heavier relative burden than the larger contributions secured from the wealthier western and northern nations.

Contributions reported in Table 5 do not include amounts obtained from territories incorporated in the Reich (Austria, Sudetenland, Memelland, Danzig, Polish provinces, Eupen-Malmedy, Luxembourg, Alsace-Lorraine, and the Yugoslavian territory of Northern Slovenia). These incorporated territories contributed relatively more than the occupied countries, but their contributions were obtained through the so-called "silent methods of war financing", which involved conversion of the total savings and bank deposits of the employed population directly or indirectly into Reich paper. The efficiency of this method of obtaining funds for the Reich is demonstrated by the fact that the relatively poor population of the Protectorate--where the banks invested their excess of savings and deposits in Reich bills as did the banks in incorporated areas--paid the highest per capita share of all occupied countries. A rough estimate of the financial contributions of the incorporated territories to the German war effort is indicated by the following comparison. The German domestic share of war expenditures amounted to RM 350 to 380 billion, i.e., RM 3,750 to 4,000 per capita. About 25 per cent of the total population lived in the incorporated territories. As these areas are relatively poor, the inhabitants did not contribute so much as the average of the Reich. On the basis of the increase in savings by areas, which can be estimated from subsidiary data, their participation may be assumed to amount to about 12 to 13 per cent or RM 40 to 50 billion, i.e., about RM 2,000 per head of the population.

Table 5. Foreign Financial Contributions to Germany
Sept. 1939 to Mar. 1945
(Million RM)

Country	Sept. 1939 to Dec. 1940	1941	1942	1943	1944	Jan.- Mar. 1945	Total	Total per capita (RM)
Occupied countries--								
France	1750	6100	10100	14100	10150	-	42200	1074
Belgium	568	2024	2968	3368	2272	-	11200	1366
Holland	1202	3152	3262	3987	4015	1100	16718	1837
Denmark	393	427	426	1012	1442	260	3960	1042
Norway	800	1250	1200	1040	1030	280	5600	1867
Protectorate	1230	1210	1790	3040	4550	2330	14150	1887
General Government	200	350	850	1100	550	-	3050	179
Ostland	-	300	600	540	160	-	1600	200
Ukraine	-	150	700	950	10	-	1810	106
Croatia	- 33	70	43	63	76	20	239	36
Serbia	- 22	176	364	209	140	-	867	108
Greece	-	133	177	170	125	-	605	101
Other	102	325	312	533	-414	-132	726	-
Total	6190	15667	22792	30112	24106	3858	102725	-
Satellite countries--								
Slovakia	51	65	69	39	43	11	278	107
Hungary	-	183	357	438	438	-	1416	96
Bulgaria	125	192	131	183	70	-	701	82
Rumania	16	295	95	86	47	-	539	32
Finland	- 30	- 95	-150	-150	- 75	-	-500	-129
Italy	-	100	400	3300	8600	2100	14500	-
Other	68	10	168	154	123	- 11	266	-
Total	230	750	1070	4050	9000	2100	17200	-
Neutral countries--								
Sweden	-100	172	- 14	- 10	- 78	- 6	- 36	- 6
Switzerland	29	231	231	-	87	-	578	135
Other	- 29	17	163	110	-109	-14	138	-
Total	-100	420	380	100	-100	-20	680	-
Grand total	6320	16837	24242	34262	33006	5938	120605	-