

Geneva, September 29th, 1932.

LEAGUE OF NATIONS

FINANCIAL COMMITTEE

REPORT TO THE COUNCIL ON
AUSTRIA

The Financial Committee has the honour to submit to the Council the following report on Austria, with the economic and financial conditions of which it has dealt during its forty-seventh session:

1. The Financial Committee had the opportunity of discussing the present position of Austria with Dr. Weidenhoffer, Federal Minister of Finance, and his assistants, with Dr. Kienböck, President, and Dr. Brauneis, General Manager, of the National Bank, as well as with the Committee's representative, M. Rost van Tonningen, and the Adviser to the National Bank, M. Frère.

2. In their March report, the Financial Committee explained that the Austrian Government contemplated further steps, both economies and increased taxation, to maintain the budget equilibrium for the year 1932. The Committee are glad to note that these measures have now been carried out and that a recent survey of the revenue and expenditure position gives reason to anticipate that the year will end with equilibrium in the State budget proper, apart from Railways, and that a substantial portion of the deficit of the Railways will be covered. It should, in fact, be possible to avoid a further increase in the internal debt.

Budget estimates for 1933 are now in course of preparation and the Committee has been informed by the Finance Minister that in no circumstances will a budget, including the Railways, be presented to Parliament which fails to show a real equilibrium.

The Committee wish to draw attention to the substantial progress which has thus been made in the matter of budget equilibrium in contrast to the position presented to the Committee in September 1931, when it was feared that the deficit for 1931 would be over 270 million schillings for the State alone, in addition to a deficit of 76 million on the Railways.

3. Further economies will be necessary in order to maintain this improved position in 1933, more particularly in connection with the Railways. As will be seen from M. Rost van Tonningen's last report (document C.569.M.278.1932.II.A), a further fall in traffic receipts has resulted in a continued deficit on this undertaking (the burden of which falls on the Austrian Treasury), and calls for a policy of vigorous economies on the part of the Railway Administration to the exclusion of projects which, in normal circumstances, might be held to be reasonable. New capital expenditure, which must obviously be reduced for the time being to the absolute minimum, should be subjected to special expert examination, but it is further necessary to put into execution a programme of working economies. The Railway Administration have under consideration proposals to this end, and their early adoption is rightly considered by the Austrian Government as a matter of urgency.

4. In other respects, the position in Austria remains difficult. No progress has been made in restoring the foreign debt payments of Austria. Measures of default continue to the detriment of Austrian credit and financial standing. Since June, the National Bank has extended the suspension of foreign exchange transfers for foreign debt payments, public and private, and, at present, no remittances are being made in respect of foreign debt, including the Austrian Guaranteed Loan of 1923 issued under the auspices of the League of Nations. The Austrian Government published a *communiqué* on August 25th, repeating its intention expressed in the Austrian Protocol of 1932 to fulfil punctually its foreign obligations (see Appendix to this report).

The Financial Committee welcome the terms of this *communiqué*, and can only add their conviction that, in the interest of Austria, every effort should be made to resume transfer at the earliest possible moment.

5. The Committee wish to bring to the special attention of the Council the vital importance of securing at a very early date the international assistance to Austria contemplated at Lausanne. The point has been reached at which the improvement achieved in Austria must be consolidated and extended, and the danger of delay is obvious. The Committee therefore trust that the Council will take all the action in their power to expedite the realisation of the measures contemplated and they suggest that the Council should urge upon all the Guarantor Powers of the previous loan the importance of sharing in this international co-operation.

6. While certain arrangements have been made with regard to the debt of the Creditanstalt to the National Bank, no final settlement has yet been reached with the foreign creditors. The Financial Committee understand that negotiations are still proceeding and that the Austrian Government considers the early conclusion of these discussions to be, in the interest of Austria, from every point of view a matter of urgency. The Financial Committee fully concur in this view.

7. The Austrian National Bank has steadily pursued a conservative credit policy. The weekly statements of the Austrian National Bank show the following figures:

	1931 December	End of March	1932 June	August
	(schillings 000,000's omitted)			
Gold	190	179	149	149
Foreign exchange	128	60	43	40
Total	318	239	192	189
Portfolio	908	867	881	872
Note circulation	1,183	1,009	962	915

The note circulation has thus continued to decrease without interruption. The gold and foreign exchange reserves continued to diminish also until the end of June.

The Bank has endeavoured to terminate the official clearing agreements based on the Gold parity. The operation of these agreements has tended to accumulate at the National Bank to the account of foreign central banks steadily increasing schilling assets which could not be transferred, due to the inadequacy of Austrian exports to the countries in question. The clearing agreements with Italy and Switzerland are already in process of liquidation. The National Bank has also become more and more liberal in authorising the use in Austria of blocked schilling assets.

On the other hand, it has developed through the *Giro- und Kassenverein*, which is subject to its approval, a system of private clearings by which the supply and demand for foreign exchange arising from commercial operations are offset.

In the present condition of Austria and provided that the budget equilibrium is maintained, the Financial Committee gives its support to that system. It feels that the Austrian example deserves a careful examination, due regard, however, being paid to the divergences that may exist in the situation of different countries, where foreign exchange control is at present in force.

8. The Financial Committee have drawn the attention of Dr. Weidenhoffer to the points of banking legislation referred to in Article 7 of the September 1931 declaration of the Austrian Chancellor before the Financial Committee.

Appendix.

COMMUNIQUÉ OF THE AUSTRIAN GOVERNMENT DATED AUGUST 25TH, 1932.

[Official German text.]

I.

Die parlamentarische Genehmigung des Lausanner Protokolles in Österreich erfüllt die erste Voraussetzung für sein Inkrafttreten. Die erforderlichen Genehmigungen im Ausland können erst im Herbst erwartet werden, bis die Parlamente in den betreffenden Staaten wieder versammelt sein werden. Die österreichische Regierung wird nichts verabsäumen, um auch dort auf eine möglichst beschleunigte Behandlung hinzuwirken.

Es war, da die Österreichische Nationalbank sich bereits gegen Ende Juni angesichts der Abnahme ihrer valutarischen Bestände genötigt sah, mit der Zuteilung von Devisen für den Dienst der Auslandsschulden innezuhalten, trotz der in Aussicht genommenen Kredithilfe unvermeidlich, eine Periode einzuschalten, in der kein Transfer für den Schuldendienst stattfindet. Inzwischen sind die Beträge für den Schuldendienst bekanntlich in Schillingen in den Auslandsschuldenfonds einzuzahlen. Besonders schmerzlich war es, dass die Unterbrechung der Zahlung an das Ausland

auch vor dem Dienst für die Völkerbundanleihe v. J. 1923 nicht haltmachen konnte, die seinerzeit die erste Voraussetzung für die finanzielle Wiederaufrichtung Österreichs und die Stabilisierung seiner Währung war und mit dem ersten Pfandrecht an den bedeutendsten Staatseinnahmen ausgestattet und mit der Garantie einer Reihe von europäischen Staaten versehen worden war und aus allen diesen Gründen einen besonderen Rang unter den öffentlichen Anleihen einnimmt.

Die Erkenntnis der besonderen Bedeutung der Völkerbundanleihe führt die Österreichische Regierung und die Österreichische Nationalbank zu dem Entschluss, alles zu unternehmen, um vor allem den Transfer für den Schuldendienst dieser Anleihe sobald als möglich wieder aufzunehmen, und die Periode der Unterbrechung so sehr abzukürzen, als es irgendwie angeht. Es ist darum notwendig die engste Fühlung mit den Treuhändern dieser Anleihe aufrecht zu erhalten und mit ihnen ehestens die einschlägigen Verhandlungen zu beginnen.

Österreich hat im Lausanner Protokoll seinen Willen kundgetan, alle seine auswärtigen Verpflichtungen pünktlich zu erfüllen. Auf dieses Ziel wird die Politik der Regierung und der Nationalbank gerichtet sein. Die frei verfügbaren valutarischen Bestände der Bank werden aus dem Erlös der Anleihe eine erhebliche Stärkung erfahren. Durch Verhandlungen wird zu sichern sein, dass die Abtragung der während der Devisensperre auflaufenden Rückstände mit der Verfolgung des Zieles der Anleihe in Einklang gebracht werde. Eine folgerichtige Währungspolitik wird gleichfalls der Nationalbank neue Kraft zuführen. Auf vermehrte Reserven gestützt, wird sie den an sie herantretenden Anforderungen mehr und mehr gewachsen sein.

Österreich wird die grössten Anstrengungen machen, seinen Kredit, eine der Voraussetzungen für die Hebung seiner Wirtschaft, wiederherzustellen und seinen Teil zur Wiederbelebung des internationalen Verkehrs beizutragen.

II.

[*Translation.*]

The first condition for the coming into force of the Lausanne Protocol, its ratification by the Austrian Parliament, has now been fulfilled. The necessary ratifications in other countries cannot be expected before the autumn, when the parliaments of the various States concerned will reassemble. The Austrian Government will neglect nothing to have the matter dealt with as expeditiously as possible.

Towards the end of June, the Austrian National Bank was compelled by the decrease in its holdings of foreign currency to discontinue the allocation of such currencies for the service of foreign debts, and, in spite of the promise of foreign aid, it was found necessary to interpolate a period during which no transfers in respect of debt service would be made. Meanwhile, the amounts due in respect of debt service have of course to be paid in schillings into a foreign debt account. It was particularly regretted that it was impossible to exclude from this interruption of payments abroad the service of the League of Nations Loan of 1923, which at the time of its issue was an essential prerequisite for the financial reconstruction of Austria and for the stabilisation of her currency, and was secured by a first lien on the most important State revenues, and by a guarantee by a number of European States, and for all these reasons enjoys a special position among foreign loans.

Realising the special importance of the League loan, the Austrian Government and the Austrian National Bank are determined to do all in their power to resume before all at the earliest possible moment the transfer of the service of this loan and to reduce the period of interruption to the shortest possible minimum. It is necessary for this reason to remain in the closest contact with the trustees of the loan and to enter as soon as possible into negotiations with them on the subject.

In the Protocol of Lausanne, Austria manifested her determination to meet punctually all her foreign obligations. The policy of the Government and of the National Bank will be directed towards this end. The holdings of foreign currencies at the free disposal of the Bank will be considerably strengthened out of the proceeds of the loan. Negotiations will have to be undertaken to ensure that the payment of the arrears accumulating during the period of interruption of transfers does not conflict with the object of the loan. The National Bank will also gain new strength by following a consistent monetary policy. Supported by augmented reserves, it will more and more be able to meet the calls made upon it.

Austria will make the utmost efforts to re-establish her credit, an essential condition for the improvement of her economic position, and to contribute her share to the revival of international trade.

[Communicated to the Council
and the Members of the League.]

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Geneva, September 29th, 1932.

LEAGUE OF NATIONS

FINANCIAL COMMITTEE

**REPORT TO THE COUNCIL ON THE
LETTER FROM THE TRUSTEES OF THE
AUSTRIAN GOVERNMENT GUARANTEED LOAN OF 1923-1943**

The Committee have considered the letter from the Trustees of the Austrian Government Guaranteed Loan 1923-1943 dated July 1st, 1932, which has been referred to them by the Council (document C.555.1932.II.A).

In this letter, the Trustees draw attention to the fact that the Austrian Government having failed to pay into the special account in the National Bank of Austria controlled by the Trustees the whole of the pledged revenues collected during the month of June, and having failed to provide the monthly sums payable on July 1st in the respective foreign currencies required for the service of the loan, the Trustees are no longer in a position to carry out their normal duties entrusted to them by the Council under the resolutions of December 9th, 1925, and June 9th, 1926. The Trustees further indicate the action which they have taken.

From earlier reports of the Financial Committee, the Council is aware of the serious position which has thus arisen in connection with the League Loan for Austria of 1923 and of the urgency of the steps which have been suggested to alleviate this position. In the meantime, the Committee are satisfied that the Trustees have taken every step which they could properly take to safeguard the interests committed to their charge.

In view of the circumstances, the Trustees have suggested that certain changes should be made in their present functions with a view to limiting them to those originally contemplated in the General Bond of May 31st, 1923. It is to be hoped, however, that the Austrian Government will before long resume the normal procedure for meeting the service of its foreign debt, a resumption which would be materially facilitated by the early realisation of the new scheme of assistance for Austria, and the Committee suggest, therefore, that it might be well to leave this matter in abeyance pending the further development of the financial position of Austria.

Genève, le 29 septembre 1932.

SOCIÉTÉ DES NATIONS

COMITÉ FINANCIER

**RAPPORT AU CONSEIL RELATIF A LA LETTRE DES
COMMISSAIRES FIDUCIAIRES DE L'EMPRUNT GARANTI 1923-1943
DU GOUVERNEMENT AUTRICHIEN.**

Le Comité a examiné la lettre, en date du 1^{er} juillet 1932, des commissaires fiduciaires de l'emprunt garanti 1923-1943 du Gouvernement autrichien, qui lui a été renvoyée par le Conseil (document C.555.1932.II.A).

Dans cette lettre, les commissaires fiduciaires signalent que, comme le Gouvernement autrichien n'a pas versé la totalité des recettes perçues au cours du mois de juin, au titre des revenus gagés, au compte spécial ouvert sur les livres de la Banque Nationale et placé sous le contrôle des commissaires fiduciaires, et n'a pas fait la provision, dans les monnaies étrangères nécessaires pour assurer le service de l'emprunt, de la mensualité échue le 1^{er} juillet, les commissaires fiduciaires ne sont plus en mesure de s'acquitter des fonctions normales que le Conseil leur a confiées, aux termes des résolutions du 9 décembre 1925 et du 9 juin 1926. Les commissaires fiduciaires décrivent ensuite les mesures qu'ils ont prises.

Le Conseil connaît, par les rapports précédents du Comité financier, la gravité de la situation qui s'est ainsi produite à l'égard de l'emprunt émis par l'Autriche en 1923 sous les auspices de la Société des Nations, ainsi que l'urgence des mesures dont l'adoption a été suggérée en vue d'améliorer cette situation. Le Comité a par ailleurs pu constater que les commissaires fiduciaires avaient pris toutes les mesures auxquelles ils pouvaient pratiquement avoir recours pour sauvegarder les intérêts commis à leur charge.

En raison des circonstances, les commissaires fiduciaires ont émis la suggestion que certaines modifications soient apportées à leurs fonctions actuelles, qui devraient être limitées aux attributions prévues primitivement par l'Obligation générale du 31 mai 1923. Il faut toutefois espérer que le Gouvernement autrichien reviendra sous peu à la procédure normalement prévue pour assurer le service de sa dette extérieure, ce qui serait grandement facilité par la réalisation rapide du nouveau plan d'assistance à l'Autriche. En conséquence, il y aurait intérêt, à notre avis, à laisser cette question pendante, en attendant l'évolution ultérieure de la situation financière de l'Autriche.