

REPORT
of the
DEUTSCHE BUNDESBANK
for the Year 1957

In the course of 1957 the Central Banking System comprising the Bank deutscher Länder, the Land Central Banks and the Berlin Central Bank was converted into an institution forming one legal entity, the Deutsche Bundesbank. In accordance with Article 1 of the Law concerning the Deutsche Bundesbank of 26 July 1957 the Land Central Banks and the Berlin Central Bank were merged with the Bank deutscher Länder. The Bank deutscher Länder has become the Deutsche Bundesbank. At the entry into force of the Law the assets of the Land Central Banks and the Berlin Central Bank together with the liabilities were transferred in their entirety to the Bank deutscher Länder. The Deutsche Bundesbank's original capital of DM 290 million is the property of the Federal Government, which from 1 January 1957 is alone entitled to the profit. The Opening Balance Sheet of the Deutsche Bundesbank was drawn up as at 1 January 1957.

For the period from 1 January until the entry into force of the Law, the Report of the Directorate of the Deutsche Bundesbank for 1957 also covers the activities of the Land Central Banks and the Berlin Central Bank.

The Opening Balance Sheet of the Deutsche Bundesbank as at 1 January 1957 and the Bank's Annual Statement for 1957, which have been approved by the Central Bank Council, as well as the Report of the Directorate for 1957, are published herewith.

MEMBERS OF THE BOARD OF DIRECTORS OF THE BANK DEUTSCHER LÄNDER

President of the Board of Directors

Dr. h. c. Karl B e r n a r d

Vice-President of the Board of Directors

Geheimer Finanzrat Dr. Dr. h. c. Wilhelm V o c k e

President of the Board of Managers

The Presidents of the Land Central Banks

MEMBERS OF THE CENTRAL BANK COUNCIL OF THE DEUTSCHE BUNDESBANK

The President of the Deutsche Bundesbank

Karl B l e s s i n g

Chairman

The Vice-President of the Deutsche Bundesbank

Dr. Heinrich T r o e g e r

Deputy Chairman

The further Members of the Directorate of the Deutsche Bundesbank

The Presidents of the Land Central Banks

Between 1 August and 31 December 1957 the duties of

the President of the Deutsche Bundesbank,

in so far as they are determined by Articles 6, 8, 9 and 13 of the Law concerning the Deutsche Bundesbank, were performed by the President of the former Board of Directors of the Bank deutscher Länder, Dr. h. c. Karl B e r n a r d, and in all other respects by the President of the former Board of Managers of the Bank deutscher Länder, Geheimer Finanzrat Dr. Dr. h. c. Wilhelm V o c k e;

those of the Vice-President of the Deutsche Bundesbank

by the Vice-President of the former Board of Managers of the Bank deutscher Länder, Herr Wilhelm K ö n n e k e r

(Article 39 of the Law concerning the Deutsche Bundesbank).

**MEMBERS OF THE DIRECTORATE OF THE DEUTSCHE BUNDESBANK
AND OF THE BOARDS OF MANAGEMENT OF THE LAND CENTRAL BANKS**

Under the transitional regulations of Article 39 of the Law concerning the Deutsche Bundesbank the members of the former Board of Managers of the Bank deutscher Länder (with the exception of the President and the Vice-President) and the members of the Boards of Managers of the former Land Central Banks remain in office as members of the respective organs of the Deutsche Bundesbank until their contracts expire.

Members as of 1 April 1958

of the Directorate of the Deutsche Bundesbank

Karl B l e s s i n g , President of the Deutsche Bundesbank
Dr. Heinrich T r o e g e r , Vice-President of the Deutsche Bundesbank
Dr. Bernhard B e n n i n g
Dr. Otmar E m m i n g e r
Heinrich H a r t l i e b
Wilhelm K ö n n e k e r
Johannes T ü n g e l e r
Dr. Eduard W o l f
Dr. Erich Z a c h a u

of the Boards of Management of the Land Central Banks

in Baden- Württemberg	Dr. Otto P f l e i d e r e r	President
	Dr. Karl F r e d e	Vice-President
Bavaria	Carl W a g e n h ö f e r	President
	Dr. Maximilian B e r n h u b e r	Vice-President
	Karl M ü r d e l	
Berlin	Rudolf G l e i m i u s	President
	Werner G u s t	Vice-President
Bremen	Dr. Hermann T e p e	President
	Dr. Rudolf S c h m i t t	Vice-President
Hamburg	Friedrich Wilhelm v o n S c h e l l i n g	President
	Konrad E r n s t	Vice-President
Hesse	Leopold B r ö k e r	President
	Otto K ä h l e r	Vice-President
Lower Saxony	York H o o s e	President
	Richard K r a u s e	Vice-President
	Hans G ü n t h e r L u t z e *)	
North Rhine- Westphalia	Ernst F e s s l e r	President
	Dr. Heinrich I r m l e r	Vice-President
	Dr. Reinhold B ö t t c h e r Kurt B r a u n e	
Rhineland- Palatinate	Dr. Wilhelm B o d e n	President
	Anton W i l z	Vice-President
	Alphons D i e h l	
Schleswig- Holstein	Otto B u r k h a r d t	President
	Wilhelm S p i l g e r	Vice-President

The changes in the organs of the former Central Banking System and of the Deutsche Bundesbank between 1 January 1957 and 1 April 1958 can be seen from the Report of the Central Bank Council on pages 99 et seq.

*) Delegated from Land Central Bank in Berlin.

REPORT OF THE DEUTSCHE BUNDESBANK FOR THE YEAR 1957

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General Part

I. From the Central Banking System to the Deutsche Bundesbank

Previous History of the Law concerning the Deutsche Bundesbank

The Law concerning the Deutsche Bundesbank (the German Federal Bank), the origin, determining factors and substantial content of which shall now be described, has put the German currency and Central Bank system on to a new legal basis. From the time of its origin the Federal Republic had regarded one of its objects as being to supersede the legislative work of the occupying powers, and to exert its jurisdiction in this matter by legislation of its own. It had been set that task by the Basic Law, which lays down in Article 88 that: "The Federation shall set up a currency and note-issuing bank as Federal Bank".

Preliminary Work during the Life of the First Bundestag

The first Bundestag had already made an attempt to place the legislation about German central banking on a national legal basis. The Bundestag's Money and Credit Committee dealt thoroughly with that subject. Its work was based on two bills introduced into Parliament by the Federal Government in 1952, one for a "Law concerning the Deutsche Bundesbank", the other for a "Law concerning the Land Central Banks". These bills provided for close conformity with the existing Central Banking System, and aimed at preserving the federative structure in full. The Committee also had before it an opposing bill produced by the Free Democratic Party; this aimed at establishing a centrally organised unitary bank on the pattern of the old Reichsbank. On the material provisions of the future Central Bank law the Bundestag Committee did some highly valuable, indeed essential preliminary work; on the other hand it did not succeed in its efforts to solve the problem of organisation. Not only the groups which advocated a purely central solution but also those supporting a course of federative decentralisation invoked the Basic Law. The second group held that only decentralised organisation of the Central Bank, in conformity with the Federal Republic's political structure, was compatible with the spirit of that law, while in the view of the first group the wording of Article 88 of the Basic Law called imperatively for a central solution of the bank-of-issue problem. Since the dividing line between the advocates of the extreme centralist idea and those of the federative and decentralised conception ran athwart the Government, Parliament and parties, and since the time was not yet ripe for a tolerable compromise, it was not found possible to complete the work.

During the time of the second Bundestag the Federal Government therefore found itself obliged to adopt a middle course if it wished to reach its goal at all. On 18 October 1956 it presented to the Bundestag a bill which sought, through a compromise, to combine the two conflicting basic views without abandoning the guiding concept of establishing a unitary Bank on a central basis. The Money and Credit Committee of the Bundestag, known as the Scharnberg Committee, amended the Government's bill in the direction of strengthening the federative elements. The Committee was the less able to avoid a relatively far-reaching compromise in the face of strong counter-pressure from amendments proposed by the Bundesrat, as well as more particularly from the bill introduced by the Bundestag member Höcherl and others, both of which proposals aimed more or less at retention of the existing federative Central Banking System.

Completion by the Second Bundestag

There was less dispute about the material provisions of the Government's bill, especially about the functions of the Central Bank and the means which the latter should be given for performing those functions. It was possible for this part of the Bundesbank Law to repeat in essentials the corresponding provisions of the former legislation; the problems most in dispute had moreover already been satisfactorily solved by the Committee during the life of the first Bundestag. The

bill put forward by the Bundestag's Money and Credit Committee was adopted by the Bundestag on second and third reading as a Law, without debate or amendment, in a plenary session on 26 July 1957; and on 30 July 1957 this Law was promulgated, so that it came into force on 1 August 1957.

Factors bearing on the Solution of the Problem as to Structure in the Bundesbank Law

Political and
Economic Factors

The Federal legislature was not able to construct the Bundesbank according to considerations of mere expediency. It found already in existence a firmly knit, federatively constructed system. The existing Central Banking System was older than the Federation; it had been an essential element in the reconstruction of our state as such. The Länder existed before the Federation; it was only through their integration, subject to continuance of their individuality as states, that the Federation came into existence. When the Central Banking System was created, its own constitution tallied with the political structure.

The legislature could not completely ignore these facts of the existing Central Bank constitution. It is true that the realities of constitutional organisation had by degrees blurred the originally sharp outlines of the federative state structure. The gradual growth of the Federal Republic to fill a place in the world political sphere had inevitably caused foreign policy and national defence to become more important in politics, and had consequently shifted the main political weight more and more to the Federation. In particular however the economy, the reconstruction of which had in the initial stage been rather under the care of the Länder, was not confined within their boundaries in its further development; the entire Federal Republic was increasingly becoming a unitary economic area. Accordingly moreover the large banks with branch systems had broken the fetters imposed on them by the occupying powers' legislation, and had each combined again to form the great supra-regional entities which they had formerly been. As to the new Bundesbank Law the main task for legislators was now to make due allowance for these political and economic trends without basically changing the structure of the bank-of-issue system. The legislature had to feel its way to the narrow boundary zone defined on the one side by the inevitable tendency towards a unitary bank, and on the other side by strong forces directed at maintenance of the existing order.

Central Bank Factors

It would however be a mistake to suppose that the Federal legislators dealt with the problem of organisation in the Bundesbank Law simply from the point of view of meeting the desires of the Länder for maintenance of their then position. No doubt an important factor in the legislature's decision to refrain from completely altering the structure of the existing system was knowledge that the system had worked smoothly for nearly ten years; that it had won for itself a good name at home and abroad; and further that it had succeeded in flexibly adapting itself to the change in political and economic conditions. There was also no mistaking the fact that the peculiar structure of the system contained important elements designed to ensure the Central Bank's independence both from the political authorities in the state and from pressure groups.

It had come to be more and more realised that the former Central Banking System owed the success of its work to the appropriate distribution of responsibility, and to the successful interplay between the responsible elements working in it. At the same time it remained uncertain whether this successful interplay was due more to the system's structure created by the laws, or to the good sense, the awareness of responsibility, and the readiness to cooperate shown by the people engaged in the system's various organs. At least it could be taken as proved that the structure of the Central Banking System had not hindered deployment of the strength of the individuals working in it, nor prevented a uniform and successful Central Bank policy.

Organisation and Organs of the Bundesbank in Comparison with the Central Banking System

The Organs and their Functions in the Central Banking System

In the relation of the organs to each other, in the delimitation of their competence and in the elements of intent-formation, material changes have taken place which, outwardly, are not at once apparent. The former Central Banking System was peculiar and indeed unique in its structure. It was in reality controlled much more uniformly and centrally than it outwardly seemed to be. It is true that from a purely legal point of view the system was built on federative decentralised lines. The Prime Ministers of the Länder appointed the Land Central Bank Presidents; these elected the Presidents of the Bank deutscher Länder's Board of Directors and of its Board of Managers, and together with them formed the System's supreme organ, the Board of Directors of the Bank deutscher Länder. This Board elected the other members of the Board of Managers, which was the organ that had to carry out the Board of Directors' decisions and to manage and administer the Bank deutscher Länder as the central institution within the entire System. The functioning of this system depended on interplay of the forces in a way which the begetters of the former legislation had doubtless not foreseen in that form.

People have talked from time to time about the two-level structure of the Central Banking System, and in doing so have chiefly had in mind its legal form. In reality it became clear, soon after the establishment of the System, that the actual work and operation of central banking in a unitary economic area cannot be performed on different levels, but only in unitary fashion. The Land Central Banks and the Bank deutscher Länder, as legally independent members, were never really independent in the execution of their central banking tasks. None of the individual institutions, whether the Bank deutscher Länder or the Land Central Banks, would have been capable of existing alone. Each of them exercised a partial function only in a unitary organisation designated "Central Banking System", the intent of which was guided by the Board of Directors. All institutions were organically interlocked with and dependent on each other. At the same time the Bank deutscher Länder acted as the central office, business centre of gravity and coordinating agency for the whole System. It conducted the business of all those kinds which could not be regionally divided, such as the note issue, foreign business, open-market operations, settlements within the System as a whole, dealings with the Federation and with the Federal Special Funds, especially the Federal Railways and Federal Postal Administration. In accordance with the principles which had determined the structure of the state the credit business and giro transactions with the credit institutions of each Land Central Bank area were reserved to the Land Central Banks concerned; and these formed, through the width and density of their branch networks, the real points of contact between the Central Banking System and the economy. Dealings with their Länder were of course also incumbent on them. What was in any event important for the unity of the System was that the formation of intent emanated from one centre, the Board of Directors of the Bank deutscher Länder.

In all this the relationship between the Bank deutscher Länder's Board of Directors and Board of Managers was of crucial importance for the good working of the old System. Both organs had a double function, which was of such a nature that, while the tasks and spheres of responsibility of the two were strictly separated from each other, there yet existed a unique form of interplay between them. As we have already seen, the Board of Directors was on the one hand the organ responsible for monetary and credit policy, and on the other hand the body determining the general business policy of the central institution, the Bank deutscher Länder. The Board of Managers was both the managing organ of the Bank deutscher Länder and the organ for executing the Board of Directors' decisions on credit and monetary policy, and had moreover to perform important coordinating functions for the entire System. It is true that in the Board of Directors the members of the Board of Managers other than the President had no right of vote; but thanks to the Board of Managers' central position in the working out of principles for credit policy and

Functional Unity —
Legal Decentralisation

Relationship between the
Bank deutscher Länder's
Board of Directors and
Board of Managers

credit business, and thanks also to the comprehensive insight afforded by credit and banking statistics, the auditing activity, the payment transactions at home and with foreign countries, dealings with the Federation and the latter's agencies, it was from the Board of Managers that important suggestions for the deliberations and decisions of the Board of Directors came. The Board of Managers' operations and responsibility therefore not only extended to the institution entrusted to that Board's management, but radiated out to the entire System.

The Organs and their Functions in the Bundesbank

Legal Unity
with Unchanged
Structural Appearance

On a purely legal view the Deutsche Bundesbank is a unitary bank. The Land Central Banks, previously independent, have been merged with the Bank deutscher Länder to form the Deutsche Bundesbank. To that extent we can speak of a continuity, and even of identity. To the outward eye the organs have remained the same, and have also retained the same German names. There is the Central Bank Council (the Zentralbankrat) as the body which decides as to monetary and credit policy and is the supreme administrative organ of the entire Bank. There is the Directorate (the Direktorium), which is competent and responsible for the implementation of the Central Bank Council's decisions and for the Bank's management and administration as confined to the central functions; and there are the Land Central Banks which, while they have lost their legal independence, have nevertheless in other respects retained within their regional sphere much the same measure of independence as they previously had. The legislature was at pains to preserve the existing organisational form so far as possible, and to build important federative elements from the former System into the organisation and functions of the Bundesbank.

Central Bank Council —
Composition and
Function according to
the Bundesbank Law —

In the new Bundesbank, too, the Central Bank Council is the supreme organ. It determines the Bank's monetary and credit policies, and lays down general directives for the conduct of business and administration. In addition it has the function of delimiting as against each other the responsibilities of the executive organs, that is of the Directorate and the Boards of Management of the Land Central Banks, so far as such delimitation is not laid down in the Law itself. It can also issue instructions to the executive organs in individual cases.

The Central Bank Council is composed of the members of the Directorate and the Presidents of the Land Central Banks. Its Chairman is the President of the Deutsche Bundesbank, who is at the same time Chairman of the Directorate; in both bodies his deputy is the Vice-President of the Bundesbank. This has put an end to the dualism formerly present, in that for the Bank deutscher Länder there existed a President of the Board of Directors and a President of the Board of Managers. For the Central Bank Council's decisions a simple majority of the members present, without any casting vote for the President, is in principle prescribed.

Directorate —
Function and Sphere
of Responsibility —

The Directorate is the central executive organ; it is responsible for implementing the decisions taken by the Central Bank Council. It manages and administers the Bank within the scope of its competence. The Law does not clearly define this competence; it only specially lists four spheres which are expressly reserved to the Directorate, namely

- 1) Transactions with the Federation and the latter's Special Funds;
- 2) Transactions with credit institutions which have central functions in the whole of the Federal Republic;
- 3) Foreign exchange transactions and transactions with foreign countries;
- 4) Open-market business.

This list, as the wording of the provisions in the Law indicates, is not exhaustive. The Directorate is also competent and responsible for all the functions which by their nature belong to the central administration. Doubtful questions are decided by the Central Bank Council, that is by the members of the executive organs themselves, by coordination or ballot. Within the Directorate too the formation of intent is effected according to the board principle. The arrangement for the Directorate however, unlike that for the Central Bank Council, is that in the event of a tie in votes the Chairman has the casting vote.

The members of the Directorate including the President and Vice-President of the Bank are appointed by the President of the Federal Republic on the proposal of the Federal Government for a period of eight years, or in exceptional cases for a shorter period, but not for less than two years; previously the Federal Government is to consult the Central Bank Council. The status of the members of the Directorate in relation to the Bank is regulated by contracts concluded with the Central Bank Council; such contracts however require the assent of the Federal Government.

Appointment
of the Members

In every Land there is a Main Office of the Deutsche Bundesbank. These Main Offices are designated "Land Central Banks"; they have no legal personality of their own. Within their sphere however they enjoy a large measure of independence, and their importance as regional executive organs is markedly emphasised. Their management is incumbent on their Boards of Management; they are organs of the Deutsche Bundesbank. All the Bundesbank's branches located in the Land are subordinated to them; within their regional sphere they are independent in the conduct of business and in administrative matters. The Law expressly specifies that the following business is in particular reserved to the Land Central Banks:

Land Central Banks —
Legal Position
and Functions —

- 1) Transactions with the Land and with public administrations in the Land, and — this is an especially important point —
- 2) Transactions with the credit institutions of their Land. Only in the case of the few institutions which have central functions for the whole area of the Federal Republic it is not the Land Central Banks but the Directorate that is competent.

In accordance with the conception of the Law, decentralisation applies not only in the conduct of business, but also through the Land Governments' influence on the appointment of the Presidents of the Land Central Banks. Thereby the Länder at the same time affect the composition of the Central Bank Council as the central supreme organ of the Bundesbank. While it is true that the Presidents are like the members of the Directorate in being appointed by the President of the Federal Republic, they are appointed on the proposal of the Bundesrat; and here again the Central Bank Council must first be consulted. The decisive influence on the appointment belongs however to the Land Governments, which in relation to the Bundesrat have the right of proposal. Per contra the legislature's effort to strengthen the Bundesbank's independence of political authorities is reflected in the method of appointing the further members of the Boards of Management. The Vice-Presidents, and any further members of these Boards, are appointed on the proposal of the Central Bank Council by the President of the Bundesbank. As regards the appointment of the Vice-President and the other members of the Boards of Management, the Law affords the Bundesbank autonomy. This method of appointment naturally makes for the selection of men with a life-long experience in central banking. This makes sense, because they have mainly functions of business management and administration which require in a special degree knowledge and experience of central banking practice. For members of the Land Central Banks' Boards of Management too the period of office is in normal cases eight years, or exceptionally less, but not less than two years. As regards their legal status in relation to the Bank the same applies as has been indicated for members of the Directorate.

Formation of the
Boards of Management

The significance of the Land Central Banks as the real agencies for contact with the economy is emphasised by the fact that Advisory Boards are formed which consist of expert representatives of credit business, of industry, of commerce and agriculture, and of the wage-earners and salaried employees in their area. The appropriate Land Ministers, too, are afforded the opportunity of attending the meetings of the Advisory Board. The institution of the Advisory Boards is conceptually linked with the former Boards of Directors, which however were decision-taking organs of the Land Central Banks. After the lapsing of the Land Central Banks' own legal personality there was no longer any room for such an institution. The essential function of the Advisory Boards consists in discussing with the President and under his chairmanship the central problems of monetary and credit policy, and with the whole Board of Management the performance of the

Advisory Boards

Land Central Banks' regional tasks. There was no need to institute alongside the regional Advisory Boards an overall Advisory Council of the Bundesbank proper, since the experience and interests of credit institutions and the rest of the economy could be represented with sufficient weight in the Central Bank Council through the Presidents of the Land Central Banks.

The Most Important Differences in the Position and Functions of the Organs

Delimiting the
Competences
as between
Directorate and
Land Central Banks

Comparison with the Central Banking System shows some important differences in the nature and function of the Bundesbank's organs. In the Central Banking System the legal independence of its members had resulted in clear delimitation of the competences and spheres of responsibility. All the legally independent members of the System had to render account, through Weekly Returns and Annual Statements, regarding their fields of activity. Under the Bundesbank Law that is different. We have only one legally independent institution, the Deutsche Bundesbank. This gives rise to certain problems. While the Directorate is to manage and administer the Bank, it is to do so only in so far as the Boards of Management of the Land Central Banks are not competent. It has however to render account in respect of the entire Bank and of its own activity in Weekly Returns, Annual Statements, Monthly and Annual Reports.

The competence of the Boards of Management of the Land Central Banks is also not definitively regulated in the Law. The Law does lay down that the Main Offices are to conduct all transactions and administrative business within the area for which they are competent. The extent of their independence is however clearly defined neither by the authority to conduct the general matters of business and administration assigned to them, nor by their competence for handling the forms of business specially mentioned. In view of this imperfect delimitation of competences the Central Bank Council is set the task — which is extremely important for the internal structure of the Bundesbank — of taking decisions both generally and in individual cases, a procedure which in view of the nature of the Council's composition calls for absolute coordination.

Extension of the
Central Bank
Council's Competence

Thus the importance and responsibility of the present Central Bank Council (the Zentralbankrat) have grown considerably by comparison with the position of the Board of Directors of the Bank deutscher Länder (also called the Zentralbankrat) in the former Central Banking System. The relative weights have substantially shifted as between the Central Bank Council, the Directorate and the Boards of Management of the Land Central Banks. In the Central Bank Council we now have a body which has absorbed not only the members of the former Board of Managers but also a part of its former functions. Similarly functions which were previously incumbent on the Boards of Management of the Land Central Banks have also passed to the Central Bank Council. The Central Bank Council has thus assumed genuine executive functions.

For performance of the Central Bank Council's tasks of monetary and credit policy the fact that it comprises the members of the Directorate and the Presidents of the Land Central Banks creates the best conditions. Who could be better suited for taking the necessary decisions than those who — like the Land Central Bank Presidents — have close contact with their Land Governments, with the banks and with the business community of their area, or who — like the members of the Directorate — have contact with the Federal Government and are closely engaged in the national and international economic process, all of them thus having the best insight while being respectively responsible for their regional and technical spheres?

It is however more uncertain how to judge the other power, assigned by the legislature to the Central Bank Council, of delimiting the spheres of business and responsibility of the Directorate on the one hand and the Boards of Management of the Land Central Banks on the other. The essential need now and in the future will be to preserve the independence of all the organs so far as possible, and in questions of delimitation of competence to apply as a criterion only what will benefit the Bank as a whole. All the rules as to cooperation must be so flexible that individual formative intent can produce its effects. That intent has its limit in the overall interests of the Bank. The best safeguard that matters will continue to be handled in good orderly fashion

in the future lies in tradition. Under the previous legal arrangements there came to be a certain division of functions between the organs, and this division has passed as a basic element into the Bundesbank. In this connection it is also important that, apart from the appointment of new holders to the posts of President and Vice-President, the persons who had been engaged in the leading organs of the Central Banking System have been taken over by the Bundesbank in their offices. Here, as everywhere in public life, it is in the last resort not the institutions but the people that count.

Bundesbank (Federal Bank) and Federal Government

Under Article 12 of the Bundesbank Law the Bundesbank has to support the general economic policy of the Federal Government so far as is consistent with its functions. This provision was also contained, in similar form, in the Law concerning the Bank deutscher Länder. It is really a matter of course. The Bundesbank is an organ of the state, and does not stand outside the state order. The duty to cooperate in general economic policy is limited by the responsibility, expressly laid on the Bundesbank by the Law, for safeguarding the currency. This is further emphasised by the provision, which was not contained in the Law concerning the Bank deutscher Länder, that within the limits of the powers that the state has delegated to it through the Law the Bundesbank is independent of instructions of the Federal Government.

Cooperation and Independence

The Bundesbank has furthermore to advise the Federal Government on matters of primary importance in the field of monetary policy, and to give it information on request. The members of the Federal Government are entitled to take part in the deliberations of the Central Bank Council; while they have no vote, they may bring motions. At their instance the taking of a decision is to be deferred for up to two weeks. Apart from a few divergences, which are not material and which conduce to clarity and simplicity, these provisions were also contained in the Law concerning the Bank deutscher Länder. In individual cases they may be inconvenient; on the whole however one must no doubt assume that the Federal Government and Federal Bank will act in harmony with each other, and that unavoidable differences of opinion will be settled by agreement, so that actual cases of conflict which might in fact result in postponing important acts of the Bundesbank will be rare.

So as to consolidate the relations between the Federal Government and the Bundesbank, and to enable the latter to keep itself informed regarding the former's economic aims, the Law lays down that the Federal Government will invite the President of the Bundesbank to participate in its deliberations when questions of importance in the field of monetary policy are to be discussed.

The provisions concerning the seat of the Bank are also of interest as regards the relation to the Federal Government. The Law lays down that the Bank's place is at the Federal Government's seat. Only so long as this latter is not yet in Berlin is the Bundesbank to remain at Frankfurt.

Seat; Original Capital

Also worth mentioning is the passing of the Bank's original capital from the Land Central Banks to the Federation; since however no right to influence the Central Bank's policy and the conduct of its business can be derived from the possessory title, no material significance attaches to the change of possession in that regard. From fiscal points of view the transfer has changed the distribution of profit in favour of the Federation.

The Law allows the Federal Government substantial influence on the appointments to the controlling organs. As a departure from the former arrangement, under which the Board of Directors of the Bank deutscher Länder — which was the highest organ of the former Central Banking System — itself elected all the members of the Board of Managers including the President of that Board, the Federal Government now proposes to the President of the Federal Republic the President and the Vice-President of the Bank as well as the other members of the Directorate (Direktorium) for appointment. As a result of the fact that the appointment of all the members of the Directorate, and so of nearly half the members of the Central Bank Council (Zentralbankrat), is

Influence of the Federal Government on the Formation of the Organs

now initiated by the Federal Government the beginnings of a politicising of the Bundesbank's controlling organs might in course of time develop. The legislature provided a counterbalance to such dangers by so arranging the periods of office for the members of the Central Bank Council that they normally extend over two Bundestag periods and overlap. During the period of each Bundestag the terms of office of only some of the members of the organs expire; and only the posts of those members could on a theoretical view be the subject of a new appointment if the political situation changed. Any exploiting of such possibilities will however be checked by the weight which is inherent in a firmly knit institution resting on experience and close cooperation of the leading elements in it, and which is further increased by the fact that before the political authorities make use of their right of proposal they are required to consult the Central Bank Council. This would seem to be, and to continue in future to be, a far-reaching safeguard against any preponderance of political influences.

Approval
of the By-laws

The Federal Government can also exercise a certain influence through the fact that it has to approve the By-laws of the Bundesbank. Besides the matters which are normally to be regulated through the By-laws there are some others of importance on which the legislature has expressly reserved such regulation to it. Such matters include for instance provisions as to the number of members to be appointed to the Boards of Management of the Land Central Banks. According to the Law these Boards consist of the President and the Vice-President; for the appointment of further members, which the Law permits, a regulation laid down through the By-laws is required. In addition it is for the By-laws to lay down the conditions for the taking of decisions in the Central Bank Council, and to settle the question of representation where members are prevented from attending for a prolonged period. The By-laws also have to make provisions about the taking of decisions in the Directorate and in the Boards of Management of the Land Central Banks, as well as about the procedure in connection with the convening of the Advisory Boards at the Land Central Banks.

Powers and Operations in the Field of Monetary Policy

Operations on the Liabilities Side

Note Issue and
Note and Coin
Circulation

The most important business on the liabilities side, indeed the foundation and original substance of bank-of-issue business as such, is the issue of notes. On the ground that the issue and circulation of notes are a secondary process induced by the bank of issue's overall policy the representatives of the bank-of-issue system advocated, in the discussions about the Bundesbank Law, that the limiting of the note circulation as provided in the old Law and the arrangements designed to render an increase difficult should be dropped in the Bundesbank Law.

In the competence of the Federal Government for the issue of divisional coin the legislature has made no change, even though that competence no longer accords with the modern view of the monetary system and although the invoking of the coinage prerogative, which originally had quite another meaning, is not valid. It is simply an additional source of finance for the Federation for purposes, according to the provisions of the Coinage Law, of housing. The Federation's influence in this field has been further increased by the fact that the Bundesbank is allowed to issue notes of a nominal value of under DM 10 only in agreement with the Federal Government. The latter has thus been given a means of reducing the circulation of Bundesbank notes by increasing that of divisional coin. In practice however the Federation also depends on the Bundesbank's consent as regards the issue of further five-mark coin because, according to the Coinage Law, when the amount of divisional coin struck exceeds DM 20 per head of population the Federation may issue such coin only with the consent of the Central Bank Council. The circulation already amounts to over DM 24 per head.

Deposits of Credit
Institutions and Mini-
mum Reserve Policy

The Central Bank's action on the credit institutions' business policy is largely applied by way of the deposit business which is directed by minimum reserve policy. For the purpose of regulat-

ing the circulation of money and the granting of credit the Bundesbank is empowered to require that the credit institutions shall keep with it giro balances of specified amount. The minimum balance requirements are determined, according to the size of the credit institutions' short and medium-term liabilities, in percentages which may be different for sight, time and saving deposits. The system of the minimum reserve arrangements has in its basic features been taken over from the former legislation, and for present purposes is assumed to be known in essentials. The legislature has retained the provision that fulfilment of the minimum reserve requirement will be calculated according to the average of the daily giro balances for the month. This flexible method of calculation makes it possible, while monies of the banks are sterilised at the Bundesbank, for those monies nevertheless not to lose their character as disposable funds and as true cash reserves for the handling of the banks' current business.

Unlike the former regulation, the Law no longer lays down lower limits for the minimum reserve obligation. The reason given for dropping these limits is that variation of the minimum reserves is essentially an instrument of monetary and credit policy, and that it has a place in the Bundesbank Law only as such. It is true that the liquid-asset character of the balances at the Central Bank which are governed by the minimum reserve provisions remains uncontested; this is already reflected in the fact that the minimum balances under the Bundesbank Law are to be counted towards the liquidity reserves which have to be kept under other laws. In the legislature's view however the laying down of standard provisions governing bank liquidity — and any rules as to lower limits would necessarily have meaning only as such — are a matter for a Bank Supervision Law.

The former upper limits have been considerably raised; this was partly due to considerations connected with the extremely large increase produced in the banks' liquidity by the balance-of-payments surpluses. The upper limits for sight liabilities have been raised from 20 to 30 per cent, and those for time liabilities from 10 to 20 per cent, while the upper limit for savings deposits — previously identical with that for time liabilities — has been left unchanged at 10 per cent.

The hotly debated problems of "direct or indirect minimum reserve maintenance" and of "minimum reserves for savings deposits" were very thoroughly discussed in the course of the preliminary work. After thorough examination and weighing of all arguments put forward — especially by the great centrally constructed and directed organisations of the savings bank and cooperative system — against the former arrangement, the legislature retained the old solution in view of the importance of the minimum reserve instrument for the Central Bank's monetary policy and for the maintenance of sound order in our banking system.

Considerably more definite than in the old legislation are the provisions which require the great public administrations — the Federation, Equalisation of Burdens Fund, E. R. P. Special Fund and Länder — to deposit their liquid resources at the Bundesbank even when those resources are earmarked according to the budget. It is significant that the provisions on this point are contained in Section Four of the Law, entitled "Powers in the Field of Monetary Policy", under the head of "Directive governing Deposits". Thereby the legislature intends to give the Bundesbank a means of using the great public administrations' cash holdings, the amount and movement of which are of crucial importance for Central Bank policy in view of the size of the budget turnovers, to help in controlling the money supply. That is why any other investment or deposit of the said administrations' liquid funds requires the approval of the Bundesbank. In accordance with the object of these provisions the Bundesbank, finding on applications for exceptions, is in principle to be guided only by considerations of monetary and credit policy. There is however an important limitation: the Bundesbank is "to give due consideration to the interest which the Länder have in maintaining their State and Land Banks (Landesbanken)". The Law does not specially mention the great administrative departments, the Federal Railways and Federal Postal Administration, because through their business relations with the Bundesbank their holding of balances is automatically regulated and therefore requires no legal provisions.

Public Deposits

Operations on the Assets Side

Discount Rate Policy
and Credit Operations
with Credit Institutions

There was relatively little occasion for the legislature to make any material change as regards the Bundesbank's traditional and most important instrument of credit policy, the use of the discount rate and credit operations. The Bundesbank is empowered to fix autonomously the rates of interest and discount applying to its credit operations. The provision that the Bundesbank "determines the principles governing its credit and open-market operations" is to be regarded as an important enlargement of its powers expressly laid down in the Law. By this the legislature intended, as is clear from the substantiation of the Law, expressly to empower the Bundesbank to make its granting of credit dependent on specified conditions, and thereby to enlarge its stock of credit policy instruments. One such instrument is for instance the fixing of rediscount quotas which restrict recourse by banks to the Central Bank; another is the laying down of guiding ratios in regard to credits, these ratios being designed to induce credit institutions to keep their total lendings and their credit structure in harmony with their financial strength. The Bundesbank is furthermore entitled to subject particular credit transactions to special treatment according to the principles of a selective credit policy.

No Direct Business

In the Bundesbank's operations on the assets side it is even more clearly apparent than in those on the liabilities side that the Bundesbank is in principle a bankers' bank and a bank for public administrations. The discount and advance business is mainly done according to the principles applied in the Central Banking System. Direct business, which means the direct granting of credit to the business community and which had hitherto been permitted in the former French zone of occupation, is now generally excluded. Use of the Central Bank's instruments makes the other banks' business activity conform so closely to its aims in the field of monetary and credit policy that, in the view of the legislature, no room is left for the Central Bank to engage in direct credit business with trade and industry in competition with the other banks.

Credit Operations
with Public
Administrations

The scope of the Bundesbank's granting of credit to public administrations has been substantially widened. Within specified limits, the so-called "credit ceilings", the Bundesbank may grant cash advances to the Federation, various Federal Special Funds and the Länder. By comparison with the former arrangement the amount of the Federation's credit ceiling has been doubled, new ceilings have been fixed for the Federal Railways, Federal Postal Administration and E.R.P. Special Fund, and the ceiling for the Equalisation of Burdens Fund has remained unchanged. For the Land Central Banks' cash advances to their Länder, which previously amounted to 20 per cent of the greatly varying total of deposits at the Land Central Bank, firm credit ceilings determined according to the size of the population have now been laid down. Individual limits are as follows:

- a) for the Federation DM 3,000 million;
- b) for the Federal Railways DM 400 million;
- c) for the Federal Postal Administration DM 200 million;
- d) for the Equalisation of Burdens Fund DM 200 million;
- e) for the E.R.P. Special Fund DM 50 million;
- f) for the Länder DM 20 per inhabitant, except that for the Land of Berlin and the Free and Hanseatic Cities of Bremen and Hamburg the limit is DM 40 per inhabitant.

An important point is that use of the ceilings need not necessarily lead to actual creation of Central Bank money. The "credit ceilings" can in fact be drawn on in the form either of actual advances at the Bundesbank or of borrowing on Treasury Bills. This has enabled the Central Bank largely to cover the public authorities' credit requirements, within the set limits, through the money market, and to use for its open-market operations the Treasury Bills carrying its assurance of rediscount which originate in this way.

The institution of the ceilings does not mean that the administrations in question have a right to Central Bank credit up to that amount. On the contrary, the credit ceilings represent the

outside limit to which the Bundesbank can go in the granting of credit. The provisions as to the granting of special credits to the Federation for the meeting of its commitments as a member of international institutions have essentially been left unchanged as regards the International Monetary Fund and the International Bank for Reconstruction and Development; a ceiling of DM 180 million has also been included for the European Fund.

The rules for open-market operations have been considerably widened. Such operations are intended to serve solely for regulating the money market and not, for instance, for purposes of capital-market policy. Thus the legislature has conformed to the aims which previously governed the handling of the Bank deutscher Länder's open-market operations. It is true that the definition of the paper admitted for open-market operations is very widely drawn. The Law specifies commercial bills, Treasury Bills and Treasury Bonds of the Federation, the Federal Special Funds and the Länder, bonds and claims on the Debt Registers of the same issuers, as well as other bonds admitted to official stock-exchange dealings. The object is to provide for all conceivable situations. In the discussions about the Law there was however no doubt that, in the present situation and with the existing structure of our money and capital markets, operations on a major scale with capital-market securities would go beyond the aim of the legal provisions. The right of the Central Bank to buy and sell suitable paper in the open market enables it according to the state of the money market to attract or release funds of the banks, to level out money-market fluctuations and to regulate money-market rates. Indirectly the open-market operations also affect the banks' lendings and the capital market. By offering the banks investments which carry appropriate interest rates and can be at any time realised in the market the Central Bank prevents the banks' liquid resources from being tied up, to an undesirable extent, in credit operations or in long-term securities subject to variations of price.

Open Market Policy
and Open Market
Operations

The Bundesbank's practical possibilities of conducting an effective open-market policy have been enlarged, to a decisive extent, through provisions as to the conversion of its Equalisation Claim on the Federation. Previously the Central Bank was unduly confined in the performance of its task of keeping the money supply under effective control by the fact that, among its assets, the great block of more than DM 8 billion of Equalisation Claims were unavailable for purposes of credit and monetary policy because they carried low interest, were irredeemable and could not be manoeuvred. For the Central Bank it would have been a great relief if its Equalisation Claim on the Federation had been replaced, in good time and definitively, by mobilisable instruments of Federal debt.

Mobilisation of the
Equalisation Claim

As a makeshift the possibility of mobilising the Equalisation Claim in the form of negotiable paper had already been created before the promulgation of the Bundesbank Law. This possibility however rested entirely on contractual agreements between the Central Bank and the Federal Finance Minister. When the Central Bank made use of this arrangement its freedom of action was impaired because the Finance Ministry could make its assent to each increase dependent on conditions. This position has been decisively changed by the Bundesbank Law. Up to DM 4 billion the Bundesbank can mobilise on its own decision; thereafter any increase requires the assent of the Federal Government. Meanwhile the Federal Government has assented to an increase up to DM 7 billion, so that the Central Bank's freedom of movement is no longer restricted on this account.

In connection with foreign exchange and foreign business the Bundesbank Law makes no material changes, even though the provisions have been somewhat otherwise drawn. For foreign business the limitations imposed on the Bundesbank for its domestic business do not in principle apply. The course of events since the Currency Reform has shown that in the field of international payments the Central Bank is required to show the greatest flexibility and capacity for adjustment to rapidly changing conditions.

Foreign Exchange
and Foreign Business

II. Economic Developments and Central Bank Policy

The monetary and credit policy of the Bank deutscher Länder and later of the Deutsche Bundesbank was made easier by economic developments during the period under report inasmuch as the relaxation, which had already marked the second half of 1956, continued after a certain period of hesitation during the first months of 1957. The Bank was therefore able further to ease the restrictive policy with which it had been obliged to check the exaggerated economic activity in 1955 and 1956. It made use of this possibility the more readily since it was thereby able at the same time to take account of the Federal Republic's foreign trade and payments situation; this was once again characterised last year by balance of transactions (in goods and services, capital and donations) surpluses which were large, although already tending to decrease, and which moreover were accompanied until the autumn by extremely large speculative accruals of exchange.

True, it was precisely the foreign trade and payments position which also faced the Bank with special problems. The exchange accruals increased the liquidity of the economy and the banking system to a degree which undoubtedly entailed certain monetary risks. The Bank could therefore not merely hold the reins of credit policy a little looser; it had to make efforts at the same time to neutralise the inflow of liquidity, and to promote consolidation of the resulting monetary claims. Until very recently its policy therefore had a peculiar ambivalent character, which was especially reflected in the — merely apparent — contrast between the several reductions of its discount rate and its contractive open-market and minimum reserve policy. The Bank was further obliged to grapple very seriously with the fact that the price level continued to rise, even though the general economic strain was evidently relaxing, while since the winter of 1957/58 signs of a slowing of the upswing had actually been clearly appearing. In the Federal Republic in fact, just as in many other countries, the demand-induced upward price tendencies of the years 1954 to 1956 have been largely replaced by cost-induced upward factors, among which both the raising of administratively regulated or at least influenced prices and the large wage increases exceeding the general rise in productivity have been particularly important. Like many other Central Banks the Bundesbank therefore had to face the question whether or not to try by contractive action on demand to counteract the upward price tendencies due to these causes; and although, since demand was in any case slackening, such a course did not need to be adopted (and in view of the facts of foreign trade and payments could have been adopted only with great difficulty), the Bank nevertheless had to avoid giving impulses which would have strengthened the price-raising tendencies or neutralised the factors counteracting them.

Even now, in May 1958, credit policy is by no means free from such complications. There is still a certain excess liquidity induced by the foreign trade and payments position; and in many spheres the price upswing has still not quite ended. In its credit policy the Bank is therefore just as unable as it was last year to show a "green light". But still, in many ways the situation does now present more favourable aspects than it did a year ago. The great strains which were caused last year by the heavy exchange accruals have clearly decreased since the autumn. Exchange rate speculation has stopped; much of the foreign money which streamed in last summer has flowed out again; the terms of payment have for months plainly been in a state of reaction to the previous improvement; and the true balance-of-payments surpluses are also no longer so great as a year ago, since the deficit on capital transactions and donations has increased by more than the surplus on trade and services. In May this year the Bundesbank's gold and exchange holdings were therefore somewhat smaller than last autumn, although in the last two or three months they have again increased. Notwithstanding the rise in the trade surplus, due solely to the decline in the value of imports caused by the fall in raw-material prices and freight rates, the pull of demand from abroad has appreciably decreased under the influence of world recession and of the

exchange difficulties — or the stronger action against inflation — in many countries. Thus the pressure of foreign demand on the production factors is no longer so great as in the preceding years. At the same time the capital market is growing in a way which is by degrees reducing the importance of bank credit in the financing of economic expansion, and is pro tanto tending to consolidate monetary wealth. The upward price tendencies have of late also encountered growing opposite forces. While the overall expansion of demand is slowing down, and productive capacity continues to rise, competition is again visibly increasing. The passing on of cost increases is therefore becoming harder; wage demands encounter stronger resistance; and in some spheres, where productivity has risen by more than the average, downward price tendencies are even on occasion making themselves felt.

Fear that the price upswing might become permanent has now indeed receded somewhat into the background by comparison with fear of a possible recession. This is primarily due to the world economic trend with its already clearly perceptible adverse effects on German exports, and the signs of weakening, caused largely by the stock cycle, in some basic industries and various industries producing consumer goods; in fact the economic situation has materially changed from that of recent years, in which the upward forces plainly predominated. Nevertheless, as matters now stand, the pessimism which is here and there felt about economic prospects does not seem to us to be justified. As yet there can be no question of any decline in the general level of production and employment. On the contrary, regardless of the dullness in the quarters mentioned both total production and total employment have up till now been rising, although a good deal more slowly than a year ago; and the fact that domestic investment activity and — in close conjunction with it — private consumption continue to rise justifies the expectation that in the longer run the basic trend will remain upward, unless the depressive tendencies now emanating from the world economy should surprisingly gain such strength as to dominate the at present more favourable domestic trend.

Altogether there is certainly a chance, therefore, not only that the balance of payments will come more and more into equilibrium and the price rise cease, but also that the level of production and employment will escape a relapse and even continue to rise within the limits set by productive capacity, which is, of course, no longer growing so much as before. It is true that attainment of these three goals depends not only on credit policy. The experience of recent years has on the contrary shown clearly — not only in the Federal Republic but also in other countries — that stabilisation of the price level with simultaneous maintenance of an adequate level of employment is impossible if excessive income demands from particular economic groups cause a cost and price inflation which credit policy could in the long run counter only through appreciable downward pressure on employment, and possibly also at the cost of entailing substantial balance of payments surpluses. This is certainly not meant to shift responsibility for the value of money from the Central Bank on to other shoulders. The Central Bank has the key position in the countering of inflationary tendencies; and in recent years it has shown that it can take decisive action in this respect, even though in most cases the results become apparent only after some time. But its actions do as a rule produce a more painful effect if they are not supplemented by corresponding measures of financial and economic policy, and by price and wage discipline on the part of employers and employed, because the Central Bank's actions then have to be all the more stringent. Thus, if not only the value of money but also optimum growth of the country's economy are to be preserved, monetary and credit policy must be supported from all sides.

The analysis which follows of economic happenings and of credit and monetary policy during the period under report will afford opportunity to justify this statement in detail.

Figures showing the Course of Economic Events in the German Federal Republic

Monthly averages

Item	Basis	1951	1952	1953	1954	1955	1956	1957	1957				1958 1st Qtr. P)	
									1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.		
Production														
Index of industrial production ¹⁾ (per working day)														
Total	1936 = 100	131.2	139.6	153.9	171.8	197.6	213.1	225.2	212.9	230.3	219.2	238.7	219.6	
Basic and producers' goods industries	1936 = 100	121.8	126.7	137.0	156.2	180.7	193.5	204.2	195.2	211.1	204.9	207.3	197.6	
Capital goods industries	1936 = 100	147.3	164.3	173.4	204.6	251.9	274.2	285.4	275.1	298.0	271.9	298.8	291.3	
thereof:														
Machine building	1936 = 100	154.5	179.5	177.3	197.9	243.3	265.4	274.0	263.5	290.9	260.0	284.0	267.3	
Consumer goods industries	1936 = 100	128.8	130.2	151.9	165.6	184.1	199.3	211.3	206.1	209.5	203.6	226.4	208.2	
thereof:														
Textile industry	1936 = 100	136.0	131.8	156.9	168.0	181.7	193(5)	201.6	206.0	197.0	194.0	208.2	195.5	
Building industry proper	1936 = 100	121.7	129.4	153.3	169.1	190.7	200.0	196.1	147.9	227.6	211.9	198.1	119.1	
Production of important basic materials														
Hard coal, per working day	'000 tons	392.5	406.8	410.8	422.5	431.4	443.6	442.4	450.8	459.8	409.3	452.4	448.5	
Raw steel, per production day	'000 tons	44.1	50.6	49.4	54.3	65.6	72.9	76.1	75.5	75.7	74.4	78.9	77.3	
Rolled steel, per production day	'000 tons	30.6	34.3	33.3	36.7	45.0	51.4	54.9	54.3	54.3	52.9	57.9	55.5	
Farm products														
Net food production ¹⁾	1935/36-1938/39 = 100	113	112	119	121	120	122	127 ^{s)}	.	.	.	.	.
Stocks														
(at end of period under report)														
Pithead stocks of hard coal and coke	'000 tons	99	96	3,736	2,079	217	269	753	256	186	371	753	3,829	
Coal stored with main consumers ²⁾	'000 tons	3,385	5,188	5,111	4,636	6,761	8,415	11,092	7,968	10,117	11,886	11,092	11,109	
Rolled-steel stocks														
with producers and traders	'000 tons	527	637	1,020	1,048	1,247	1,474	1,642	1,516	1,473	1,526	1,642	...	
with capital goods industries ³⁾	1952-1955 = 100	.	86	99	95	166	199	236	213	212	225	236	...	
Retailers' stocks ⁴⁾	1952 = 100	.	100	106	114	122	131	145	144 ^{s)}	138 ^{s)}	152 ^{s)}	142 ^{s)}	156 ^{s)}	
Labour Market and Employment														
Registered unemployed	'000's	1,432	1,379	1,259	1,221	928	761	662	702 ^{s)}	454 ^{s)}	366 ^{s)}	1,213 ^{s)}	1,108 ^{s)}	
Employed ¹⁰⁾	'000's	14,556	14,995	15,583	16,286 ^{s)}	17,175 ^{s)}	18,056	18,612	18,465 ^{s)}	18,920 ^{s)}	18,967 ^{s)}	18,186 ^{s)}	18,320 ^{s)}	
of whom, in industry	'000's	5,332	5,518	5,751	6,062	6,576	6,991	7,221	7,065 ^{s)}	7,232 ^{s)}	7,354 ^{s)}	7,262 ^{s)}	7,212 ^{s)}	
Unemployment ratio ⁶⁾	per cent	7.7 ⁷⁾	6.4 ⁷⁾	5.5 ⁷⁾	4.7 ⁷⁾	2.7 ⁷⁾	2.2 ⁷⁾	1.9 ⁷⁾	3.7 ^{s)}	2.3 ^{s)}	1.9 ^{s)}	6.3 ^{s)}	5.7 ^{s)}	
Average weekly working time in industry (except mining) ⁸⁾	hours	47.6	47.7	48.1	48.8	48.8	48.2	46.5 ¹⁴⁾	46.9 ⁸⁾	46.2 ⁸⁾	46.3 ⁸⁾	46.6 ⁸⁾	45.1 ⁸⁾	
Orders booked, and Turnover														
Orders booked in industry ¹⁰⁾ (Values, per calendar month)														
Total	1954 = 100	.	.	.	100	126	137	143	143	142	142	146	137	
Basic industries	1954 = 100	.	.	.	100	127	136	142	139	139	148	142	130	
Capital goods industries	1954 = 100	.	.	.	100	136	147	154	156	151	152	157	163	
Consumer goods industries	1954 = 100	.	.	.	100	112	126	129	131	133	118	135	111	
Retail turnover at current prices ¹¹⁾														
Total	1954 = 100	.	.	.	100	111	123	132	114	128	126	160	124	
thereof:														
Clothing, linen, underwear, footwear	1954 = 100	.	.	.	100	110	123	132	106	131	116	177	113	
Household goods, furniture	1954 = 100	.	.	.	100	115	133	144	122	128	139	185	132	
Prices and Wages														
Prices of basic materials (of domestic and foreign origin)														
Total	1950 = 100	119	124	122	123	125	129	132	130	131	133	134	134	
of which:														
Farm, forest and plantation products	1950 = 100	117	117	110	113	115	119	120	116	118	122	123	121	
Industrial products	1950 = 100	122	133	135	133	137	140	145	145	145	144	146	147	
Cost prices for foreign goods														
Total	1950 = 100	128	112	103	103	103	107	106	109	107	104	103	101	
Producer prices of domestic industrial goods														
Total	1950 = 100	119	121	118	116	119	121	124	124	124	124	125	126	
thereof:														
Capital goods	1950 = 100	117	127	125	122	124	128	132	132	132	132	132	134	
Consumer goods	1950 = 100	122	105	97	96	96	98	102	101	102	102	102	102	
Cost of living ¹²⁾														
Total	1950 = 100	108	110	108	108	110	113	115	114	114	116	117	119	
thereof:														
Food	1950 = 100	109	114	112	114	116	119	122	120	120	123	125	126	
Rent	1950 = 100	102	104	107	107	110	117	119	118	119	119	119	120	
Heat and light	1950 = 100	108	116	120	127	130	132	136	135	135	136	138	141	
Household equipment	1950 = 100	111	110	104	102	103	105	110	108	109	110	111	111	
Clothing	1950 = 100	111	103	98	97	97	97	101	99	101	102	103	104	
Industrial workers' wages (except miners')														
Hourly earnings	DM	1.46	1.57	1.64	1.68	1.79	1.95	2.13 ¹⁴⁾	2.04 ⁹⁾	2.13 ⁹⁾	2.15 ⁹⁾	2.17 ⁹⁾	2.21 ⁹⁾	
Weekly earnings	DM	69.41	74.96	78.88	82.04	87.98	94.17	98.75 ¹⁴⁾	95.95 ⁹⁾	98.46 ⁹⁾	99.45 ⁹⁾	101.34 ⁹⁾	99.82 ⁹⁾	
Foreign Trade														
Imports	DM million	1,227	1,350	1,334	1,611	2,039	2,330	2,641	2,555	2,553	2,639	2,819	2,572	
Exports	DM million	1,215	1,409	1,544	1,836	2,143	2,572	2,997	2,795	2,954	3,003	3,238	2,878	
Balance	DM million	- 12	+ 59	+ 210	+ 225	+ 104	+ 242	+ 356	+ 240	+ 401	+ 364	+ 419	+ 306	

1) Farm year from 1 July to 30 June of following year. — 2) Industry, transport and communications, public utilities. — 3) Calculated by Rheinisch-Westfälisches Institut für Wirtschaftsforschung (Institute for Economic Research). — 4) Calculated by Institut für Handelsforschung (Trade Research Institute) at Cologne University. — 5) Position at end of quarter. — 6) Proportion of unemployed to total of employed and unemployed wage and salary earners. — 7) Position at end of third quarter. — 8) Hours paid. — 9) Position at middle of quarter. — 10) Index of orders booked; basis: average monthly turnover for 1954 = 100, per calendar month. — 11) Index of Federal Statistical Office. — 12) Cost-of-living index, consumers in medium income group. — 13) Averages computed from end-of-quarter figures. — 14) New coverage. — s) Estimated. — p) Provisional. — 7) Original basis 1950 = 100, converted to basis 1936 = 100.

1. The Course of Economic Activity since the Spring of 1957

The Domestic Business Cycle

Unstable Initial Situation

When our last Annual Report was published in the spring of 1957, still in the name of the Bank deutscher Länder, the relaxation which had begun in the second half of 1956 largely under the influence of restrictive credit policy seemed to be endangered by a number of circumstances. One important circumstance was the social insurance pension reform, which came into force in April 1957 and caused a sharp rise in all pensions paid by the great Social Insurance Institutions. On the basis of official figures it was to be assumed that for 1957 the pension income from the Workers' and Employees' Pension Insurance Institutions alone would rise by about DM 4.3 billion, the rise being especially concentrated in the second quarter owing to the back payments for the first months. Accordingly, since substantial wage increases were at the same time in progress, a quite marked rise in consumption appeared imminent. It also looked as though the investment boom, which had been showing noticeable signs of staleness since the middle of 1956, would increase again. It is true that the normal factors determining the course of investment activity scarcely pointed in that direction, since at the beginning of 1957 the capital market was evidently still in a state of crisis, and the financing of new capital projects therefore continued to encounter great difficulties — quite apart from the deterrent entailed on costing grounds by the high rates of interest on capital and by rising wages. During the winter however the Government had through far-reaching tax concessions to providers of capital for house-building greatly improved the position as regards financing of that category of capital expenditure at the cost of other capital-seekers; and thus it appeared quite possible that house construction, which in 1955/56 had already contributed in the highest degree to general overheating, would again enter a phase of boom-like expansion. The substantial raising of farm subsidies by the "Green Plan" for 1957/58 had also created some fresh artificial impulses to invest. At the same time the export boom was still in full swing. Incoming orders from abroad were relatively large at the beginning of 1957; and, since moreover order backlogs had grown considerably in the previous years, there was little prospect in the spring of 1957 that the severe strain which the great export surpluses had for years been placing on economic equilibrium would lessen in the near future. Account also had to be taken of the fact that in the winter of 1956/57 the period of large Federal cash surpluses with their definitely contractive effect on the business community's and the banks' liquidity had ended, and that for the future there seemed to be a possibility of deficits due not only to foreign payments — neutral in their effect on liquidity — but also to internal expenditure tending to enlarge the income stream and the banks' liquidity margin.

In these circumstances it seemed to the Bank deutscher Länder desirable to adopt certain restrictive measures, first to check the rise of a new boom mentality and secondly, by way of precaution, to reduce at least in some measure the facilities for recourse to Central Bank credit, and hence the banks' capacity for creating credit. These measures were described in some detail in our last Annual Report. They mainly took the form of raising the banks' minimum reserve ratios and of cutting their rediscount quotas. The minimum reserve ratios for liabilities to non-residents were put up to the maximum limit then permissible, while the remaining ratios were raised by 1%, except those for the smaller institutions at places having no Bundesbank branch; and the general cut in rediscount quotas was increased, for certain institutions working largely with foreign money, inasmuch as borrowings abroad were thenceforth counted as use of the rediscount quota so far as they did not serve to finance imports or merchanting trade. Thus the restrictions affecting liquidity at that time were already clearly directed against borrowing foreign money or taking it on deposit. The Bank's intention was in this way to hit, so far as possible at its most important source, the process of addition to liquidity which was then causing

New Disturbing
Tendencies

Preventive
Countermeasures

special anxiety in view of the danger of fresh exaggeration of boom conditions, although the Bank did not of course cherish the illusion that this would in itself create any effective barrier to the inflow of foreign money.

The Subsequent Relaxation and its Causes

The course of the domestic business trend was however by and large quieter than could have been thought possible, in the spring of 1957, in the light of the tendencies indicated above. In the summer the danger of fresh overheating could already be regarded as over; and thereafter it became steadily clearer that the trend was rather towards further easing of the situation. Although exports continued for a time to show a very large increase, while much speculative money flowed in from abroad, the relation between total supply and total demand tended to become visibly better. Even at the height of the season the labour market remained free from any such shortage of workers as had prevailed in the summer of 1955 and had then at times caused quite feverish conditions; competition grew keener; and until coal and steel prices were raised in the autumn (after their raising had long been postponed under the influence of the Government), the general level of prices also remained relatively stable — which clearly indicated the end of the upward tendencies that from 1954 to 1956 had come mainly from the side of demand.

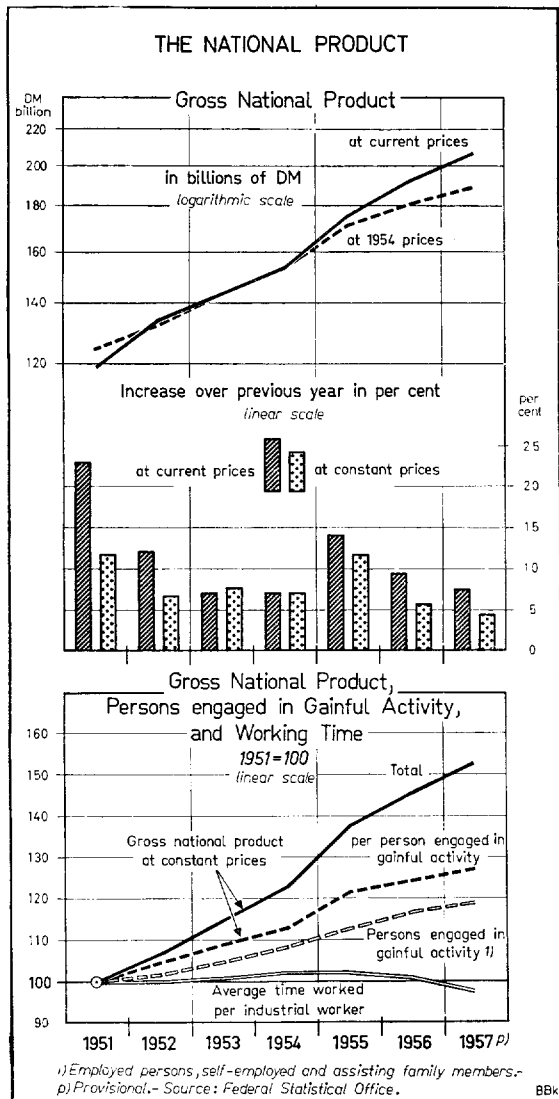
The Supply Factors

One reason was that, despite the well-known difficulties over the supply of labour, the movement of productive capacity was relatively favourable. True, the number of employed wage and salary earners increased much more slowly last year than in earlier years because the readily mobilisable labour reserves were largely exhausted; at an average of about 18.6 million in 1957 it was greater by some 550,000 than in the previous year (with the main part of the increase falling definitely in the first half of the year), whereas in 1956 it had risen by roughly 880,000. The number of gainfully employed persons as a whole probably rose even less because, under the influence of the large wage and salary rises, many “assisting family members” and even some of the previously self-employed (such as small farmers in particular) gave up their previous occupation and hired themselves out to industry and related branches of activity as recipients of wages and salary. Above all however the increase in the labour potential was hindered last year, if not indeed stopped, by the rapidly spreading reduction of working hours. For about 6.5 million employed persons the normal hours of labour were reduced last year from 48 to 45 a week, so that in industry the time actually worked per employed person fell by about 5 per cent. This fall was so great that, on an overall economic view, the addition to the labour force occurring in the same period was fully offset. In other words the increase in the labour potential did little more in 1957 to raise production.

On the other hand however it proved possible in notable degree to raise productivity, or more precisely the output per person gainfully employed, and so to keep production comparatively elastic despite the smallness of the addition to the labour force and the reduction of working hours. In the second half of 1957 industrial production was greater by 4.5 per cent than in the corresponding period of the previous year, while the total national product was greater by 4 per cent in terms of real value. With the total number of man-hours worked roughly unchanged, therefore, “productivity” grew to roughly that extent. A fact of great importance here was no doubt that last year owing to the weaker pull of demand it was no longer necessary to engage existing productive capacity to the fullest extreme, and that production could instead be concentrated at the most efficient plants more than in the two preceding years. The compulsion to make more efficient use than before of labour, which had become much scarcer and dearer, was doubtless also a material factor. Besides this the relatively large improvement of productivity

Relatively Elastic Supply
despite small addition
to the labour force
and considerable
shortening of
working hours

Rising Productivity



last year was due to the fact that past years' heavy capital expenditure directed mainly to rationalisation had greatly increased the technical efficiency of the productive system, so that the enlargement of capacities entailed no further appreciable need for additional labour. In any case the impression was given that production in general succeeded in following the growing demand without friction, and that probably in many spheres even a somewhat more extensive demand could have been satisfied.

A further fact of no small importance for the movement in supplies was that West German food production rose to a surprising extent in the 1957/58 farm year. In that year the output of food, without taking into account fodder imports, will probably be above the level for the years 1935/36 to 1938/39 by 27 per cent, against 22 per cent in the previous year and 20 and 21 per cent in 1955/56 and 1954/55. If food produced with the help of imported fodder is included the production will actually exceed that of before the war by 30 per cent, against percentages of 25 in the previous year, 21 in 1955/56 and 22 in 1954/55. An important factor here was that last year's crops, unlike those of 1956, turned out excellent in both quantity and quality; but an even more important factor was the great increase in the output of stock-raising and dairy farming in particular, although this is largely due to the price and

Expansion of the Country's Food Production

subsidy policy by which farm production is promoted under the Green Plan. This rise in output had the more effect on the course of markets because the growth of the demand for foodstuffs became perceptibly slower during the current farm year, since consumption has now reached a degree of saturation which can be exceeded only if there are comparatively large increases in incomes, while the rise in these latter has become noticeably slower since last year. For the first time in years, therefore, the output of food has grown by more than the consumption. At least in the producer sphere — although not at the consumer level, where the rise in distributors' costs produced a marked effect — it was consequently much more difficult effectively to raise prices last year than in previous years, when the rapid increase in consumption together with a much slower rise in production had made it possible to make considerable use of price increases for the purpose of preserving parity of incomes as between the farmers and the rest of the economy.

Not the least of the factors contributing to make the course of overall supply relatively favorable, however, was the further rise in imports. These in 1957 were greater than in the previous year by 13 per cent in value and by 12 per cent in quantity. In the first quarter of 1958 there was a further increase. It is true that in terms of value imports in that period were greater than in the corresponding period a year earlier by 1 per cent only, because the collapse of prices

Larger Imports

The National Product¹⁾

	1950	1951	1952	1953	1954	1955	1956 p)	1957 *)	Change against previous year	
									1956 p)	1957 *)
I. National Income and National Product										
at current prices										
	billions of DM								per cent	
Income from wages and salaries	44.0	53.4	59.4	65.5	71.7	81.7	91.4	99.3	+ 11.9	+ 8.8
Income from entrepreneurs' activity and from property	26.3	33.4	32.9	33.5	36.5	41.4	43.6	59.2	+ 5.3	+ 4.6
Undistributed income of enterprises with legal personality of their own	4.9	6.0	6.4	6.8	7.2	8.9	9.7		+ 8.6	
Government income from enterprises and from property	1.0	1.3	1.9	2.0	2.2	3.1	3.3		+ 8.5	
National income (not adjusted for fictitious profits or losses)	76.3	94.1	100.5	107.9	117.7	135.1	148.0	158.5	+ 9.6	+ 7.1
Fictitious profits (—) or losses (+)	- 1.8	- 2.9	+ 0.9	+ 1.1	- 0.7	- 0.8	- 1.0	- 0.5	.	.
Net national product at factor costs plus indirect taxes less subsidies	74.5	91.2	101.4	108.9	117.0	134.3	147.0	158.0	+ 9.5	+ 7.5
	13.1	17.2	20.3	21.7	23.1	26.1	28.5	30.6	+ 9.3	+ 7.2
	0.5	0.8	0.9	0.3	0.1	0.2	0.7	1.6	.	.
Net national product at market prices	87.1	107.6	120.9	130.3	140.0	160.2	174.9	187.0	+ 9.2	+ 6.9
Depreciation	10.1	12.0	13.3	13.5	14.0	15.4	17.5	20.0	+ 13.7	+ 14.0
Gross national product at market prices	97.2	119.6	134.2	143.8	154.0	175.6	192.5	207.0	+ 9.6	+ 7.5
II. Change in Gross National Product,										
in Number of Persons Gainfully Employed and in Productivity as compared with preceding year										
	in per cent									
Gross national product at current prices	.	+ 23.0	+ 12.2	+ 7.1	+ 7.1	+ 14.1	+ 9.6	+ 7.5	.	.
Price index of national product ²⁾	.	+ 10.1	+ 5.1	- 0.6	+ 0.0	+ 2.0	+ 3.5	+ 2.8	.	.
Gross national product at constant prices	.	+ 11.8	+ 6.8	+ 7.8	+ 7.1	+ 11.8	+ 5.8	+ 4.6	.	.
Components of the change:										
Increase in number of persons gainfully employed	.	+ 3.2	+ 1.8	+ 3.3	+ 3.2	+ 3.9	+ 3.7	+ 2.1	.	.
Increase in gross national product per person gainfully employed	.	+ 8.3	+ 4.9	+ 4.3	+ 3.7	+ 7.6	+ 2.1	+ 2.4	.	.
III. Use of Gross National Product										
at current prices										
	billions of DM								per cent	
Private consumption	61.8	72.1	79.1	86.1	92.3	102.3	113.5	122.0	+ 10.9	+ 7.5
Government consumption	14.4	17.7	21.1	21.4	22.4	23.9	25.6	27.7	+ 7.1	+ 8.2
Gross investment in fixed assets	18.5	22.3	25.5	28.7	32.2	39.8	44.1	45.7	+ 10.9	+ 3.6
Addition to stocks	3.7	5.2	5.1	2.1	1.7	5.3	2.6	3.2	- 51.8	+ 26.2
Surplus on transactions in goods and services ³⁾	- 1.2	+ 2.3	+ 3.4	+ 5.5	+ 5.3	+ 4.3	+ 6.7	+ 8.4	+ 56.7	+ 25.7
Gross national product at market prices	97.2	119.6	134.2	143.8	154.0	175.6	192.5	207.0	+ 9.6	+ 7.5
	per cent of gross national product									
Private consumption	63.6	60.3	59.0	59.9	60.0	58.3	59.0	58.9	.	.
Government consumption	14.8	14.8	15.7	14.9	14.5	13.6	13.3	13.4	.	.
Gross investment in fixed assets	19.0	18.6	19.0	19.9	20.9	22.6	22.9	22.1	.	.
Addition to stocks	3.8	4.4	3.8	1.5	1.1	3.0	1.3	1.5	.	.
Surplus on transactions in goods and services ³⁾	- 1.2	1.9	2.5	3.8	3.5	2.4	3.5	4.1	.	.
Gross national product at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	.	.

Source: Federal Statistical Office. — ¹⁾ Details may not add to totals because of rounding. — ²⁾ Calculated from proportion of gross national product at current prices to gross national product at 1954 prices. — ³⁾ With foreign countries, Berlin (West) and the Soviet-occupied zone. — p) Provisional. — *) First provisional results.

on the international raw material markets and the decline in freight rates have come to produce more effect; but in terms of quantity they exceeded the volume of a year earlier by about 7 per cent. Since the national product reckoned at constant prices was greater than in the corresponding periods a year earlier by not quite 5 per cent in 1957 and by an estimated 3 per cent in the first quarter of 1958, there was thus a rise in imports' share of supplies in the domestic market (although, as will be shown later, even more was taken out of the market by the increase in exports). This trend was greatly assisted by the further liberalising of German imports and by renewed tariff reductions. The growth of imports was especially considerable in certain food-stuffs, beverages and tobacco not produced in the Federal Republic, as well as in finished goods. Imports of these latter were for instance greater by 28 per cent in the second half of 1957 than a year previously; and in the winter of 1957/58, when some supplying countries under pressure of domestic recession or of the loss of other markets stepped up their efforts to penetrate the German market, the increase continued — in some cases more than before.

The Demand Factors

The determining cause of the easing of the economic strain apparent after the spring of 1957 was however that the expansion of demand remained within narrower limits than originally expected, and hence fell if anything short of the enlargement of productive capacity.

Thus, for one thing, the effect produced by the social insurance pension reform on incomes was smaller than had been originally expected. In the first place, in view of the coinciding of the first increase in the current pensions with substantial back payments for the first quarter (since the reform had retroactive effect from 1 January 1957), the growth of pension payments by the Workers' and Employees' Insurance Institutions had been estimated for the second quarter of 1957 at DM 2.1 billion; but it did not quite reach that sum. Altogether these two Institutions — in the case of the Miners' Insurance Institution the new arrangement took effect only from the middle of the year — spent in the second quarter about DM 3.4 billion on pension payments, against roughly DM 1.8 billion in the first quarter and a quarterly average of some DM 1.7 billion in 1956. The increase was thus approximately DM 500 million smaller than estimated. One reason was that certain delays inevitably occurred in connection with the converting of pensions, and that owing to the heavy load of work the Insurance Institutions were not able to deal with the fresh applications for pensions so quickly as usual; even now the carry-over of uncleared applications for pensions is still for this reason greater than a year ago. Evidently how-

Effect of the Social
Insurance Pension
Reform

Income, Consumption and Saving of Private Households¹⁾

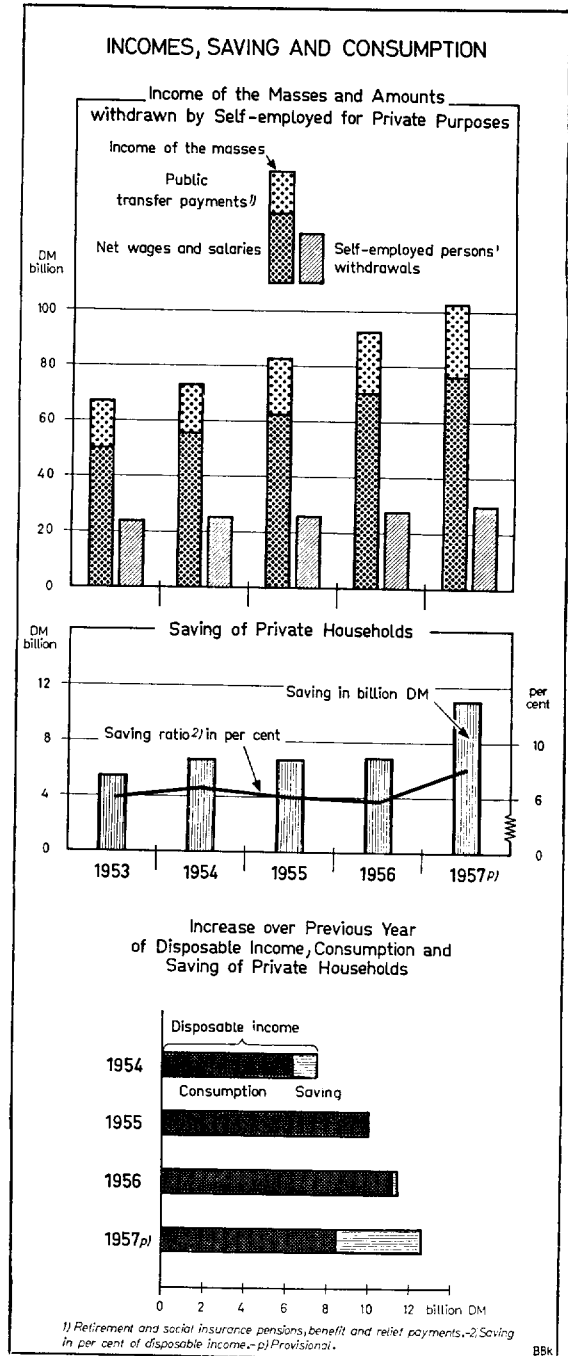
	1955	1956	1957 ^{p)}	Change as against previous year		
				1955	1956	1957 ^{p)}
	billions of DM			per cent		
1) Gross wages and salaries	73.8	82.5	89.2	+ 13.7	+ 11.9	+ 8.1
2) Deductions (taxes and social insurance contributions)	10.5	12.1	12.5	+ 15.5	+ 14.7	+ 3.1
3) Net wages and salaries (1 less 2)	63.2	70.5	76.7	+ 13.4	+ 11.4	+ 8.9
4) Income transfers	19.9	22.3	26.7	+ 12.1	+ 12.1	+ 19.7
of which:						
a) Social Insurance transfers	(9.9)	(11.2)	(15.2)	(+ 17.5)	(+ 13.5)	(+ 35.5)
b) Other public authorities' transfers	(6.1)	(6.7)	(6.9)	(+ 6.4)	(+ 11.3)	(+ 2.2)
c) Officials' retirement pensions (net)	(4.0)	(4.4)	(4.6)	(+ 8.4)	(+ 9.8)	(+ 6.3)
5) Income of the masses (3 plus 4)	83.1	92.8	103.4	+ 13.1	+ 11.6	+ 11.5
6) Self-employed persons' drawings from their businesses	25.9	27.7	29.5	+ 1.6	+ 6.9	+ 6.7
7) Disposable income of private households (5 plus 6)	109.0	120.4	133.0	+ 10.1	+ 10.5	+ 10.4
8) Private consumption	102.3	113.5	122.0	+ 10.8	+ 10.9	+ 7.5
9) Private saving (7 less 8)	6.7	6.9	11.0	+ 0.1	+ 3.8	+ 58.0
10) Saving ratio (9 in per cent of 7)	6.1	5.8	8.2	.	.	.
	per cent					

p) Provisional. — ¹⁾ Details may not add to totals because of rounding.

ever the extent of the pension increases was also somewhat over-estimated. At all events at about DM 10.7 billion for the whole of 1957 (against roughly DM 7 billion in the previous year) the pension payments fell short by several hundred million DM of the total which had been expected before the pension reform. There was the further fact that the trend in the Pension Insurance Institutions' receipts was relatively favourable, not only because the contribution rates and Federal grants had been raised under the pension reform, but also because of the large wage and salary increases which took place in 1957. In that year the total contribution income of the two major Pension Insurance Institutions rose by DM 2.4 billion to a total of DM 9.7 billion. Roughly DM 0.6 billion of this represented the transfer of contributions from the Unemployment Insurance Fund to the Pension Insurance Institutions, while a further DM 0.9 billion represented the increase in employers' contributions and another DM 0.9 billion that in contributions from the employed. Thus a greater part of the pension payments than had been originally supposed was financed through contributions, including those from the employed, so that at about DM 2.8 billion the increase induced by the pension reform in mass incomes fell short by roughly DM 1 billion of the estimated amount.

Great Increase in Saving Activity

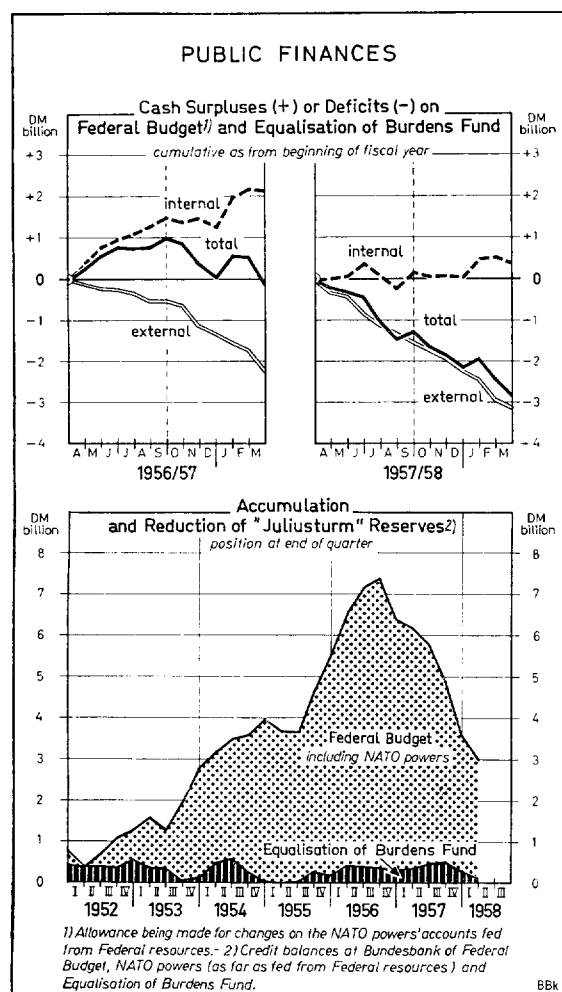
A further fact of decisive importance for the course of demand was the extremely large increase during 1957 in private saving activity. In the two previous years precisely the opposite had happened. In both 1955 and 1956 the total saved by private households had shown little growth, although the rise in incomes had not only continued but had, if anything, accelerated; the saving ratio had therefore notably declined in those two years, especially during the second half of 1956, in the last months of which the Suez crisis had given rise among savers to a nervous state recalling the time of the Korean conflict. In 1957 however, with the Suez crisis overcome and the strain on economic activity eased, savings figures again started to rise and in fact did so much more quickly than incomes. Disposable personal income increased by DM 12.5 billion in 1957 against DM 11.4 billion in 1956 and DM 10.0 billion in 1955. The total of current personal savings on the other hand rose by DM 4.0 billion in 1957, whereas in the two previous years — when the increase in incomes was only slightly less in absolute amounts — it had grown by a mere DM 0.2 billion in 1956 and shown virtually no rise at all in 1955.



The saving ratio of private households in the sense of the proportion between their total saving and their disposable income thus rose from 6.1 and 5.8 per cent in 1955 and 1956 to 8.2 per cent in 1957. This is a ratio which is not only appreciably above that in all former years, but also fully stands comparison with those in other highly developed countries. For the easing of cyclical strains this increase in individual saving of course was of great importance because it neutralised a large part of the income inflation which occurred last year under the influence of the pension reform and of wage increases that continued to exceed the improvement in overall productivity. After deduction of savings the increase in disposable personal income in 1957 actually amounted to DM 8.5 billion only, while it had been DM 11.2 billion in 1956 and DM 10.0 billion in 1955. To a large extent therefore the course of saving prevented the relatively large increase of incomes during 1957 from causing the demand for consumer goods to grow in even approximate degree. In particular the surge of consumption which had been feared in connection with the pension reform was in this way greatly weakened, to all appearance largely through saving by the pensioners themselves. If indeed all the impressions are not deceptive, it was precisely the pensioners — whose sense for saving evidently remains more strongly developed than in the younger generation — that saved a relatively large part of their additional income, thereby helping materially to ensure that the impulses to demand emanating from the autonomous income increases last year should not be so very strong.

As yet moreover the relaxing effect produced by private saving on economic conditions has scarcely had against it any opposite influences due to "dissaving" in the sphere of the public

No "domestically effective" public deficits



finances. It is certainly true that since the autumn of 1956 the major public authorities have no longer shown cash surpluses in the same way as in past years, that indeed in the case of the Federal Government the former sometimes quite enormous cash surpluses have been replaced by substantial deficits, that the Equalisation of Burdens Fund has also been showing cash deficits of late, and that with few exceptions the Länder have been obliged to take bonded and other loans on an even greater scale than in previous years. In the case of the Federal budget alone the current cash expenditure from the fourth quarter of 1956 to the first quarter of 1958 was greater by about DM 3.8 billion than the cash receipts. Consequently the large cash reserves which the Federal Finance Minister had been able to accumulate from 1952 to 1956 — it may be remembered that they were called the "Juliusturm" after the place of custody of the former German Empire's war reserve — have already been largely dissolved. By comparison with about DM 7 billion on 30 September 1956 they amounted on 31 March 1958 to only about DM 2.8 billion; and it may be assumed with some certainty that they will be completely consumed in the course of the 1958/59 financial year. The Equalisation of Burdens Fund,

whose balances at the Bank deutscher Länder had still amounted to some DM 370 million at the beginning of the 1957/58 financial year, already has virtually no cash reserves left; and although the position of the Länder at the moment still seems somewhat more favourable, this is mainly because by taking bonded and other loans they have recently acquired relatively large amounts of borrowed resources which have not so far been entirely spent; in so far as they had reserves, however, these have also been greatly reduced.

Up till now however this undeniable dissaving process has not had the effect of expanding domestic demand because on an overall view the dissaved monies have gone abroad by way of payments for armament imports, for debt redemption and for indemnification, and thus have at most affected the home market only in so far as they made it easier for foreign countries to maintain their trade deficits in relation to the Federal Republic. Taken in all, the foreign payments during the last year and a half were actually greater than the total excess of the major public authorities' expenditure over their receipts, so that the "domestically effective" cash transactions in that period still showed a surplus on the receipts side. It is true that at about DM 0.9 billion for the Federal budget, the NATO powers and the Equalisation of Burdens Fund (the

Cash Position of Federal Budget and Equalisation of Burdens Fund
in millions of DM

	1956	1957	1956				1957				1958
			1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Receipts / Expenditure / Cash Result											
I. Federal Budget											
1) Cash receipts, total	28,454	29,505	7,000	7,006	7,165	7,283	7,256	7,118	7,231	7,900	7,663
a) home	28,365	29,466	7,000	7,006	7,117	7,242	7,220	7,118	7,228	7,900	7,553
b) foreign	89	39	—	—	48	41	36	—	3	—	110
2) Cash expenditure, total	27,587	31,913	6,211	6,318	6,874	8,184	7,426	7,855	8,411	8,221	8,126
a) home	26,101	28,713	6,078	6,100	6,536	7,387	6,429	7,007	7,791	7,486	7,218
b) foreign	1,486	3,200	133	218	338	797	997	848	620	735	908
3) Surplus (+) or deficit (—), total	+ 867	—2,408	+ 789	+ 688	+ 291	— 901	— 170	— 737	—1,180	— 321	— 463
a) home	+2,264	+ 753	+ 922	+ 906	+ 581	— 145	+ 791	+ 111	— 563	+ 414	+ 335
b) foreign	—1,397	—3,161	— 133	— 218	— 290	— 756	— 961	— 848	— 617	— 735	— 798
II. NATO Powers											
Increase (+) or decrease (—) of resources deriving from Federal budget	—	+ 116	—	—	—	—	—	+ 215	+ 270	— 369	— 45
III. "Domestically effective" surplus (+) or deficit (—) of Federal Government and NATO powers (I 3a plus II)	+2,264	+ 869	+ 922	+ 906	+ 581	— 145	+ 791	+ 326	— 293	+ 45	+ 290
IV. Equalisation of Burdens Fund											
1) Cash receipts	3,790	3,499	1,137	987	768	898	913	803	838	945	881
2) Cash expenditure	3,547	3,458	900	861	823	963	858	700	788	1,112	951
3) Surplus (+) or deficit (—)	+ 243	+ 41	+ 237	+ 126	— 55	— 65	+ 55	+ 103	+ 50	— 167	— 70
Cash Resources and Indebtedness Position at end of year or quarter											
I. Federal Government											
1) Cash resources	6,128	3,231	6,184	6,811	7,032	6,128	5,864	5,143	3,932	3,231	2,780
2) Indebtedness ¹⁾	498	0	619	565	509	498	402	401	401	0	0
II. NATO Powers											
Cash resources ²⁾	—	116	—	—	—	—	—	215	485	116	71
III. Equalisation of Burdens Fund											
1) Cash resources ³⁾	314	288	438	433	389	314	372	468	494	288	140
2) Indebtedness ¹⁾	654	592	795	659	656	654	658	667	612	592	526

¹⁾ Only credit-market indebtedness inside the country; after deduction of bonds repurchased before maturity. — ²⁾ Amount of funds received from the Federal budget by way of "mutual aid", but not yet spent. — ³⁾ Balances at Bundesbank and amounts employed in the money market (DM 35 million in June 1956).

position of the Länder is difficult to ascertain, but was probably unimportant in comparison) this surplus could not be compared with the very large surpluses of about DM 5¹/₂ billion which had arisen in the previous year and a half, between April 1955 and September 1956 — certainly not when one bears in mind that the DM 0.9 billion mentioned above is the amount before deduction of the redemption effected last year of the Federal 1952 loan and certain debts of the Equalisation of Burdens Fund together amounting to about DM 550 million. During the period under report therefore the major public authorities' cash transactions certainly did not produce nearly so "contractive" an effect as in the past years; but on the other hand it happily proved possible to confine the use which has for some time become unavoidable of the large reserves to financing the considerable armament orders placed abroad, and to cover out of ordinary current receipts the growing expenditure on armaments at home as well as the rising civil expenditure, at least in the case of the Federal Government.

Investment activity during the period under report also remained within limits such that it did not overstrain productive capacity, but on the contrary permitted a further return towards normal of the position as regards orders, which in some cases had been seriously strained in 1955 and 1956. It is true that, as was to be expected, programmes for creating fresh fixed assets were started during the period under report on a somewhat greater scale than in the previous year, since on the easing of credit conditions many projects which had previously been postponed — or the execution of which had been interrupted — were resumed; this is clearly shown by the increase in the amount of building permits, and especially by the larger amount of home orders reaching the capital goods industries. On the whole however the rise in activity remained within relatively narrow limits, especially on comparison with the expansion of productive capacity. Thus for instance the estimated expenditure on the building projects approved between July 1957 and March 1958 was greater by only 1 per cent, after elimination of the cost-induced rise, than in the corresponding period a year earlier. So far therefore there has been no material change in the amount of building planned, although it must of course be borne in mind that for the reasons previously indicated the starting of approved projects is now more rarely postponed than it was one or two years ago. But the capacity of the building trade has in the meantime grown further, so that at the moment the handling of a slightly increased volume of building is hardly likely to create difficulties. On the contrary, according to all available information, competition between building firms has notably increased.

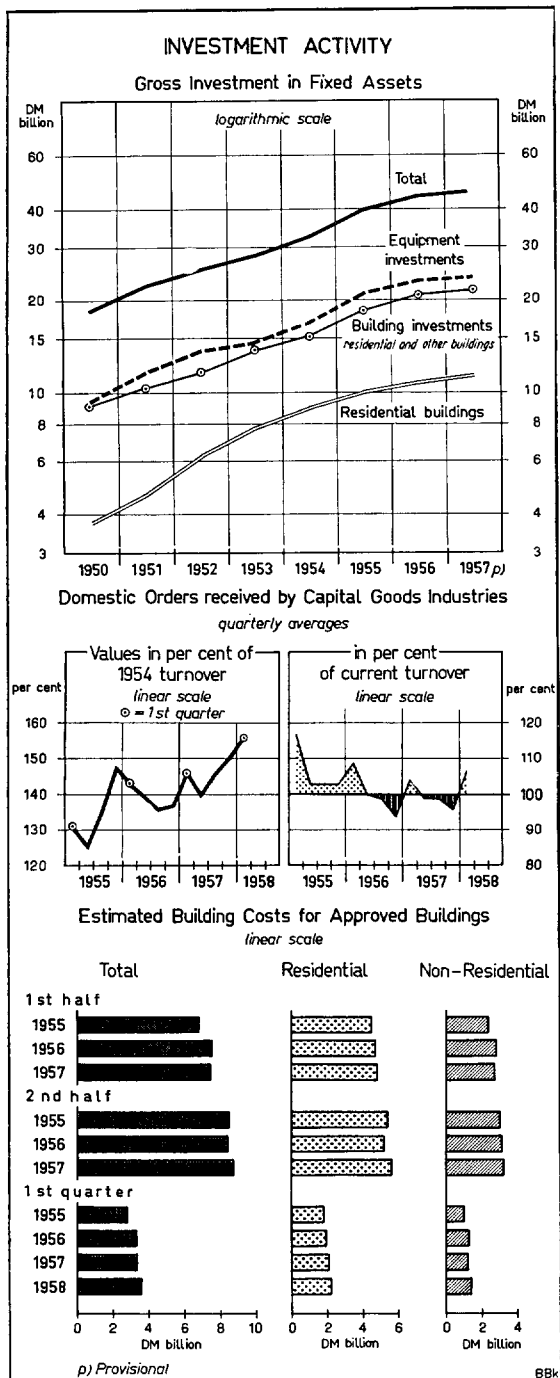
Similarly the extension of equipment investments as reflected in the increase of home-market orders reaching the capital goods industries should not be over-estimated either. In the first place that increase is in large part concentrated on durable consumer goods such as automobiles, television sets and other electrical equipments, the present extremely good sales of which rather reflect the continuance of relatively high consumption — and of certain shifts in this — than any growing propensity to invest, and basically form a natural concomitant to the relatively poor state of activity in the traditional consumer goods industries. On the other hand in those capital goods industries which produce almost only capital goods in the narrower sense of that term the increase in the inflow of orders has been much smaller. Thus in the last quarter of 1957 and the first of 1958 mechanical engineering, which normally reflects the course of equipment investment with special clarity, received in terms of value only 4 per cent more domestic orders than in the corresponding period a year earlier, whereas for the capital goods industries as a whole there was a rise of 8 per cent; after elimination of the price rises, therefore, the increase in orders was relatively slight. It was moreover outweighed, just as in nearly all other capital goods industries, by the simultaneous decline in orders from abroad. It is therefore not surprising that despite the rise in investment activity within the country, and the even greater increase in demand for durable consumer goods produced in the so-called capital goods industries, the expansion in total orders to capital goods industries fell short of the current output (and probably still shorter of the enlargement of productive capacity). In the second half of 1957 the orders

No New
Investment Boom

reaching the capital goods industries amounted to only 97 or 98 per cent of the sales in the same period, against 102 per cent in the second half of 1956. It is true that in the first quarter of 1958, in accordance with the usual seasonal tendency and the above-mentioned cyclical rise in activity, they exceeded sales by about 5 per cent. But the difference was not so great as in the

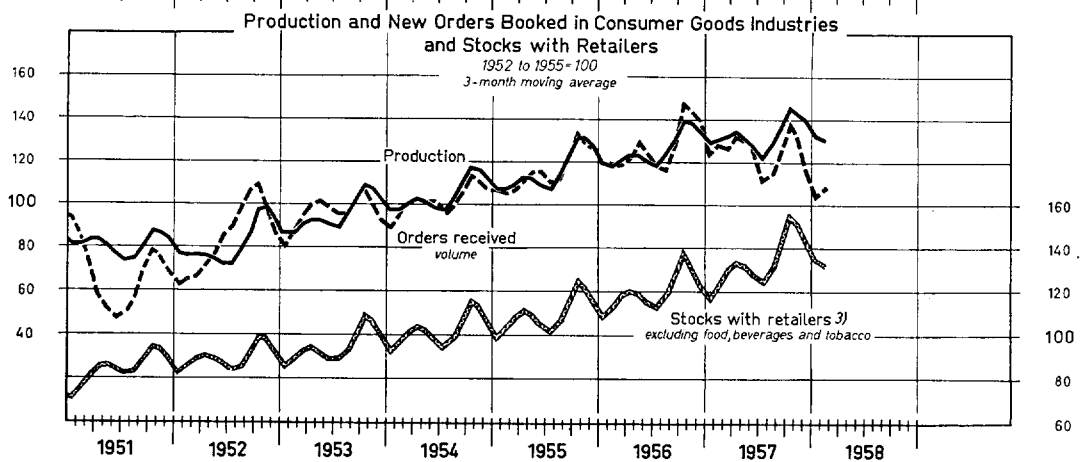
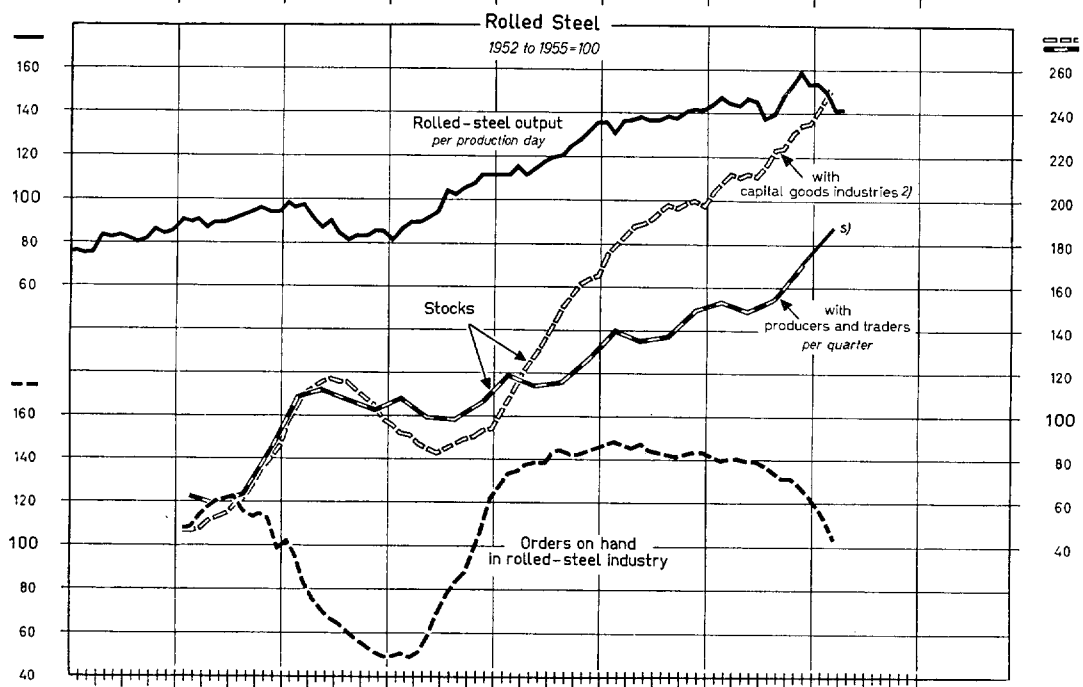
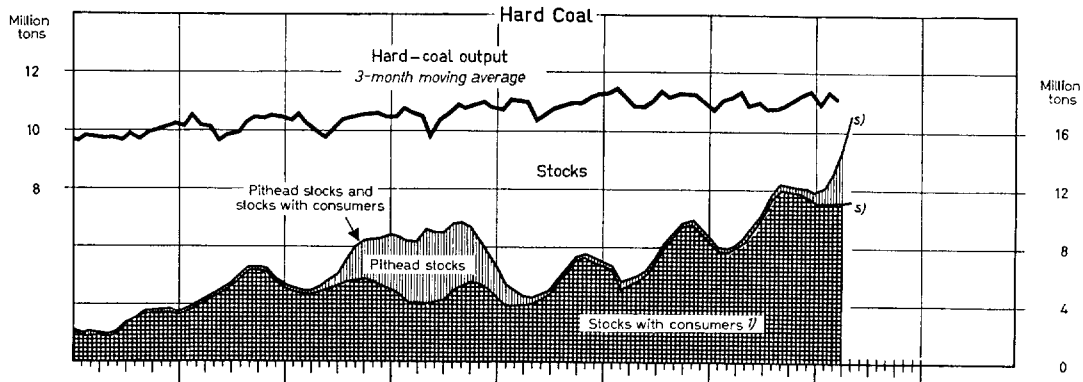
corresponding period of the previous year; and it was a good deal smaller than in the first quarter of 1956, although turnover in the first months of 1958 was in some cases already well below the level which would have corresponded to full use of capacities.

Thus in spite of a slight increase, which in some directions became more marked during recent months, German investment activity in the period under report continued in general to reflect a certain caution. In this the influence of the world economic trend was unmistakable. In fact, although under the impression of an economic upswing which has gone on for years and is at least in appearance independent of outside support the business community in this country perhaps no longer reacts to depressions in other countries quite so strongly as before, the effects of the American recession and of the international fall in raw materials have not left it psychologically unaffected. There was the further point that during the period under report certain tax incentives, which had been a very important factor in the investment boom of the years 1953 to 1956, served at most to favour the maintenance of existing capital projects but hardly any longer promoted expansion. This applies especially to the reducing balance method, the far-reaching recognition of which for tax purposes had produced an extremely stimulating effect on investment in the years after 1952 but which now, since the great and easily obtainable tax reliefs which that method affords in the first years have been "consumed" and since henceforth tax increases rather than further tax reductions are expected, no longer tends to encourage additional capital expenditure to anything like the same extent. In some cases the movement in wages has also already seriously



handicapped investment activity. True, the more wages rose, the greater was the incentive to engage in capital expenditure for rationalisation. At the same time however the wage increases narrowed profit margins, so that the possibilities of self-financing decreased, while in view of the reduced prospects of profits borrowing did not seem likely to pay, at least so long as the

INFLUENCE OF THE MOVEMENT IN STOCKS ON THE TREND OF ACTIVITY IN IMPORTANT INDUSTRIES



1) All grades of coal (except crude lignite) with industry, public utilities, transport and communications. - 2) Estimated by Rheinisch-Westfälisches Institut für Wirtschaftsforschung (Institute for Economic Research). - 3) Data of the Institut für Handelsforschung (Institute for Trade Research) at Cologne University. - s) Estimated.

rate of interest on capital remained at a relatively high level. After the state of definite boom in which investment activity had been for several years on end it is moreover natural for such activity to run for a certain time at a more moderate pace, especially so long as technical progress does not call for further heavy investment. This possibility is of course definitely present; and it would therefore be entirely premature, on the ground of the alleged satisfaction of "backlog demand" and of similar arguments which fail to allow adequately for the basically always incalculable dynamics of the economic process, to assume as more or less certain that investment will remain at or about a stationary level for a relatively long period.

A further fact of great importance for the easing of economic conditions during the period under report was that in wide sections of the economy growing resistance to any further stockpiling, and indeed the wish for a reduction of stocks, made themselves felt and consequently — often in clear contrast to the course of effective demand — a more or less marked decline in orders set in. This trend was especially marked in certain basic industries, especially in the steel industry and coal mining, and in the traditional consumer goods industries, which are sensitive to the state of stocks. In the preceding years many customers of those industries had formed quite considerable stocks under the impression of manifestations of the sellers' market existing at that time, especially since they had in general reckoned on a continued vigorous increase in demand. In the course of last year however this enlargement of stocks came up against the limit which such a process usually reaches after a certain time; in some cases indeed, as already indicated, attempts were even made to reduce stocks again. Accordingly the industries at earlier stages inevitably came under the pressure of the downward phase of the stock cycle. Whereas previously they had been able to book orders which in many cases clearly exceeded the customers' current requirements, the orders reaching them now often on the contrary fell short of customers' actual consumption; accordingly they were now themselves obliged to put part of their production into stock or, if they could not or would not do this, to cut their output down. The resulting signs of slackening, above all the dropping of shifts in some basic industries and the very sluggish course of business in some of those producing consumer goods, contributed materially to creating the fear that an appreciable recession was starting in the Federal Republic too. The tendencies to slackening caused by the stock cycle certainly afford no ground for any such assumption, since the running down of stocks to which those tendencies are due must sooner or later come to an end — and indeed, following the pendulum movement of the stock cycle, must even lead to a fresh rise in orders if effective consumption continues to grow as it has done hitherto, or at least remains at a relatively high level. Yet in recent months the tendency to reduce stocks has materially contributed towards causing the relative smallness of growth in overall demand, and so has greatly assisted the relaxation which was apparent during the period under report and especially in the latter part of that period.

Foreign Trade and Payments and their Effects on the Domestic Economy

Large Balance-of-Payments Surpluses

On the other hand however economic equilibrium continued, during a great part of 1957, to be exposed to very great strains from the side of foreign trade and payments. Almost throughout the year the course of foreign trade and payments as a whole was marked by the strong pull of demand induced by the tendencies to inflation in a great part of the rest of the world. Exports therefore continued their steep rise. In the first three quarters of the year they were as a whole greater by nearly 20 per cent than in the corresponding period of the year before; and although later the rate of growth became a good deal slower on the decline in foreign orders previously mentioned, the large order backlogs existing in wide sections of the exporting industries

were enough to cause exports to continue for the time being to rise. It is only in the last few months that, under the influence of world recession and of the more restrictive policy which certain countries that previously had large balance-of-payments deficits were compelled to adopt, a gradual decrease in actual exports also seems to have begun for the first time since the war.

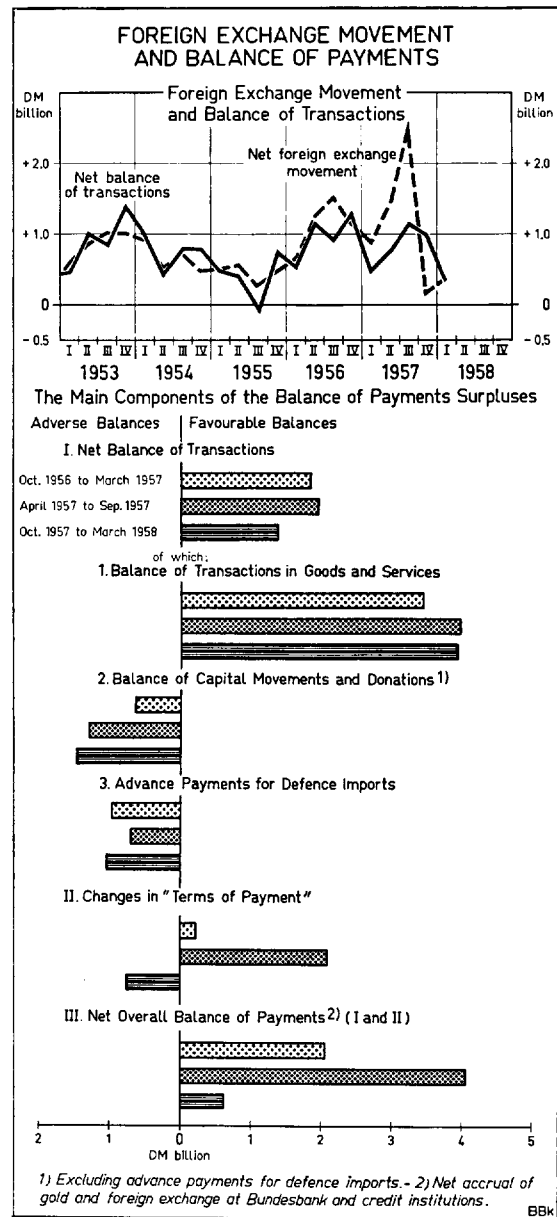
For the balance of payments this continuance of the export boom was naturally of far-reaching importance. It is true that, as already stated in another connection, imports also continued to grow substantially during the period under report; but although in percentage terms their growth was appreciably greater than that of the national product, it was not so great as that of exports, because imports of certain foodstuffs remained about stationary in consequence of the expansion of home production that has been described, while the international fall in raw material prices and freights caused the values of imports to rise by less than their quantities. Recently the effect of the resulting improvement in the terms of trade has actually been such that imports declined in terms of value, even though they continued to grow in terms of volume. Accordingly the export surplus became even greater in the period under report. It amounted in 1957 to not quite DM 4.3 billion against DM 2.9 billion in the previous year, and in the first four months of 1958 to almost DM 1.5 billion against something over DM 1 billion in the corresponding period a year before. Similarly the surplus on services was greater in the period under report than in the previous year. In 1957 it amounted to upwards of DM 3.4 billion against DM 2.6 billion in 1956; and at DM 1.1 billion in the first four months of 1958 it was still about as great as in the corresponding period of 1957. The decisive factor here was the increase in the foreign exchange received from foreign military agencies in the Federal Republic in exchange for DM — a factor which had little to do with the trend of economic activity and the run of international trade. Nevertheless this circumstance did much to cause the 1957 overall surplus on goods and services, at about DM 7.7 billion, to exceed that of the previous year by some DM 2.2 billion, and to cause the similar surplus in the first four months of 1958, at DM 2.5 billion, to be greater by DM 400 million than that in the corresponding period of 1957.

At the same time however the deficit on net capital transactions and donations grew considerably. Special importance attached here to the advance payments for armament imports; these rose from DM 240 million in 1956 to over DM 1.9 billion in 1957, and about DM 640 million in the first four months of 1958. There was also a large increase in individual indemnification payments to foreign countries. They amounted to DM 1.2 billion in 1957 against DM 680 million in the previous year; in the first quarter of 1958 they rose further, to DM 320 million as compared with DM 250 million in the corresponding period of 1957, and a total of DM 1.7 billion for the year is quite possible. Despite the strong counteraction which was produced in the first quarters by the currency speculation (to be discussed below), because under its influence the buying of securities by foreigners notably increased, the deficit on medium and long-term capital transactions also rose considerably in 1957. Last year in fact private German capital exports, which so far have mainly taken the form of direct investments by German firms in foreign countries, grew so much that they exceeded foreigners' investments in the Federal Republic — although, for reasons into which we shall enter later, the amounts remained within comparatively narrow limits. Accordingly the deficit on overall capital transactions and donations reached in 1957 the sizable amount of nearly DM 4.2 billion, against something less than DM 1.5 billion in the previous year; and thus at DM 3.5 billion the overall balance-of-payments surplus, despite the large increase in the surplus on trade and services, was smaller than in the previous year by over DM 500 million.

It is true that as already indicated the retarding influences which the course of net capital transactions and donations produced on the exchange accruals to Germany were greatly outweighed in 1957 by the start of a regular wave of speculation, which induced a substantial ex-

change inflow that exceeded the "true" balance-of-payments surpluses in the sense of the surpluses on the balance of transactions in goods, services, donations and capital. The cause of this currency speculation, which presented almost feverish features during its last phase in the third quarter of 1957, was uncertainty about the continuance of existing exchange rate relationships; this uncertainty was due partly to the mistaken view that the DM would be revalued upwards and partly to fear that other European currencies might be devalued, and will be discussed later when external monetary policy is described. The speculative inflows occurred mainly in two forms. They were most clearly, although not most strongly, reflected in the rapid increase from July 1957 onwards in non-residents' DM balances on accounts held at German banks. In the first six months of the year these balances had declined by about DM 130 million net; in July on the other hand they rose by DM 240 million, in August by DM 437 million and in September by DM 109 million (while the rise in the first half of that month, when the currency speculation was still in full progress, was probably a good deal greater still). In large part these accruals represented actual "hot money" which, regardless of the fact that no interest may be paid on foreigners' deposits in the Federal Republic, was placed there at short term in the hope of profits on the exchange rate or through fear that other currencies might be devalued. In part however the increase in foreigners' deposits at banks other than the Bundesbank was due to the fact that the foreign banks, which in this period were obliged at their customers' desire to conclude forward transactions on a growing scale in order to eliminate the exchange risk, procured corresponding DM balances in order to cover their position. There was the more incentive to such transactions since at the same time the growing demand caused forward quotations for DM to show a steadily growing premium over the spot rate, so that rate-fixing business gave the foreign banks a kind of interest-rate profit.

The accruals of exchange due to the so-called improvement of the terms of payment however were much more important still as regards the amount. Up to the autumn of 1957 the foreign takers of German goods were making visible efforts to pay for German deliveries more quickly than before; they even went further, and made advance payments on a growing scale for subsequent German exports, while per contra German importers were frequently granted longer periods for payment. Apart from the wide difference which existed until into 1957 between interest rates in the Federal Republic and many foreign countries, an important factor here too — especially from the spring



of 1957 onwards — was speculation on exchange rates. It is true that the “additional” exchange accruals to the Federal Republic resulting from this improvement in the terms of payment cannot be precisely ascertained. A pointer which experience shows to be quite reliable is however afforded by the amounts by which the net exchange surpluses from time to time exceed the balance-of-transactions surpluses in the corresponding periods, even though these differences may be affected by statistical errors or omissions. In the third quarter of 1957 the amount by which the surplus of exchange accruals exceeded the “true” balance-of-payments surpluses was no less than DM 1.4 billion, whereas in the first and second quarters there had been corresponding differences of about MD 400 and 680 million respectively, as against roughly DM 630 million in the whole of 1956 and DM 225 million in 1955.

Altogether therefore the exchange inflow due to speculative factors and to interest rate considerations would seem to have amounted in the first half of 1957 to about DM 1 billion, and in the third quarter to some DM 2.2 billion, and thus to have materially exceeded the “true” balance-of-payments surplus (that is the net surplus on goods, services, donations and capital), which had amounted in these periods to not quite DM 2.5 billion.

The Internal Liquidity-increasing Process

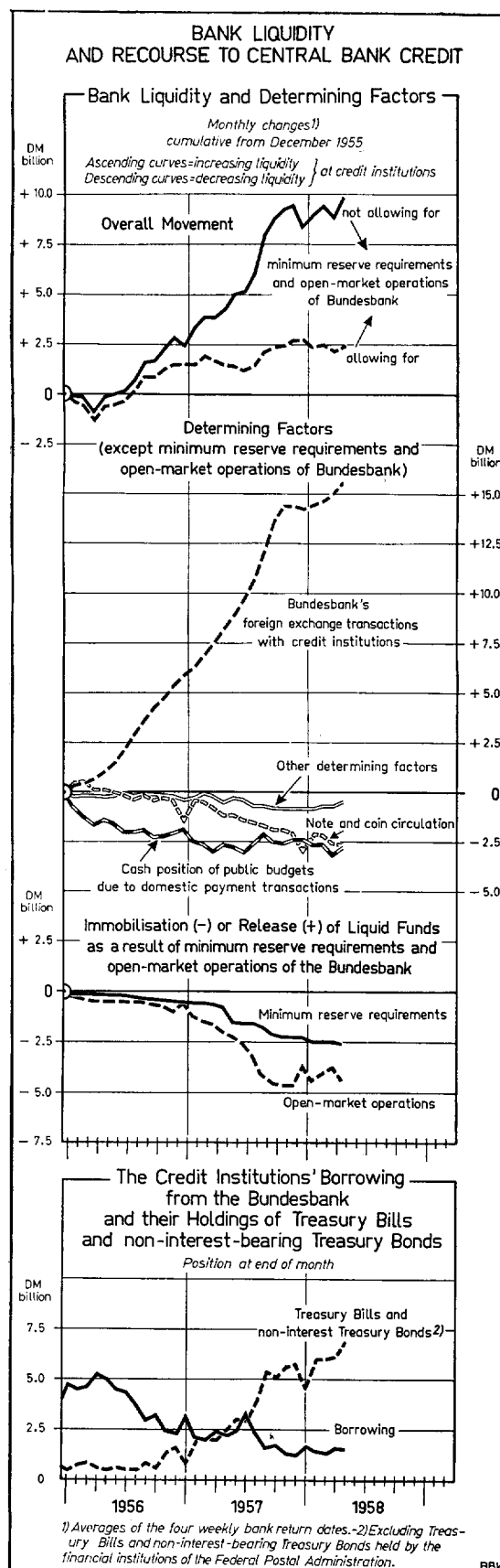
Obviously so great an afflux of exchange very largely increased the liquidity of the business community and the banking system. The whole of the foreign exchange accruing in the first three quarters of 1957 was taken by the Bank deutscher Länder or the Deutsche Bundesbank, so that pro tanto it increased the internal money supply (including, it is true, the DM balances of non-residents). Indeed the accrual of money to business enterprises and credit institutions which resulted from the exchange surpluses in the first three quarters of 1957 was actually much greater — just as it had at times been in the previous year — than the above-mentioned net exchange accruals, since a considerable part of the gross exchange losses represented the Federal Government’s foreign payments financed out of its balances held at the Central Bank.

Some idea of how the exchange surpluses in these circumstances affected the money supply is given by the table on page 32. It shows that the expansion of bank credit (including the securities taken by banks, but excluding the money-market paper originating from conversion of the Bank deutscher Länder’s or Deutsche Bundesbank’s Equalisation Claim) continued to be much less marked in 1957 than in 1955, when the exchange accrual had been smaller and the internal expansion very great. But at over DM 10 billion the 1957 increase in the total bank deposits of non-banks plus the note and coin circulation was greater than in most — although not all — preceding years. If one disregards public authorities’ Central Bank balances, which very greatly declined during 1957 under the influence of a Federal deficit which was large (but which, as already mentioned, was solely due to foreign payments), the increase actually amounted to DM 12.8 billion, whereas in 1956 it had been DM 7.3 billion and in 1955 DM 7.1 billion; even after deduction of the foreign monies the increase declines only to DM 12.5 billion¹⁾, as against DM 7.2 billion in 1956 and DM 7.1 billion in 1955. Thus the accrual of foreign exchange no doubt considerably widened the economy’s monetary margin. This effect was counteracted only slightly by the course of the public finances. It is true that, as already mentioned, the domestic expenditure of the authorities that are of decisive importance in this connection remained smaller than their receipts; thus a certain amount of money continued to be taken from “the economy” by the public authorities’ cash transactions. By comparison with earlier years however this drain of resources was only slight. In the calendar year 1957, if one regards DM 550 million of debt redemption as income-increasing expenditure (which however is no doubt open to question), it would seem to have been of the order of DM 350 million, while in the two preceding years some DM 4.5 billion had been taken from the economy in this way.

¹⁾ This takes no account of foreign banks’ balances, since the figures here mentioned relate exclusively to the deposits and note and coin holdings of non-banks.

The economy itself, however, did refrain from immediately spending the additional funds accruing to it. A large part of those funds went into reserves in the form of time deposits. This fully accorded with their character, since as was explained a large proportion of the funds in question represented payments which had been made in advance for later exports, and which had to be saved against the time when the goods would be produced and exported. Part of the increased accrual of money to the economy was also reflected on savings accounts. Since at the same time sales of bank bonds greatly increased, last year's expansion of medium and long-term bank lending was covered — to a much greater extent than during 1955 in particular, and indeed was more than covered — by the "formation of monetary capital" at the banks, and to that extent was neutral in its monetary effects. But also the relatively much increased highly liquid components of monetary wealth, that is the sight deposits and note and coin holdings, were evidently used less than normally, since their "rate of turnover" as measured by the change in their relation to the gross national product or by the ratio between deposits and debit entries became definitely slower. Thus the previously described restraint shown in demand was also clearly reflected in the monetary facts. Nevertheless the influence of the exchange surpluses on the monetary situation was not entirely unexceptionable, inasmuch as they entailed a substantial enlargement of the economy's liquid reserves, and this of course limits the possibilities of producing effect by methods of credit policy.

Besides this, as the Central Bank took large amounts of foreign exchange, the banking system's liquidity continued to increase considerably. As early as the spring of 1956 the effect of the growing exchange accruals, with a simultaneous large decline in the Federal cash surpluses (sterilised at the Bank deutscher Länder), had been to initiate for the banks a fresh process of increasing liquidity, which rapidly overcame the severe strain that had been placed on that liquidity in 1955 and at the beginning of 1956. In



The Increasing Liquidity of the Banking System

1957 this process continued in increased degree; indeed, apart from periods of war financing, there can hardly ever have been any other time in the history of German banking when the banks were able to show such large accruals of liquid resources within so short a period. In the first three quarters alone the exchange movements gave the banks DM 7.8 billion, against DM 5.6 billion in the whole of 1956. The effect of this influx on the liquidity position of the banks was the greater because only DM 0.9 billion was taken from them in the first three quarters of 1957 through the depositing of certain public authorities' cash surpluses at the Central Bank, whereas a year previously they had lost DM 1.9 billion in this way. In the third quarter, when the exchange accruals reached their peak, the public authorities which deposit their cash resources entirely (or at least to the extent of their float) at the Bundesbank actually showed deficits on their purely domestic cash transactions as well; and thus parts of those authorities' cash reserves expended also went into internal circulation and strengthened the tendencies to greater liquidity induced by the balance of payments. It is true that, as will be shown in the section dealing with credit policy and especially with open-market policy, the Bundesbank at no time lost control of the money market and of interest rates for this reason; but there is no denying that the process, with its great increase of liquidity, entailed dangers which did much to cause the Bank to regard with misgivings the growing accruals of foreign exchange.

The More Recent Tendencies to Slackening

It may be remembered that in the light of all these happenings many people recommended upward revaluation of the D-mark, because they thought that this would quickly end not only

Exchange Rate
Alteration Refused

Gold and Foreign Exchange Holdings of the Deutsche Bundesbank¹⁾

cumulative as from beginning of 1955, in millions of DM

Period	Increase in gold and foreign exchange holdings of the Deutsche Bundesbank ¹⁾	of which resulting from:			Total
		Surpluses on transactions in goods, services, donations and capital	factors temporarily much affected by speculation		
			Improvement of terms of payment	Deterioration of other banks' foreign exchange position ²⁾	
Cumulative position at end of period indicated					
1955 1st Qtr	343	499	32	- 188	- 156
2nd Qtr	849	920	203	- 274	- 71
3rd Qtr	1,303	902	521	- 120	401
4th Qtr	1,861	1,696	225	- 60	165
1956 1st Qtr	2,467	2,273	334	- 140	194
2nd Qtr	4,014	3,461	421	132	553
3rd Qtr	5,723	4,407	1,025	291	1,316
4th Qtr	6,956	5,733	858	365	1,223
1957 Jan.	7,214	5,719	1,247	248	1,495
Feb.	7,674	5,997	1,337	340	1,677
March	7,785	6,251	1,253	281	1,534
April	8,338	6,456	1,591	291	1,882
May	8,978	6,978	1,746	254	2,000
June	9,244	7,037	1,937	270	2,207
July	10,102	7,344	2,219	539	2,758
Aug.	11,561	7,927	2,646	988	3,634
Sep.	12,665	8,225	3,350	1,090	4,440
Oct.	12,740	8,714	3,195	831	4,026
Nov.	12,454	9,028	3,097	329	3,426
Dec.	12,082	9,243	2,539	300	2,839
1958 Jan.	12,007	9,003	2,987	17	3,004
Feb.	11,800	2,195	2,708	- 103	2,605
March	12,012	9,567	2,627	- 182	2,445

¹⁾ Up to 31 July 1957: Bank deutscher Länder. — ²⁾ (-) = improvement of the credit institutions' foreign exchange position.

the speculative afflux of money but also the one-sided pull of demand for German goods and services. In full agreement with the Federal Cabinet the Bundesbank categorically rejected these recommendations, as will be shown in some detail in the description of its "External Monetary Policy" in the last section of this chapter, and declared for maintaining the existing gold parity of the Deutsche Mark and therefore its present parity against the dollar. In doing so the Bank was largely guided by the consideration that the extreme size of the then exchange accruals would probably be of relatively brief duration, and that it was likely to be easier to master their disturbing effects on the general monetary situation than the difficulties to which alteration of the exchange rate might give rise.

The events of the last six months have in fact shown that this view was justified. In particular it was of great importance in this connection that the statements which the British and German Governments made at the annual meeting of the International Monetary Fund in September 1957 about their determination to adhere to the present exchange rates caused the speculation on upward revaluation of the D-mark or devalua-

Collapse of the
Exchange Rate
Speculation

*The Supply of Money and Credit**
in millions of DM

Items	Yearly					Quarterly				
	1953	1954	1955	1956	1957	Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
	Increase (+) or decrease (—)									
I. Bank lendings to non-banks	+10,387	+12,556	+13,562	+10,101	+10,004	1956 +2,398 1957 +1,854 1958 +2,715	+2,360	+2,256	+3,087	+3,727
Short-term lendings ¹⁾	+ 2,588	+ 3,602	+ 2,608	+ 1,565	+ 2,608	1956 + 206 1957 + 660 1958 + 196	+ 622	— 98	+ 835	+1,312
by Bundesbank ²⁾	(— 128)	(+ 113)	(+ 276)	(— 236)	(— 136)	1956 (— 294) 1957 (— 176) 1958 (— 13)	(+ 45)	(— 22)	(+ 35)	(+ 136)
by credit institutions	(+ 2,716)	(+ 3,489)	(+ 2,332)	(+ 1,801)	(+ 2,744)	1956 (+ 500) 1957 (+ 836) 1958 (+ 209)	(+ 577)	(— 76)	(+ 800)	(+1,176)
to public authorities ³⁾	(+ 52)	(— 61)	(— 611)	(+ 286)	(+ 1,212)	1956 (— 215) 1957 (+ 67) 1958 (+ 391)	(+ 76)	(+ 266)	(+ 159)	(+ 466)
to business and private customers	(+ 2,664)	(+ 3,550)	(+ 2,943)	(+ 1,515)	(+ 1,532)	1956 (+ 715) 1957 (+ 769) 1958 (— 182)	(+ 501)	(— 342)	(+ 641)	(+ 710)
Medium and long-term lendings (by credit institutions)	+ 7,097	+ 8,071	+10,148	+ 8,574	+ 7,234	1956 +2,110 1957 +1,119 1958 +2,231	+1,885	+2,285	+2,294	+2,561
to public authorities	(+ 1,310)	(+ 1,479)	(+ 1,956)	(+ 1,630)	(+ 1,623)	1956 (+ 413) 1957 (+ 335) 1958 (+ 805)	(+ 401)	(+ 406)	(+ 410)	(+ 758)
to business and private customers	(+ 5,787)	(+ 6,592)	(+ 8,192)	(+ 6,944)	(+ 5,611)	1956 (+1,697) 1957 (+ 784) 1958 (+1,426)	(+1,484)	(+1,879)	(+1,884)	(+1,803)
Security holdings (excluding bank bonds) ⁴⁾	+ 702 ^{pe}	+ 883 ^{pe}	+ 806 ^{pe}	— 38 ^{pe}	+ 162	1956 + 82 ^{pe} 1957 + 75 1958 + 288	— 147 ^{pe}	+ 69	— 42	— 146
note: Holdings of bank bonds	(+ 596) ^{pe}	(+ 1,252) ^{pe}	(+ 984) ^{pe}	(+ 310) ^{pe}	(+ 1,285)	1956 (+ 41) ^{pe} 1957 (+ 192) 1958 (— 817)	(+ 144) ^{pe}	(+ 127)	(— 2)	(+ 454)
II. Banking system's net foreign exchange purchases total	+ 3,486	+ 2,704	+ 1,910	+ 4,654	+ 5,363	1956 + 617 1957 + 977 1958 + 488	+1,429	+1,481	+1,127	+ 192
after elimination of net foreign payments by public authorities (chiefly Federal Government ⁴⁾) and of the interest earned by the Bundesbank on its investments abroad	+ 3,792	+ 3,396	+ 2,084	+ 5,256	+ 8,131	1956 + 615 1957 +1,734 1958 +1,327	+1,488	+1,712	+1,441	+ 871
III. Bank deposits of non-banks (including monies and loans taken), total	+11,445	+13,174	+11,043	+11,933	+11,642	1956 +1,084 1957 +1,718 1958 +1,636	+2,921	+3,183	+4,745	+4,106
of which: Central Bank balances of public authorities	+ 1,373	+ 1,307	+ 881	+ 1,055	— 2,606	1956 + 927 1957 — 67 1958 — 579	+ 414	— 987	— 550	—1,138
Monies and loans taken by credit institutions from non-banks	+ 2,842	+ 3,809	+ 4,334	+ 4,445	+ 3,071	1956 + 845 1957 + 607 1958 + 564	+1,037	+1,263	+1,300	+ 946
Savings deposits	+ 3,966	+ 5,678	+ 4,149	+ 2,902	+ 5,112	1956 +1,221 1957 +1,478 1958 +1,921	+ 563	+ 122	+ 996	+1,984
Time deposits	+ 2,210	— 151	+ 25	+ 1,870	+ 3,602	1956 — 356 1957 +1,512 1958 + 888	+ 323	+1,238	+ 665	+ 307
Sight deposits	+ 1,054	+ 2,531	+ 1,654	+ 1,661	+ 2,463	1956 —1,553 1957 —1,812 1958 —1,158	+ 584	+ 296	+2,334	+2,007
IV. Note and coin circulation ⁵⁾	+ 1,151	+ 807	+ 1,296	+ 837	+ 1,586	1956 + 477 1957 + 198 1958 + 501	+ 65	+ 222	+ 73	+ 158
V. Securities placed	Amount									
total	3,171	5,144	5,236	4,402	5,815	1956 1,261 1957 1,192 1958 2,333	940	1,437	1,676	1,676
of which: Fixed-interest securities	2,902	4,691	3,681	2,564	4,183	1956 716 1957 837 1958 2,055	502	850	496	1,423
thereof: Bank bonds	(1,697)	(3,305)	(2,666)	(1,669)	(2,552)	1956 (541) 1957 (414) 1958 (1,222)	(496)	(346)	(286)	(931)
Shares	269	453	1,555	1,838	1,632	1956 545 1957 355 1958 278	437	588	268	253

^{*}) Differences between the figures for changes as contained in this table and the changes which can be calculated from the figures presented in the statistical annex to this Report are due to the statistical adjustments effected in this table.

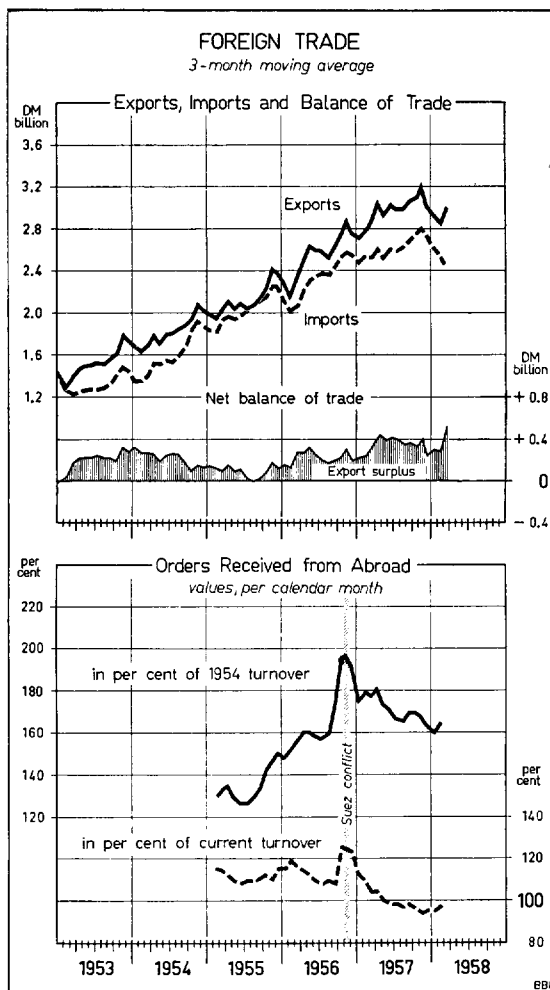
¹⁾ Including purchase of Treasury bills and non-interest-bearing Treasury bonds, but excluding "mobilisation paper" (partly estimated). — ²⁾ Or (up to 31 July 1957) by Bank deutscher Länder, Land Central Banks and Berlin Central Bank; almost exclusively to public authorities. — ³⁾ Only securities of German issuers; at credit institutions and Bundesbank. — ⁴⁾ Only actual payments, without guarantees given and letters of credit opened. — ⁵⁾ Not including credit institutions' cash holdings. — pe) = partly estimated.

tion of sterling to cease, and indeed to collapse. Not only did the speculatively induced inflows of foreign exchange into the Federal Republic thereupon stop; in addition there has actually been in recent months an extensive back-flow of the "hot" foreign money, and considerable expansion of the German banks' foreign investments. At the Bundesbank, which in the third quarter of 1957 had exchange accruals amounting to DM 3.4 billion, no further foreign exchange has on balance accrued at all since that time; on the contrary, relatively large outflows in the months from November 1957 to February 1958 caused the Bank's gold and exchange holding on 15 May 1958 to be slightly lower than at the peak which it attained last autumn. Besides this there has been since October 1957 only a slight surplus on the overall exchange movement, in which the deterioration in the Bundesbank's exchange position has been partly offset by the improvement induced in that of the other banks through the above-mentioned increase of their foreign balances and the withdrawal (also mentioned) of foreigners' money. Up to April 1958, the last month for which figures are yet available, that surplus amounted to DM 900 million as against DM 2.6 billion in the third quarter of 1957 and nearly DM 5 billion in the first nine months of that year. The reason was that, since the collapse of exchange-rate speculation and in some measure also owing to the effect of the narrowing of the margin between interest rates in the Federal Republic and those abroad, the terms of payment have again substantially deteriorated. Thus in the period

from October 1957 to March 1958 the overall balance of transactions surplus of DM 1.3 billion had against it an overall exchange surplus of only DM 600 million. In other words to the extent of about DM 700 million the economy would seem to have effected foreign deliveries for which payment had previously been made, or to have paid earlier than before for foreigners' deliveries of goods and services.

In the sphere of actual foreign trade, however, signs of a change are also increasingly apparent. For about the last twelve months the inflow of orders from abroad has been declining. In the first quarter of 1957 it was still above the level of a year earlier by 18 per cent, and in the third quarter by only 4 per cent; but in the first quarter of 1958 it was 9 per cent lower than a year before. At the same time its relation to current deliveries has visibly deteriorated. On the average of 1956 incoming orders had exceeded sales by about 17 per cent; and on the average of 1957 the two were just in balance. At the same time, apart from seasonal fluctuations, there was a steady decrease. In the first quarter of 1957 incoming orders were greater than sales by 11 per cent, but in the fourth they were smaller by 5 per cent; and in the first quarter of 1958 fresh orders reached only about 98 per cent of sales, although normally in that period

Flagging Exports



they substantially exceed them. If data as to cancellation of old orders were available the picture would no doubt be even more unfavourable, since cancellations are said to have greatly increased of late in some quarters. For some time therefore the data permitting a forecast of

exports have clearly indicated a decline in these; and no very thorough analysis is needed to show the connection between this trend and the weakening of the inflationary pull of foreign demand which the Bundesbank had expected when it refused to alter the exchange rate.

In 1957 this process had been almost entirely confined to the sphere of orders, while export sales rose further on the strength of the thick cushion of outstanding orders accumulated in the years of booming demand; but of late the increase in export deliveries has virtually ended. In the first months of 1958 exports declined more than is usual at this season. In March, for the first time in years, they actually were no longer above but below the level in the corresponding month a year earlier; and although this altered in April, at not quite 4 per cent in the first four months of 1958 their "year-to-year growth-ratio" was already much lower than in 1957, when it had not been below 11 per cent in any quarter. Thus the signs of world recession, largely an inevitable reaction to the years of inflationary overstraining of many countries' intrinsic economic strength, are now clearly beginning to affect German exports.

On the balance of payments, it is true, this change has so far produced little effect. As yet the flagging of exports has against it a flagging of imports which in terms of value is not much smaller; and this has prevented the fall in exports from also reducing the trade surplus. In some measure this trend is due to the great increase in German farm production, and to the above-described signs of slackening caused by the stock cycle in the basic industries and in some consumer goods industries, since these factors have in some sections reduced the demand for imports. What is of decisive importance however is the fall in world-market prices and freight rates; this has evidently depressed the value of German imports and so, contrary to the tendencies in demand, is keeping up the German export surplus or retarding its reduction. Thus, while in accordance with the trend in foreign demand Germany's exports remain stationary or even decline in terms not only of value but also of volume, the stagnation of Germany's imports in terms of value is solely due to the fall in average values of the import unit — against which the volume of imports, conforming to the course of domestic demand, was about 7 per cent greater than a year earlier even in the first three months of 1958, this being the last quarter for which the facts can be fully seen. In consequence of the said improvement in the terms of trade however the export surplus still amounted to DM 920 million, thereby exceeding its amount for the corresponding period of last year by almost DM 200 million. It must indeed be borne in mind that meanwhile, with the surpluses on services remaining about the same, the deficit on other items in the balance of payments has risen by an amount greater than the growth of the export surplus. Thus the tendency for the overall balance-of-payments surplus to decline has continued despite the persistence of export surpluses. What is most important however is that at the moment these export surpluses are no longer anything like so troublesome as they still were for instance in 1956, because they are caused by exports which are hardly any longer growing but are even tending to decline, so that they no longer hinder the easing of cyclical strains. On the contrary, with the disappearance of the impulses coming from outside, the easing of pressure on the markets is now being assisted from that quarter also; and hence there is a possibility of gradually letting the internal expansion go further, whereas in 1955 and 1956 that expansion had to be vigorously kept in check because of the then booming export demand.

2. Internal Monetary Policy

Interest Rate Policy

The Bank Rate Reductions

For the Bundesbank this easing of overall economic conditions was significant, as already mentioned, inasmuch as it enabled the Bank cautiously to continue the relaxing of credit policy which had begun in certain connections in the autumn of 1956. The further reductions of the Central Bank discount rate were especially typical of this relaxing. The first two reductions on

6 September 1956 and 11 January 1957 — both were mentioned in our last Annual Report — were followed by two more on 19 September 1957 and 17 January 1958. Each time the reduction was by $\frac{1}{2}\%$, so that at $3\frac{1}{2}\%$ the Bank Rate is now 2% below the level to which it had been raised by the much disputed increase on 19 May 1956. It is however $\frac{1}{2}\%$ higher than before the restrictive measures which had been introduced by a $\frac{1}{2}\%$ increase on 4 August 1955.

The Bundesbank took advantage the more readily of this opportunity to lower its discount rate without thereby endangering the release from monetary tension because the German level of interest rates is high in relation to that in other countries, which are by no means richer in capital, and because a reduction from this excessive height is urgently desirable on both domestic and external grounds.

This is not the place to enter more fully into the causes of the abnormal level of interest rates in Germany. It is largely due to the fact that monetary wealth virtually was completely destroyed twice in one generation, each time in a period when there was extreme need of capital for reconstruction purposes, and that consequently in accordance with the law of the market a high price had to be paid for surrender of the use of money. To this there were added what may be called "institutional" circumstances, such as tax policy and certain special features of the banks' business on the asset and liability sides, with the particular result that in Germany the rate of interest for capital is generally higher than in many other countries which can hardly be described as more developed, and which therefore have a need for investment that is scarcely less than that of the Federal Republic. Even last year for example the yield on first-class German industrial bonds was still over 8 per cent, and less known enterprises incapable of issuing their own securities were as a rule able to procure borrowed capital only at still higher rates. In the meantime the conditions have changed; but even now capital is in general dearer in the Federal Republic than in the other West European countries, just as for the average borrower the costs of bank credit are usually above the rates charged in those countries on comparable business.

It is urgently necessary to lighten this burden. The time when the relative costliness of capital was made good by relative cheapness of labour is past. Labour has become scarce, and wages have correspondingly risen, while the rate of profit is accordingly falling. If the loan interest rate is not adjusted to this decline in prospects of profit, investment activity may be seriously impaired. The lowering of the rate of interest on capital is therefore an essential condition for the maintenance of a rate of investment high enough to save German industry from lagging behind in the technical changes which are now taking place.

Even more important at the present time, however, is the foreign trade and payments aspect of this problem. The Federal Republic is in the course of merging with the economies of five other West European countries within a decade to form one great economic community, within which there will no longer be any difference between the home and foreign markets, and the international movement of money and capital is therefore also to be completely free. That is not possible without further harmonising of the level of interest rates in the various countries, in which connection the gradual lowering of the German interest-rate level to that of the other countries is the only practical possibility. From the point of view of solving the present balance-of-payments problems a levelling of interest rates as between the Federal Republic and foreign countries is also of the utmost importance. For quite a long time the short-term international movement of capital in the Federal Republic has in practice been completely free. The existence of a gap between interest rates in the Federal Republic and other countries therefore always involves a tendency for money to flow in, or for the financing of certain business to be switched from the home market to foreign countries. It is true that inflows of money for the purpose of exploiting interest-rate differences have now been partly barred through the fact that no interest may be paid on non-residents' bank deposits; but it is clear that, with such differences wide, many credit institutions might be tempted to evade this provision, in one way

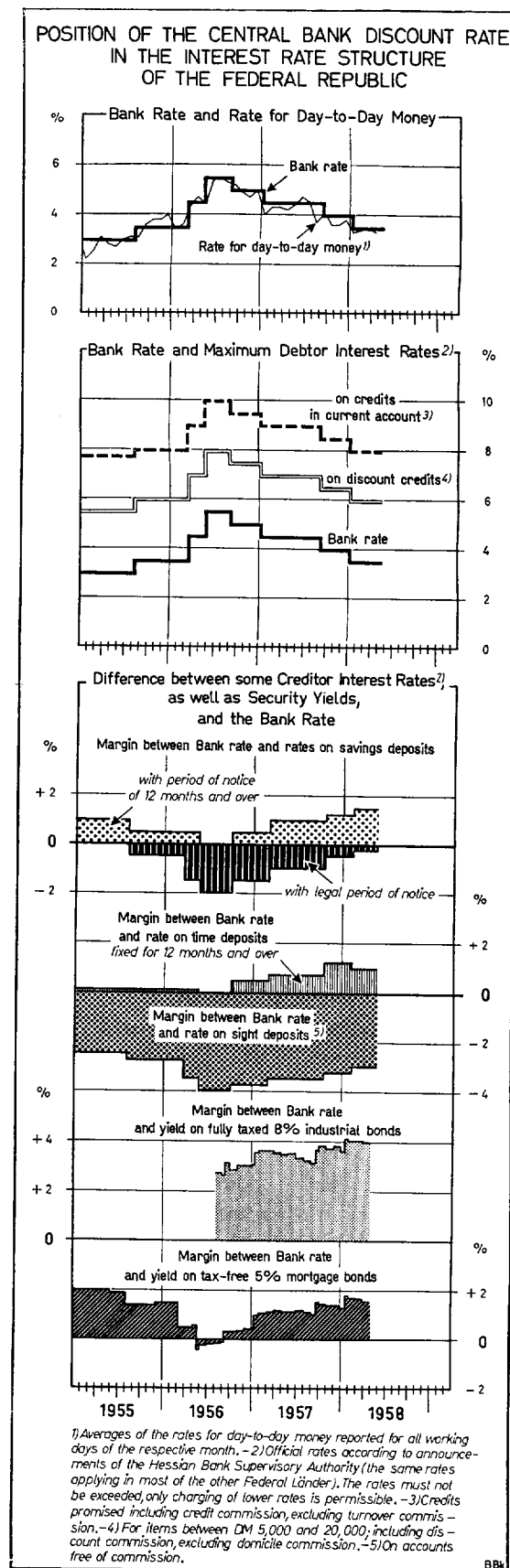
The "excessively high" Level of German Interest Rates

Grounds of Investment and Balance of Payments Policy indicating the Need for a Reduction of Interest Rates

or another, if they attached great importance to obtaining deposits. Above all however experience has shown not only that the gap between interest rates during recent years has led to sometimes quite considerable switching of foreign-trade financing from Germany to other countries, but that the interest-rate differences have also done something towards causing the great improvement in the terms of payment which took place in the years 1955 to 1957 in favour of the Federal Republic. In fact the large advance payments which exporters have received during recent years, and the longer periods which some importers were able to obtain for payment, reflected not only exchange-rate speculation but also in part the difference between German and foreign interest rates — because during the time when German interest rates were above those abroad by an especially wide margin it was possible for both exporters and importers to find it thoroughly profitable to gain through price concessions the benefit of more favourable payment conditions conceded by their customers or suppliers respectively, and thus to save the relatively high interest costs of the borrowing at home which would otherwise have been unavoidable. The difference between interest rates therefore certainly played some part in the comparatively large foreign-exchange receipts which the Federal Republic was showing up till last autumn over and above the “true” surpluses on the balance of transactions. It was also in some measure due to the gap between interest rates that so far there has been no major export of capital from the Federal Republic, although it would be a mistake to over-estimate this circumstance, because as will be shown later there are also other reasons which still prevent the Federal Republic from playing a significant part as a capital-exporting country. All things considered, however, lowering of the level of interest rates was and still is an important objective from the point of view of balance-of-payments policy also.

Bank Rate and Other Interest Rates

By lowering its discount rate the Bundesbank was of course able to influence only the tendency of the general interest-rate level, because there is no more than a partial



direct connection between that discount rate and the rates of interest which matter to the economy. In particular the rate of interest on capital is relatively independent; at times indeed, as had been shown by its movement after the reductions of Bank Rate in September 1956 and January 1957, it can even move in a direction opposite to this latter. But even the rates of interest on money at shorter term are by no means affected to the full corresponding extent by changes in Bank Rate. There is a direct connection here only in the case of the debtor interest rates which are fixed by the Bank Supervisory Authorities, and which change automatically when Bank Rate does. This link is highly important, because it ensures at least partially that Bank Rate changes shall produce immediate effect. True, the debtor interest rates fixed by the Bank Supervisory Authorities are maxima from which the actual rates may diverge in greater or lesser

Difference between Bank Rate and Various Creditor Interest Rates¹⁾

Date of revision of creditor interest rates	Monies payable on demand on accounts free of commission	Savings deposits with agreed period of notice of		Monies ²⁾ placed for fixed periods of			
		6 months to less than 12 months	12 months and over	30 to 89 days	90 to 179 days	180 to 359 days	360 days and over
1950 from 1 Dec.	-5	-2 1/2	-1 1/2	-2 1/2	-2 1/8	-1 3/4	-1 3/8
1952 from 29 May from 1 Sep.	-4 -3 1/2	-1 1/2 -1	- 1/2 —	-1 1/2 -1 1/2	-1 1/8 -1 1/8	- 3/4 - 3/4	- 3/8 - 3/8
1953 from 1 Feb. from 1 July	-3 -2 3/4	- 1/2 —	+ 1/4 + 3/4	-1 1/2 -1 1/4	-1 1/8 - 7/8	- 3/4 - 1/2	- 3/8 - 1/8
1954 from 1 July	-2 1/2	+ 1/4	+1	-1	- 5/8	- 1/4	+ 1/8
1955 from 4 Aug.	-2 3/4	—	+ 1/2	-1 1/8	- 3/4	- 3/8	+ 1/8
1956 from 16 March from 19 May from 1 Oct.	-3 1/2 -4 -3 3/4	- 1/2 -1 - 1/2	+ 1/2 — + 1/2	-1 1/8 -1 1/4 - 3/4	- 3/4 - 3/4 - 1/4	- 1/4 - 1/4 + 1/4	+ 1/8 — + 1/2
1957 from 1 Feb. from 17 Oct.	-3 1/2 -3 1/4	— + 1/4	+1 +1 1/4	- 3/4 - 5/8	- 1/4 - 1/4	+ 1/4 + 1/4	+ 3/4 +1 1/4
1958 from 10 Feb.	-3	+ 1/2	+1 1/2	- 5/8	- 1/2	+ 1/4	+1

¹⁾ Maximum rates; charging of lower rates permissible; according to announcement of the Hessian Bank Supervisory Authority (in most of the other Federal Länder the same rates apply). — ²⁾ Deposited amounts of less than DM 50,000.

degree, and in fact do so diverge according to customers' soundness and the strength of competition between the banks. Similarly the credit commissions, which in the Federal Republic form a very important component of the total costs of borrowing, can vary below the upper limits fixed by the Bank Supervisory Authorities. It is therefore possible for a lowering of the maximum limits for debtor interest rates not to produce a parallel effect on actual borrowing costs. In addition the maximum limits for the banks' deposit interest rates — also fixed by the Bank Supervisory Authorities — are not always fully adjusted to changes in Bank Rate. Just lately, to the Bundesbank's regret, deposit interest rates have in some cases been lowered by much less than would have corresponded to the repeated lowering of Bank Rate because the savings banks' objections to any greater — and still more any complete — adjustment of rates for savings deposits were allowed, and accordingly the rates for time deposits also had to be kept relatively high because otherwise substantial sums would have been switched from time to savings accounts. One consequence was that the reductions of Bank Rate did not create so wide a gap between bank deposit rates and the yield on securities as would have been desirable in the interest of more rapid easing of the capital market. Above all however, owing to the relatively small decline in the rates for savings deposits and some of the time deposits, the banks' "costs of procuring money"

remained at a level which must be described as high by comparison with that in other countries; and it was obvious that this retarded the lowering of effective bank interest rates.

Of late however under pressure of the growing inter-bank competition, to which the great reduction in the demand for short-term credit has largely contributed, the level of debtor interest rates has nevertheless been clearly falling. The number of cases in which, and the extent to which, the rates charged have been below the maximum have increased. The downward pressure on deposit interest rates is also growing, and the need for revision of the latest decisions regarding these rates is becoming more and more urgent. On the capital market also a notable lowering of interest rates has for some time been in progress. The old fixed-interest securities have largely made good the price falls suffered since the autumn of 1955; and on some issues of mortgage and communal bonds in May this year the interest rate was $1/2\%$ below that of 7% that had been usual on new issues during recent months — although, it is true, the issue price was also lower.

This however is not meant to imply that the progress in these respects was achieved only through the reductions of Bank Rate. That was not so; and — as must be added — it is even a good thing that it was not because, if the Bank Rate reductions had been the only factor determining the lowering of interest rates in general and especially of those in the capital market, that lowering process would have taken place on a doubtful basis. The decisive point is rather that the formation of capital has appreciably increased and that, as confidence in the currency grows, a falling trend in interest rates is expected. Once that basis existed however it was possible by reducing the high 1956 Bank Rate to assist psychologically and materially the lowering of interest rates which was already taking place in view of the market situation — more especially since the Bank was at the same time able to ensure through its liquidity policy that, despite the strong tendencies which were present last year for liquidity to increase, the lowering of interest rates took place in orderly ways and without precipitation, thereby preserving the character of a natural movement.

Liquidity Policy

The Problems

Thus the problems which arose for the Bank in the sphere of liquidity policy have already been clearly outlined: it was above all important to come to grips with the accruals of liquidity to the banks which have been described in an earlier connection, and which were caused by the substantial exchange surpluses coinciding with the disappearance of cash surpluses in the public budgets. The Bundesbank did not try completely to prevent the resulting increase in the banks' liquidity; instead it resigned itself to a further increase in the banks' liquidity as especially reflected, apart from the building up — to be mentioned later — of a substantial bank holding of money-market paper, in a decrease of the banks' indebtedness to the Bundesbank and further substantial increase of their unused rediscount quotas, doing so because the expansion of actual bank credit remained moderate and because the increase in liquidity accordingly did not disturb the process of monetary relaxation. But the Bundesbank did constantly take pains to check the affluxes of liquidity so far as possible, or at least to canalise them in such a way that they did no harm from the point of view of monetary and credit policy.

Minimum Reserve Policy

Two Increases
of the Reserve Ratios

One point of material importance in this connection was the requirements as to minimum reserves. The credit institutions' required minimum reserve rose from not quite DM 4.3 billion in December 1956 to DM 6.4 billion in April 1958. Thus more than DM 2 billion of the additions to liquid assets in that period were absorbed through the minimum reserve obligations. In large part this happened automatically, since the required reserve grows together with the liabilities carrying those obligations and the increase in these during the period was more than DM 16 billion, which even with unaltered reserve ratios would have required an additional reserve of about DM 1.2 billion if one disregards any switches between the types of liability subject to the

different reserve ratios. In addition however the ratios were raised twice during the period, with effect from 1 May and 1 September 1957. The first of these two increases was discussed in last year's Report. It took the form of an equal 1 per cent rise, from which only the sight liabilities of the smaller institutions at places with no Bundesbank branch were exempt, in the reserve ratios for all DM liabilities to residents together with an increase in the reserve ratios for liabilities towards non-residents to the then highest permissible limits of 20 per cent for sight liabilities and 10 per cent for time liabilities and savings deposits. Thus the required reserve abruptly rose by almost DM 700 million. The second increase of the reserve applied on the other hand only to DM liabilities towards non-residents, leaving domestic liabilities completely unaffected; even so the required minimum reserve rose by more than DM 200 million in September 1957 in virtue of that measure alone, that is to say without the rise resulting from growth of the liabilities.

Special Reserve Ratios
for Foreign Liabilities

The immediate occasion or rather opportunity for this second raising of certain minimum reserves was offered by the coming into force of the Bundesbank Law, since it raised the maximum limit for the reserve ratios in respect of sight liabilities from the previous 20 to 30 per cent, and that for time liabilities from 10 to 20 per cent, while leaving the maximum ratio for savings deposits at 10 per cent. This had made it possible further to raise the reserve ratios for foreign liabilities, which had already been raised with effect from 1 May 1957 to the upper limits then in force; and the Bundesbank made use of this possibility the more readily because the inflows of money from abroad had considerably increased since the spring. No actual reduction of these inflows of money was of course expected to result from the raising of the minimum reserves. In regard to these inflows — at least so far as they represent deposits of banks, which account for the major part of the foreign liabilities carrying the minimum reserve requirement — the initiative of the German banks has always been and could be only a small factor, since in principle no interest may be paid on non-residents' deposits; but even though certain other advantages may here and there have been accorded by way of compensation, the increase in the minimum reserve ratios created as a rule no serious obstacle to continuance of this practice because even thereafter the banks were still left with at least 70 per cent of the monies in question for remunerative employment. Still, the raising of the reserve ratios for foreign liabilities did at least tie up part of the monies which had accrued to the banks from abroad, and correspondingly reduced the process of addition to liquidity. A drastic raising of the reserve ratios in this sphere was however certainly preferable to a smaller general raising of reserves, because it so to speak drew off liquidity at the source; this therefore avoided also affecting those institutions the trend of whose liquidity was not so favourable. For the institutions concerned this raising of the reserve ratios certainly meant no hardship, since it applied to liabilities on which no interest was payable; the leaving of at least 70 per cent of these liabilities available for free employment would therefore seem to have been in all cases more than enough to cover the costs entailed by administration of the monies in question, even where the monies were on a number of small accounts. Besides this, as mentioned in our last year's Report, it is quite in the nature of foreign liabilities for especially large liquidity reserves to be kept in respect of them, and to be best kept at the Central Bank. So far therefore the Bundesbank has seen no occasion again to reduce the reserve ratios for foreign liabilities, even though since the ceasing of the exchange-rate speculation the inflows of money from abroad have not only stopped but have actually been replaced by outflows of "hot" money. The amounts of the minimum reserves to be kept in respect of foreign liabilities have however of course declined in proportion to the extent of these outflows.

Deposit Policy

The Bundesbank Law afforded the Bank a further possibility of drawing off liquidity inasmuch as it expressed much more precisely than before, and thereby tightened, the provisions as to the depositing of public monies at the Central Bank so far as monies of the Länder were concerned. In fact, the Länder were already required under the Land Central Bank Laws to deposit exclusively

Article 17 of the
Bundesbank Law

at the Land Central Banks (the present Main Offices of the Bundesbank) at least the monies resulting from their initial currency allowance in connection with the currency reform and from tax revenues; but, if only because of the impossibility of clearly differentiating the existing cash resources according to their origin, this provision had left such wide possibilities of evasion open that with few exceptions the Länder kept the greater part of their funds at credit institutions other than the Land Central Banks. The Bundesbank Law now on the other hand establishes for the Länder also the clear obligation to deposit all their liquid resources at the Bundesbank, so far as the Bundesbank does not expressly permit the placing of them elsewhere. On entry into force of the Bundesbank Law therefore the Länder were basically obliged to transfer to the Bundesbank all the liquid balances standing in their names, unless they had obtained the Bundesbank's leave to make an exception in this respect.

The Consequences

It was of course not to be expected that this provision would immediately result in a large movement of monies to the Central Bank from the credit institutions to which the keeping of the Länder's resources had been previously entrusted. Such a movement was ruled out if only by the fact that a large part of the monies was fixed for certain periods. Besides this the Law requires the Bundesbank in the granting of permits for exceptions to give due consideration to the interest which the Länder have in maintaining their State Banks and Land Banks (Landesbanken). The Law thus makes provision for an appropriate amount of liquid resources to be kept at banks other than the Bundesbank; and the Bundesbank has made allowance for this by fixing individual quotas at the request of the Länder — although not in all cases to the extent requested — for the amounts which the Länder may keep at the most important institutions concerned. All these quotas are subject to time limits, so that they can be amended in case of need; and the Länder were enjoined to fix monies within these quotas only in so far as the money would not be needed in the meantime, since the Bundesbank was not prepared to grant cash advances to any Land for a relatively long period or regularly at particular times so long as that Land still had substantial sums standing at other credit institutions.

Even though in these circumstances no great flow of funds of the Länder to the Bundesbank set in, there is no mistaking the fact that for some time the liquid resources of the Länder have been deposited in a higher proportion than before at the Bundesbank. At DM 923 million on the daily average of the months of March and April 1958 the balances of the Länder at the Bundesbank were higher by about DM 250 million — while their total cash resources had hardly risen to a like extent — than the daily average for December 1957 and January 1958 (months approximately comparable from the point of view of the cash position); and in the light of the arrangements made it may be assumed that the proportion of the monies deposited at the Bundesbank to the total liquid funds of the Länder will rise further. Thus a certain offset, even though a modest one, to the tendencies to increasing liquidity has been created; and similarly the above-mentioned notice of a more restrictive attitude towards the granting of cash advances to the Länder may perhaps help to keep one potential domestic source of addition to liquidity stopped.

Open Market Policy

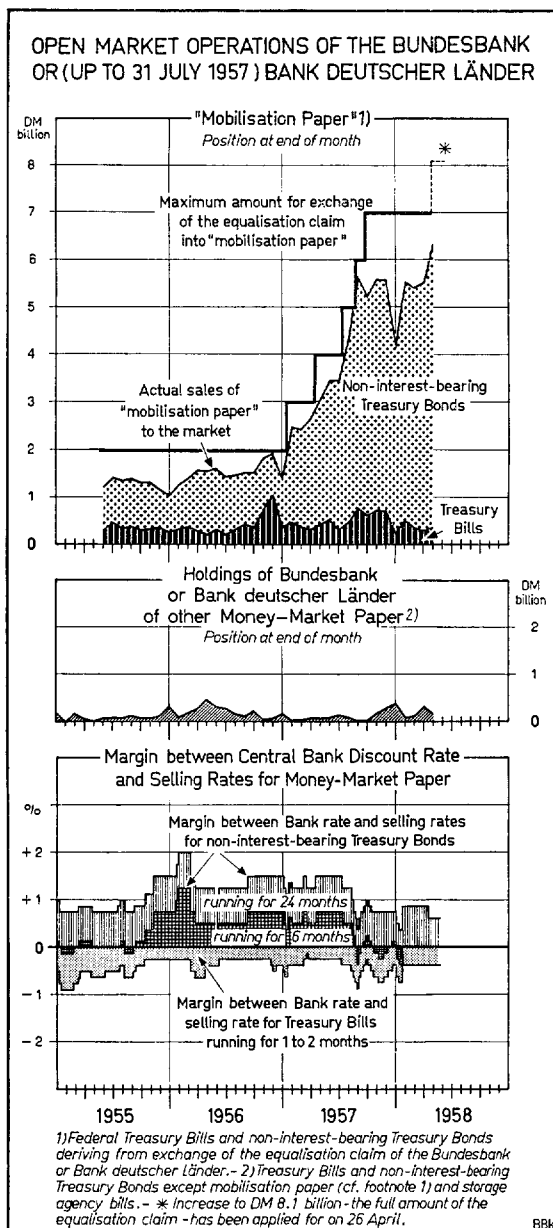
The Sale of “Mobilisation Paper”

The Bundesbank however produced much the strongest influence on liquidity through its open-market policy, that is in the main through sale of Treasury Bills and non-interest-bearing Treasury Bonds (the “mobilisation paper”) which it had acquired, in exchange for a corresponding amount of its Equalisation Claim, under the agreement with the Federal Finance Minister which was described in our Report for the Year 1955. The amount of such mobilisation paper issued rose from DM 1.4 billion on 31 December 1956 — although, owing to the usual end-of-year strain on liquidity, this amount was about DM 500 million below the 1956 peak attained in November of that year — to nearly DM 5.6 billion on 31 October 1957, and then (after a rather lengthy intervening period characterised in the main only by the large seasonal fluctuations usual around the turn of the year) to roughly DM 6.3 billion on 30 April 1958. Thus since the end of 1956

monies amounting to nearly DM 5 billion have been attracted to the Central Bank: that is to say, nearly two-thirds of the gross addition which the banks received to their liquid assets in that period.

The entry into force of the Bundesbank Law on 1 August 1957 much assisted this great extension of open-market operations, partly indeed creating for the first time the balance-sheet requirements for it. What is crucially important in this connection is that since the merging of the Land Central Banks and the Berlin Central Bank with the Bank deutscher Länder, which by that same act became the Deutsche Bundesbank, there has been available within the balance sheet for conversion into money-market paper an Equalisation Claim amounting to DM 8.1 billion, whereas the Bank deutscher Länder's Equalisation Claim had amounted to only DM 5.5 billion — which even in August 1957, soon after the coming into force of the Bundesbank Law, would already have been too small to permit the sale of mobilisation paper to the extent required.

It is true that the amount up to which the Bundesbank's Equalisation Claim can be converted into "mobilisation paper" with a view to sale to the market requires the Federal Cabinet's assent when it exceeds DM 4 billion, just as in the time of the Bank deutscher Länder such conversion could be effected only within a quota agreed with the Federal Finance Minister. The Federal Finance Minister or the Cabinet has however on the Bank's application always assented to the raising, as this became necessary on growth of the circulation of such paper, of the maxima previously in force. During 1957 the amount was in fact raised five times, each time by DM 1 billion, being increased for the last time on 20 September to DM 7 billion. An application was made in April 1958 for a further increase, this time to the full DM 8.1 billion of the Bundesbank's Equalisation Claim. The application is expected to be granted soon, and then the Bank will have a very substantial



margin for the issue of money-market paper — although last year also it never at any time had difficulty in satisfying the demand which arose for such paper.

The Bundesbank has adhered to the principle of selling money-market paper according to the market's need, and of taking it back again on the terms from time to time in force. Contrary to the practice prevailing in some other countries, therefore, the Bank leaves the initiative in open-market transactions largely to the market. Indirectly however it exerts a perceptible influence on the volume of such transactions through the level of the (flexible) rates at which it sells money-

The Importance of Open Market Policy

market paper and — subject to a variable addition, the amount of which is governed by the prevailing state of the market and the type of paper — takes such paper in again. The relation in which these “selling rates” stand to Bank Rate largely determines in particular the extent to which the banks finance their needs by rediscounting bills, by inter-bank borrowing through the taking of money-market loans, or possibly through resale of money-market paper to the Bundesbank. If the selling rates are relatively low there is less rediscounting of bills because it is then more advantageous, in case of need, to sell money-market paper or take money-market loans. Conversely however open-market policy ensures that, apart from relatively short-term fluctuations, money-market rates cannot drop below the level of the selling rates. Nobody will in fact offer money in the market if he can obtain a higher return by acquiring money-market paper. Thus the readiness of the Central Bank to sell money-market paper practically without limit at the rates fixed by itself prevents extreme tendencies to increased liquidity from completely squeezing out rediscount business in circumstances in which it might be cheaper for banks to obtain funds in the market. In this way the Bundesbank keeps its discount rate effective, in the sense that it prevents rates of interest from being forced down far below that rate through a glut of money, which would deprive it of the control of interest rates. Particularly last year, as can be at once seen, the possibility of such action was of absolutely fundamental importance for the maintaining of orderly money and credit conditions. If the Bundesbank had not been able to sell several billion DM of mobilisation paper to the market, there would certainly have been a glut of money with highly undesirable consequences to the entire monetary trend, or else the Bank would have been forced to raise the minimum reserves to an extent which would have created serious difficulties for a large number of institutions. As things were, on the other hand, it was possible to keep the market under control and to protect interest rates against extreme downward pressure.

Considerable
Consolidation of the
Mobilisation Paper
in Circulation

Fortunately however it also proved possible during the period under report to effect a certain consolidation as regards the maturities of the money-market paper sold. As recently as the beginning of last year about a quarter of the mobilisation paper in circulation had consisted of Treasury Bills; and among the circulating non-interest-bearing Treasury Bonds the shorter maturities, of less than a year, had greatly predominated. Later however the Treasury Bills became less and less prominent, while among the non-interest-bearing Treasury Bonds the proportion of those with longer lives (of one to two years) steadily increased. At the end of April 1958 for instance there were outstanding about DM 5.5 billion of non-interest-bearing Treasury Bonds with a life of one to two years (reckoned in each case from the date of issue); but of such bonds at six months there were on the other hand only DM 0.4 billion, and of Treasury Bills also only DM 0.4 billion. It is left to applicants to decide whether they will take non-interest-bearing Treasury Bonds running for roughly six, twelve, eighteen or twenty-four months or Treasury Bills (although for these latter a lower limit of sixty days is set). The applicants themselves have however increasingly chosen longer maturities because as a rule they expect a falling trend in interest rates, and because they judge that the risk of being caught by high Bundesbank rates if they have to sell the paper is relatively slight as against the advantage of continuing to enjoy the existing rates for longer. Here again therefore, just as where money is employed in other forms, the expectation of a further fall in interest rates produced a consolidating effect: that is to say, it encouraged the propensity of investors to accept a possibly longer commitment with the object of obtaining a higher return.

This tendency of course reduces the monetary risk which can be entailed in a relatively large circulation of money-market paper. True, it is not impossible to sell the longer-term paper before it matures; the Central Bank may indeed itself take such paper back in the course of its open-market operations. But the more the longer types predominate in the holding of money-market paper, the more easily liquidation of that holding can be checked through the terms for repur-

chase. The point is that money-market paper can be liquidated before maturity only at a discount which corresponds to the selling rates in force plus an addition for taking the paper back; and consequently, if the rates rise considerably, the rate of such discount can be higher than that at which the paper was acquired. Through a rise in the selling rates, therefore, the holders of money-market paper can if necessary be induced to retain their holdings; and the longer the paper in question still has to run the greater, of course, will be the effect produced in terms of liquidity policy. The pessimistic view found in some quarters that the great mass of money-market paper at the banks has in practice made them independent of the Central Bank for as far ahead as can be seen is not at all correct. Apart from the possibility just mentioned of discouraging through a rise in the selling rates the mobilising of this mass with the object of obtaining free reserves at the Central Bank, it must be especially pointed out in this connection that the Bundesbank could counter through requiring increased minimum reserves, through cuts in rediscount quotas, and possibly also through greater concentration of public monies in its own hands, any undesired addition to liquidity resulting from liquidation of money-market paper. The Bank would have to use these methods without hesitation, and would indeed do so, should the monetary situation so require.

All things considered therefore the Bundesbank does not take the view that its open-market policy only enabled it to remove the acute dangers which the process of very great additions to liquidity in the last two years would otherwise have created from the point of view of banking and interest-rate policy, but that pro futuro the credit institutions' independence in respect of liquidity has grown to the extent to which the Bundesbank sold money-market paper to them. In reality more has been achieved. Certainly there is now, as already emphasised, an excess of liquidity which is open to some objections — and that not only in the business community but even more in the banking system. But it is precisely through open-market operations that progress towards greater control of this liquidity has also been made, so that the further absolute increase in liquidity reserves has not lacked an offset.

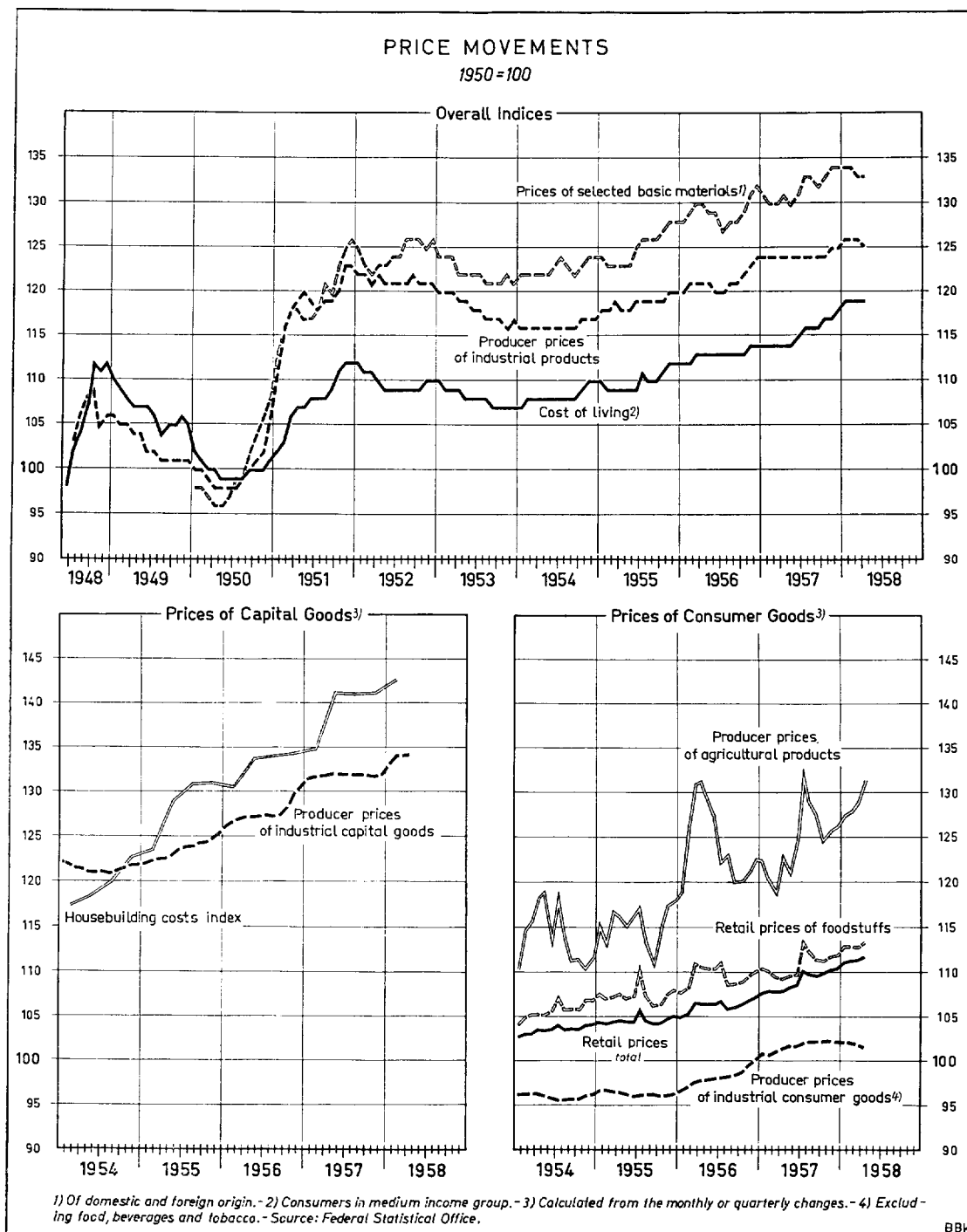
Price Trends and Credit Policy

The Rise in Prices

The Bundesbank found itself faced with a further special problem in its credit policy through the fact that the price level has risen until very recently despite the evident easing of cyclical strains, and has done so at times hardly less than when boom conditions prevailed. A clear impression of this trend is given by the following graph. This shows that the most important price indices rose not only in 1957, but in some cases also in the first months of the current year, so that simply to the eye scarcely any interruption of the price-trend which has been clearly upward since 1955 is yet apparent. For instance the cost of living, which understandably is always the object of main interest to the general public in connection with prices, was higher in March 1958 by 4.7, 5.1 and 9.1 per cent than in the corresponding month in 1957, 1956 and 1955; and there were similar rises in the indices of basic-material prices and of producers' prices for industrial products. This trend caused constant doubt as to whether the economic situation had really already eased so far that the reins of credit policy could be relaxed, or whether there was not an excess demand which ought to be resolutely counteracted by methods of monetary and credit policy.

On looking closely into the causes of the last eighteen months' price rise, however, one finds that in contrast to the preceding phase of rising prices they then lay scarcely any longer on the side of demand, but quite predominantly in cost increases which were able to affect the movement of the overall price level even though demand was already falling off in many sections and evidently no longer exceeded productive capacity. One important factor in the latest price rises

Cost-induced instead
of Demand-induced
Price Rises

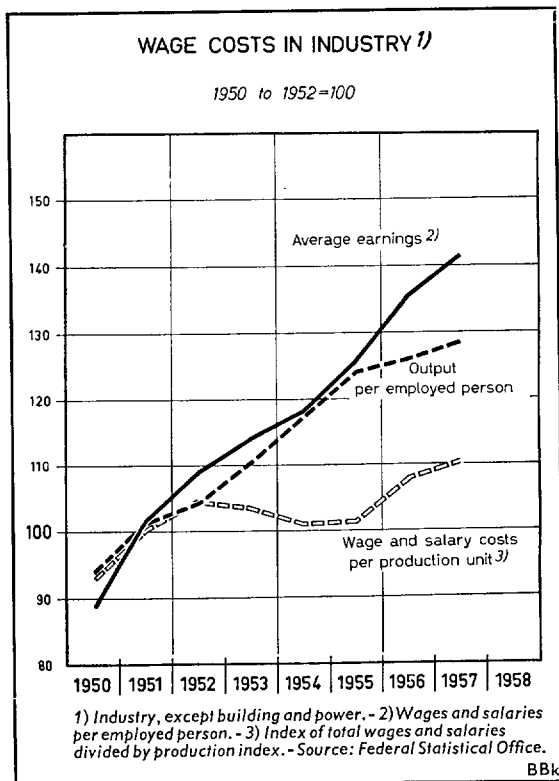


was for instance the raising of coal and steel prices last autumn and winter. As is shown by the above graph, before these increases the upward movement of prices in the producers' sphere had already virtually ceased; under the influence of the world-market trend, indeed, the level of basic material prices had already begun to fall slightly away. On the raising of coal and steel prices however there began in wide sections of industry a fresh upward price movement, the repercussions of which were felt even in the field of consumer goods, quite apart from the fact that in part the raising of hard-coal and lignite prices also directly affected consumers. There is however no doubt that the raising of coal and steel prices was induced not by demand,

but exclusively by costs; it stood indeed in such patent contrast to the market trend that realistic observers even then regarded it with great misgiving because they feared — rightly, as it afterwards appeared — that such disregard of market conditions would merely increase the difficulties of selling. And the raising of certain other governmentally controlled or influenced prices — such as the raising of bread and flour prices with effect from 1 January 1958, that of sugar prices from 1 February, and that of the Federal Railways' transport charges (which took effect from the same date, and was incidentally soon followed by the raising of many local transport charges) — was of course not an indication of excess demand but the consequence of a unilateral rise in costs which had in some cases already been in progress for years, or of the decision from then onwards no longer to offset cost increases through subsidies out of budgetary resources but to let them appear at least partially in the price. Thus the fact that straightening out of price distortions continued through elimination of prices and charges so far kept artificially low explains no small part of

the price rises which took place in the last quarter of 1957 and the first of 1958.

Attention must however also be drawn in this connection to the influence which the movement in wages has exerted on that in prices during the last two or three years in the Federal Republic as well as in many other countries. As the accompanying graph shows, since 1955 the average wages and salaries in industry — and much the same no doubt applies even more to the other branches of activity — have risen much more than productivity as measured by the output per person employed. The wage and salary costs per production unit have therefore appreciably risen, especially in those branches of activity where the rise in productivity was only just up to the average or even fell short of it. The fact that the people working in industries with a particularly large increase in productivity took advantage of the strong position which they held by virtue of full employment in order to adjust their earnings fully to the improved productivity in those industries was an important factor in this



connection, because in view of the interdependence of wages and salaries the remaining branches of activity were obliged promptly to grant similar wage and salary concessions, even though the movement in their own productivity scarcely justified such increases. The consequence was to generate in these cases appreciable upward price tendencies which produced their effect on the general price level the more readily because, owing to the previously described wage and salary trend in the favoured industries, they had against them no downward price tendencies. Hence in the Federal Republic during the last two years, just as in many other countries, an upward price movement emanating from the side of wages has made itself more and more apparent; and it is largely due to the effects or after-effects of this movement, alongside the above-mentioned measures for straightening out price distortions, that despite evident slackening in the expansion of demand the overall price level at first continued to rise or, to use a pair of terms current in the Anglo-Saxon countries, that the "demand-induced" inflationary tendencies were replaced by others that were "cost-induced".

Certainly it is the case that cost increases too, if they are really to be reflected in the price level and not just to affect for a certain time the price indices based on list prices, must be backed by the trend of demand because there can of course be a general rise in the price level on the basis of cost increases only if buyers are willing and able to produce the additional amount corresponding to such increase in costs, that is to say to spend more money on their purchases. This statement needs to be qualified only where production contracts or is cut down. If the supply of goods and services declines (whether this is a market reaction or the result of monopolistic manipulation of output), the overall price level may in certain circumstances rise even without simultaneous enlargement of demand. Of course however demand must then at least remain constant, or decrease less than the supply — a condition which can be fulfilled only if the contraction of incomes entailed by the fall in production is offset by credit expansion or through the use of reserves, that is through a rise in the velocity of money circulation. All the more, however, with production growing a general rise in prices is possible only if the money side "moves too", and the cost increases can be met through a corresponding rise in sale proceeds not obtained at the cost of other entrepreneur incomes. This is also clearly the place to apply the countermeasures by which the Central Bank can of course also act, and may have to act, against "cost-induced" price rises, since it is obvious that whatever the nature of cost increases may be they cannot affect the general price level so easily if the current supply of money is short, and if buyers are therefore less willing or able to meet higher price demands.

Counteraction by Methods of Credit Policy?

It is of course only by comparatively drastic measures that the Bundesbank could have counteracted, with any prospect of success, the price rises which have been apparent of late. As already mentioned, a considerable part of the price rises was due to administrative or quasi-administrative raising of prices. Corresponding effects on the overall price level could therefore have been avoided only if those price rises had been offset through adequate downward pressure on other prices, which no doubt would have entailed fairly radical action. The wage increases could also have been kept within narrower limits by methods of credit policy only if the restrictive measures had caused perceptible downward pressure on the level of employment, or in other words if the slackening in the expansion of demand which was already taking place had been deliberately forced. Quite apart however from the question — to be discussed below — whether such strong action was needed, that course would in itself have encountered substantial difficulties and opposite tendencies. As we have seen, both the business community and the banks have substantial reserves of liquidity at the present time. It was therefore quite possible that a merely slight downward pressure on the current money supply would have been deprived of the desired effect through recourse to those reserves, so that from the outset stronger measures would have had to be adopted in order to ensure that they would break through the protecting cushions of liquidity and would really influence the market trend in the desired direction. The fact that this would have affected the individual sections of the economy very unevenly is obvious.

Above all however attention must be drawn in this connection to the foreign trade and payments complications into which a more restrictive policy would have run in the period under report. With a more restrictive credit policy the level of interest rates would certainly not have fallen, but would rather have risen. The gap between interest rates at home and abroad would thus have been widened; the financing of more and more transactions would have been transferred abroad; and foreign money would in this way or that have flowed into internal circulation even more than it already did. Hence the balance-of-payments surpluses would have risen, and the effect of the tightening of credit would consequently have been neutralised at least in part. It would also have been necessary to expect a further switching by industry to sales on the world market, although for a year past the position on that market has no longer been so favourable as before to an expansion of export sales. Thus in the prevailing circumstances the prospects of

success for any systematic combating of the cost-induced price rises by monetary means would certainly have been impaired.

Cyclical Countertendencies

Of course however the Bank would not have allowed all these considerations to deter it from acting against the price rises with all the means available to it, if there had been ground for fearing that otherwise no opposing forces would have become effective against the inflationary upward tendencies. Fortunately however there was no ground for such fears. On the contrary, since the autumn of 1956 it had been possible to expect that the cooling of the economic climate would gradually be reflected in the course of prices, although perhaps with the time-lag which often occurs between the course of economic activity and that of prices, and possibly with further delay owing to actions in the sphere of economic policy such as the steps taken to remove price distortions or owing to the conduct of the trade unions. Some prospect — although, as we shall see, no absolute certainty — of this happening was offered if only by the previously described change of the rise in prices from a “demand-induced” to a “cost-induced” movement. Where price rises are induced from the side of demand, prices as a rule run ahead of costs; such price rises accordingly tend to raise the rate of profit and to stimulate the propensity to invest, which in most cases increases the expansion of demand and so gives fresh support to the upward price movement. On the other hand price rises for which the impulse comes from costs usually lag behind the increases in these latter; accordingly they do not raise the rate of profit, and often do not even suffice fully to cover the increased costs, so that the profit margin becomes narrower and the propensity to invest consequently, if anything, declines. In point of fact this inherent self-braking effect of cost-induced price rises had already become clearly apparent in the check to private investment activity that was described in an earlier connection.

Self-braking Tendencies
of Cost-induced
Price Rises

Of even greater importance however were the other factors which tend to steady the cyclical trend and to which attention has already been drawn, such in particular as the decline in foreign demand and — not least — the increase in private saving activity, which prevented the considerable wage increases from producing not only their effect on costs but also an effect of equal or similar extent on consumption. Under the influence of these factors overall demand has of late rather lagged behind the enlargement of productive capacity, so that competition between the offerers of goods has again notably increased. In these circumstances it is no longer so easy to pass on cost increases in the price. Entrepreneurs are instead increasingly obliged to absorb the higher costs in their profit margin or, so far as that is not possible, to cut down their investments or possibly even current production, with the natural result of still further strengthening the resistance to further cost and price increases.

Other Stabilising
Tendencies

Under the influence of all these factors, and also not least of the world price trend, a notable flagging of the rise in prices has in fact been apparent of late. Since the raising of coal and steel prices and of transport charges was “digested”, the most important price indices have not risen further. Under the surface some prices have indeed already begun to fall away, since notwithstanding the list prices still officially maintained the allowance of discounts, special prices and similar price concessions has recently made visible progress. Wage increases also seem of late to be no longer quite so great as in 1956 or 1957. The rates of increase negotiated in connection with the collective agreements concluded in the first months of this year were in general smaller than before; in addition the collective agreements have in some cases been concluded for longer periods, and less often than hitherto with retroactive effect, so that evidently the steps of the wage staircase are at present becoming not only less high but also deeper, while the staircase is accordingly becoming less steep. All things considered therefore the Bank’s expectation that the easing of economic conditions, which has been in progress for some time, would by degrees destroy the force of the upward price tendencies, and that this process would hardly be much altered by the cautious relaxing of credit policy, would seem to be confirmed.

Flagging of the
Rise in Prices

The Condition for Lasting Success

The Danger of Further
Wage Increases with
Price-Raising Effect

As yet however success is by no means assured. The course of wages in particular still is a crucial point. Despite the slackening of the rise recently apparent the increases in wages are still exceeding those in productivity. The negotiating position of the workers also continues to be extremely strong; the employment situation has so far been hardly affected by the tendencies to staleness in the boom, and the labour market is consequently still characterised by definitely full employment. Thus by extreme exploitation of their position of power the trade unions might continue to succeed in enforcing wage increases which would go beyond the rise in productivity, and hence at least tend to raise prices. Whether this might not in the long run prove to be a boomerang policy is of course another question. As we have seen, the possibility that wage increases may in future affect not only profits and prices but also production is already extremely real; it is therefore quite possible that wage increases may in future cause a perceptible decline in employment, which would of course first hit the people working in those branches of activity where the limit for passing on cost increases in prices or for absorbing them internally has been reached. This critical turning-point would be longer postponed only if demand proved elastic enough to permit cost increases to be constantly passed on afresh in prices. A condition for this would be not only a corresponding bullish mood in the business community, but also increased use of financial reserves or of borrowing.

Jeopardising
Full Employment

In such a case however the Bank could not in the long run remain passive, since that would mean tolerating the process by which inflationary tendencies become permanent, with all their social injustices and their dangers to organic economic growth. In that event, on the contrary, the Bank would have to try by all available means so to tighten the money supply that the upward price tendencies would die away for lack of money to feed them. It has already been shown that this process would be far from easy, and above all not painless. It might result in a definite recession. But probably such a recession would in any case be in the longer run unavoidable, since economic history so far records no inflation which did not ultimately end in a crisis; and the longer people have tried to escape it by making constantly fresh concessions to the inflationary tendencies, the more violent the crisis has been.

Responsible Wage
Policy as a Solution

In our case also no evidence has yet been produced to show that it is possible in conditions of economic freedom to harmonise full employment with maintenance of a stable value of money, and thereby to solve the cardinal economic problem of the Western world. Yet the Bundesbank continues to take the view that this test can be stood, and hopes as before that it will be stood. A condition for this is of course that positions of economic power shall not be ruthlessly exploited either by employers or by employed. Employers ought to realise that in the long run the highest price is not always the best, but that it is on the contrary important to ensure steadiness of sale, and with this object to make price concessions in the event of a fall in demand. But the employed also ought not to be misled by their present strong position into overdoing their wage demands. This does not at all mean any general renunciation of wage increases; it only means renouncing such increases where in view of the overall economic situation they would be bound to cause price rises, and would therefore make it essential for the purpose of safeguarding economic equilibrium to intervene in ways which might entail much greater sacrifices than if people were content with income increases that were smaller, but that much the better founded. It will be one of the foremost tasks of future economic policy to ensure in an appropriate manner that such respect for the inherent laws of a free economy is everywhere established, because the economy would otherwise be in constant danger of falling a victim to at least one of three evils, namely inflation, the throttling of economic growth, or increasing official controls.

3. External Monetary Policy

The feature of external monetary conditions during the period under report was the large exchange surpluses which have previously been described. These caused the monetary authorities to act in three directions:

- 1) They tried to counteract the speculative exchange movements which, as we have seen, inflated the accruals of exchange especially in the summer months of last year to several times the true balance-of-payments surpluses.
- 2) They adopted a number of measures with the object of reducing the strains which had been created in international payment relations by the extreme deficits and surpluses.
- 3) They supported the tendencies for the German balance-of-payments surpluses to be reduced in the longer run, so far as this did not involve conflict with the primary object of keeping the internal value of the currency stable.

The Discussion about Exchange Rates

The speculative exchange movements drew their sustenance partly from lack of confidence in the stability of the exchange rates for other currencies, and partly from expectation of an *upward revaluation of the D-Mark*. The German trade and payment surpluses which had grown as it seemed irresistibly since the spring of 1956, and which were reflected in particularly extreme fashion in the settlements in relation to the E.P.U. Area, gave rise in many quarters at home and abroad to the impression that the level of German prices and above all costs had moved in a manner so divergent from the international price level as to have created an irreparable gap, that is a "fundamental disequilibrium" which could have been brought back into a state of balance only by changing the exchange-rate relationships. No doubt during the summer of 1957, when the exchange surpluses were especially inflated by speculative influences, people in many quarters also expected that the Federal Republic could ward off this movement only by drastic measures including exchange rate manipulations: that is to say, that the international exchange speculators would dictate the action of the German monetary authorities.

No Fundamental
Disequilibrium

To take first the alleged discrepancy between the German and foreign price trends the fact was overlooked that as measured by the usual price indices the price trend in the Federal Republic from the beginning of the fifties to the present time had shown no very great differences from that in a number of other countries — although mostly countries with "strong" currencies such as Switzerland, Belgium and the United States. For the Federal Republic there was therefore no occasion abruptly to alter its position in the international price structure, out of regard for the greater price rises in certain other countries, by measures affecting exchange rates to the detriment of German exports. The caution required in describing any growing price discrepancy as the main explanation for the balance-of-payments discrepancies in the last few years is shown *inter alia* by the fact that precisely in the two years when German trade and payments surpluses were greatest, namely in 1956 and 1957, prices and the most important cost-components in the Federal Republic ran in the main parallel to the average movement of prices and costs in the most important other countries. In fact the main cause of the balance-of-payments surpluses in 1956/57 was less a price gap than the run of demand. Thus whereas it had proved possible in the Federal Republic more or less to bridle demand from the spring of 1956 onwards despite a not inconsiderable overall expansion, during the same period the international investment boom and the inflationary excess demand in many other countries exerted on German exports a pull which was all the greater because, in respect of their range of goods, their delivery periods and in some cases also their prices, German exporters frequently had a more favourable market position than that held by many of their competitors. It was however to be expected that with the flagging

of the international investment boom, and with the successful countering of inflationary phenomena in the rest of the world, the pull on German exports would greatly weaken. The allegedly "structural" price advantage of German industrial products has also shown itself, in many cases, to be ephemeral. In the case of some important commodities such as coal and steel the world-market prices, which a year ago were still well above German domestic prices, have since fallen below these latter under the pressure of increased competition and as a result of the drop in marine freights. With the help of substantial German tariff reductions for most industrial products, many foreign finished goods have also shown themselves to be fully competitive on the German home markets; for some years indeed imports of finished products into the Federal Republic have been increasing by far more in percentage terms than German exports of such products.

On the other hand it was clearly foreseeable in the summer of 1957 that the burdens on the German balance of payments would show a major increase in the next few years, so that the maintenance of relatively large exports and of a substantial surplus on trade and services would become indispensable if equilibrium in the overall balance with foreign countries was to be preserved. Even last year some of these burdens were already beginning to produce a greater effect, especially the rapidly increasing advance payments for armament imports and the foreign payments — also growing fast — in respect of indemnification. In point of fact, if seasonal influences are eliminated, at the time of the liveliest discussion about exchange rates and rumours about upward revaluation the surplus on the German balance of transactions in goods, services, capital and donations had already passed its peak; and since then, although with fluctuations in detail, it has been declining.

Warding Off the
Exchange Rate
Speculation

The climax in the talk about upward revaluation was reached in the third quarter of 1957. Although the de facto devaluation of the French franc by 16²/₃% on 12 August 1957 clearly tended to reduce the previously existing exchange-rate discrepancies and so to ease tensions it led, by an extraordinary misjudgment of the situation, to a particularly marked increase in European exchange speculation, causing on the one hand greater withdrawals from the United Kingdom, the Netherlands and other countries and on the other hand very large exchange inflows into Germany. In order to counter this movement the Federal Cabinet in agreement with the Deutsche Bundesbank stated categorically on 20 August that "all the rumours about an intended upward revaluation of the D-mark were baseless". The exchange speculation, it is true, did not cease until the last week of September 1957, when at the annual meeting of the International Monetary Fund in Washington the German and British speakers made emphatic, mutually harmonised and substantiated statements to the effect that there was to be no tampering with the exchange parity of either the D-mark or sterling. The weight of these declarations was particularly increased by the fact that the British monetary authorities immediately before had raised Bank Rate from 5% to 7%, had restricted bank lendings to the economy and had fixed for Government enterprises limits covering several years' capital expenditure, by such determined action proclaiming their firm resolve to accord the highest priority to defending the internal and external value of sterling. Although the lowering of the German Bank Rate from 4¹/₂% to 4% which had been just previously announced was by no means solely determined by regard for the international monetary situation, it too was widely taken as confirming the external monetary policy declared by the German authorities. The success of these Washington currency-policy statements proved to be striking. The international exchange speculation, which from the spring of 1957 onwards had so exceptionally distorted international monetary relationships, ceased abruptly and was replaced by opposite movements; thus within a few weeks the international exchange situation began to show thorough relaxation, the course and effects of which were described in some detail in the section on "Foreign Trade and Payments and their Effects on the Domestic Economy" (page 26 onwards).

German Contributions towards Relieving the Balance of Payments Strains

Liquidity Assistance for Deficit Countries

Both during the months of particularly extreme balance-of-payments distortions and also thereafter the Bundesbank, within the framework of its functions and possibilities, contributed in more than one way towards relieving the exchange situation. Thus it provided short-term interim assistance to foreign Central Banks whose currencies were exposed to special attacks. In addition the Bundesbank established last summer under an agreement between the Federal and British Governments a special account at the Bank of England carrying a balance of £ 75 million, from which the annual instalments falling due in the years 1957 to 1966 on the German Government's post-war debt to the United Kingdom at the rate of £ 7.5 million per annum are to be taken against payment by the Federal Government of the corresponding DM amount to the Bundesbank; after withdrawal of the annual instalment due on 1 August 1957 £ 67.5 million, or DM 794 million, are still standing on this special account. The payment situation as between the Federal Republic and certain other countries was also relieved by the fact that, in respect of the impending large armament imports, not only the normal agreed payments on account were made but in some cases special accounts were also established in advance abroad. Finally in two transactions in July and October 1957 the Bundesbank put a total of \$ 175 million into dollar certificates of the International Bank for Reconstruction and Development running for between one and three years. Although this represented merely a switch in the employment of the Bundesbank's dollar reserves and not any direct contribution to the financing of capital expenditure abroad — which would have conflicted with the functions of a Central Bank — it did at the same time produce a substantial afflux of resources for the International Bank, and widened the latter's margin for the financing of countries in need of credit. Similarly the premature release of the DM 113 million remaining balance of the German DM subscription to the International Bank, permitted in August 1957 by the Federal Government, is at the same time to be regarded as a contribution towards easing the balance-of-payments strains in the world.

The contributions which the Federal Republic and in particular the Bundesbank made towards easing the exchange position of deficit countries during the period under report further include the credits and liquidity assistance granted to the great international monetary institutions, the European Payments Union and the International Monetary Fund. In relation to E.P.U. the Federal Republic maintained its readiness to leave standing there as credit, over and above its former quota, 25 per cent of all the accounting surpluses accruing. The Bundesbank's resulting credit balance at E.P.U. — after deduction of repayments under bilateral consolidation agreements — rose during the 1957 calendar year by no less than 322 million units of account (1 unit of account = 1 U.S. dollar), which enabled E.P.U. to grant corresponding credit to deficit countries. Over and above the credit assistance within the 25% credit tranche the Bundesbank in February 1958 declared itself prepared, as part of a combined scheme by which E.P.U., the I.M.F. and the U.S. Government provided credit for France, to undertake liquidity assistance amounting to 100 million units of account in the form of a credit in gold or U.S. Dollars to E.P.U., which serves as the basis for financing a special credit granted by E.P.U. to France to a total of 150 million units of account. Switzerland, Belgium, Italy and Austria also joined in the financing of this special E.P.U. credit to France, while a contribution of 32 million units of account was made out of the liquid resources of E.P.U. itself. Finally it may be mentioned, as a further German contribution towards liquidity assistance to deficit countries, that since the beginning of 1958 deficit countries have for the first time drawn major amounts of DM from the International Monetary Fund and are likely to continue drawing them. Before that time there had been only one such drawing of DM, for an amount of DM 18 million in August 1953. It is true that the amounts of DM called within the German I.M.F. quota are to be provided by the Federal Government; but internally, by virtue of the Bundesbank Law and of a supplementary agreement

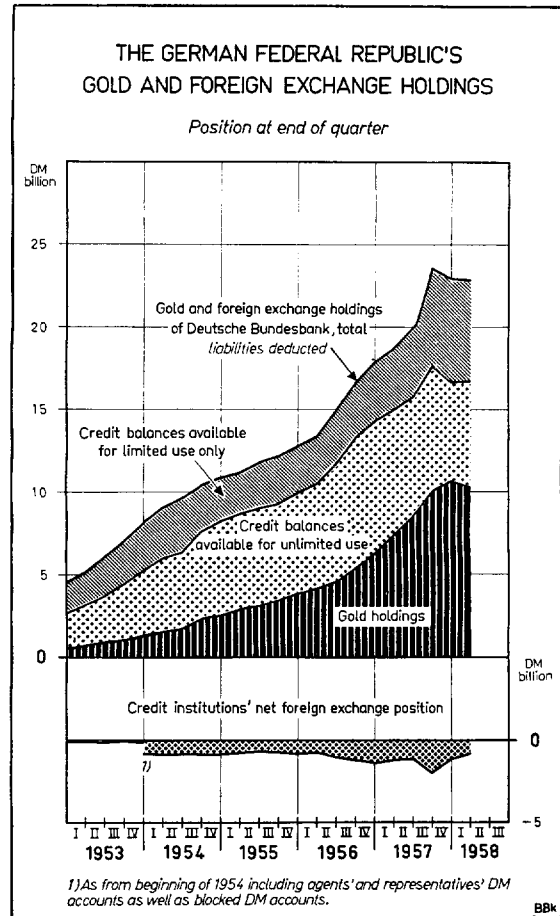
Foreign Exchange Policy serves to relieve the Balance of Payments Strains

Liquidity Assistance to E.P.U. and I.M.F.

previously made between the Federal Government and the Bundesbank, they are produced through a special credit granted by the latter to the former.

The limits to and the problems of the schemes for international liquidity assistance, especially so far as this is granted by the Bundesbank, are obvious. For one thing, there is the fact that the Bundesbank can take part only in schemes and transactions which are compatible with the function and the institutional limitations of a Central Bank, that is to say within the framework of purely foreign-exchange arrangements or of relatively short-term credit transactions with international monetary institutions. Problems are however created by such temporary schemes for assisting in connection with balance-of-payments or liquidity difficulties when they directly or indirectly support the inflationary excess demand of deficit countries, which was one of the main causes of balance-of-payments troubles in the world economy during past years, and so prolong the existing distortions and delay the necessary adjustments. The Bundesbank has therefore always insisted with energy that special assistance in connection with liquidity shall be granted only to tide over temporary balance-of-payments difficulties, and then only where it is linked with measures in the debtor countries which hold out a hope that the excess demand will be reduced and that the disturbances caused by it in balances of payments will soon be remedied.

The claims which the Bundesbank acquired through the above-mentioned transactions with the International Bank and E.P.U., as well as through the establishment of special accounts at foreign Central Banks, are contained in the foreign currency balances shown by the Bundesbank. Consequently the holding of foreign exchange balances of this and similar kinds that are of only limited availability rose during the 1957 calendar year from DM 3.6 billion to DM 6.4 billion. Thus out of the 1957 net total addition of DM 5.1 billion to the Bundesbank's gold and exchange holdings DM 2.3 billion or less than a half represented the increase in gold and currencies of unlimited availability, while DM 2.8 billion represented the accrual of balances and claims which in reality benefited other countries and international institutions as forms of liquidity assistance.



Currency Reserves and Capital Exports

False Impression given
by the Central Bank
Reserves

The Deutsche Bundesbank's *currency reserves* are over-estimated in many quarters abroad, on the one hand because attention is not paid to their composition and on the other hand because the exchange position of the rest of the German economy is completely disregarded. If from the roughly DM 23 billion at which the Bundesbank's currency reserves were shown at the end of 1957 one deducts the parts which are of only limited availability such as the E.P.U. balances and bilateral consolidation and transitional credits, the earmarked balances and the foreign exchange employed at the International Bank, the currency reserves available for completely free use amounted to not quite DM 16.6 billion net. This amount corresponds to

the imports of something over six months — a ratio which is by no means unusual, and which moreover a number of other countries reach or exceed. Contrary to what is the case in many other industrial countries, however, these reserves standing at the Bundesbank form almost the whole of the German economy's present foreign assets. The other banks' exchange position at the end of 1957 was in deficit to the extent of about DM 1.3 billion. The great foreign indebtedness of the rest of the economy has against it only small amounts of foreign assets. According to the position at the end of 1957 the obligations arising from the 1953 London Debts Agreement and from the Indemnification Agreement with Israel by themselves amounted to DM 11 billion, after deduction of the above-mentioned advance sterling payment towards redemption of post-war debts to the United Kingdom. Besides there is the German economy's external indebtedness of several billion DM that has newly arisen since 1953, as well as the foreign obligations still to be met by the Federal Government and the Länder under the indemnification laws, the ultimate amount of which cannot yet be precisely estimated but is likely to exceed DM 10 billion towards non-residents alone.

The false impression given by the currency reserves appearing in the Central Bank return has not been the least of the factors causing, in many quarters abroad, quite false ideas about the Federal Republic's capital power and about its ability to export capital or provide capital assistance for other countries. Obviously neither the currency reserves nor the balance-of-payments surpluses can be equated, without qualification, with a capital surplus available in the German economy for long-term lending. They do of course ease the situation inasmuch as, with adequate currency reserves, it becomes unnecessary to restrict capital exports in view of the exchange situation. In fact, since last year the Federal Republic has completely freed the export of capital in all forms. The extent to which use is made of this freedom to export capital of course depends on a large number of other circumstances, not least on the attractiveness and safety of investments abroad by comparison with investments at home, and on the amount of German capital becoming available at all for relatively long-term investment at risk. And in view of the uncertainty prevailing in large parts of the world with regard to foreign investments, even the adjustment of German interest rates to accord with the international level — important as such adjustment is — probably would not in itself be enough to start any broader export of capital from the Federal Republic.

The Federal Republic
not yet a real Capital
Exporting Country

As to capital formation in the Federal Republic, it is certainly not to be put down as insignificant; and just lately, as shown elsewhere in this Report, it has made great progress. In the Federal Republic, as compared with other industrial countries, capital formation as measured for instance by the national income is indeed to be described as relatively large. As against this however there is on the other hand a domestic demand which is still extremely strong, so that experience shows people to be prepared to pay relatively high rates of interest for all the available amounts of capital even in the present more subdued phase of the business cycle. If therefore allowance is made for this urgent domestic demand for capital, and for the gap which exists between interest rates in the Federal Republic and most other countries, the Federal Republic is certainly not a real capital surplus country.

Nevertheless with the recent greater productivity of the German capital market, and with the tendency which has for some time been apparent for interest rates to fall, the prospects for a gradual broadening of the flow of capital to foreign countries have somewhat improved. Even in 1957 private German capital exports already showed an appreciable increase over the previous year. It is true that this increase was mainly confined to direct industrial and commercial investments, such as the setting up of branch establishments and the acquiring of participations. Increasing importance has also been gained in recent years by another form of capital export, namely suppliers' credit directly linked with exports. The improvement of the German money and capital-market situation suggests looking for methods of financing credit on these lines in such a way that the exporter will be relieved in good time of the credit part of the transaction.

Nevertheless the
granting of credit to
foreign countries is
gradually spreading

It is true that in most cases such suppliers' credits have so far been arranged not on a purely private enterprise basis, but only because the political and transfer risk was largely assumed by the Government. However much this may have been justified in many cases, there are nevertheless limits to the assumption of these risks by the public, that is by the taxpayer. This and the further fact that even for the country taking them such suppliers' credits are not always a suitable method for financing longer-term investment programmes, and that moreover they easily give rise to over-indebtedness that is not readily discernible, impose certain limits on any extension of this form of credit. Of course moreover suppliers' credits which permit additional exports do not in any way operate as a means of offsetting balance-of-payments surpluses that arise on other grounds. On the whole therefore it can be stated that neither in their extent nor in their direction do present German capital exports — nor probably those to be expected in the near future — constitute a factor which could make any significant contribution towards establishing equilibrium in Germany's balance of payments (particularly in relation to E.P.U.), or could satisfy the exaggerated expectations of many countries with which the Federal Republic trades.

Still, the interest rate reductions which accompanied the increase in liquidity of the economy and above all of the banks, and which the Bundesbank supported through its discount rate policy, have for some time been producing on the money market a position in which the money-streams have been clearly reversed at least in the field of short-term financing. Since November 1957 for instance the short-term financing of foreign trade has been brought back more to Germany. Since then moreover German banks have acquired short-term money-market paper of neighbouring European countries on a quite substantial scale; in the last two months of 1957 alone major transactions of this kind amounting to DM 445 million were announced, and this "export of money" has continued in the first quarter of 1958.

The Prospects of Better Equilibrium in Foreign Trade and Payments

As has already been shown in the section dealing with foreign trade and payments, the result of the reversal of the short-term credit streams together with that of the terms of payment and a substantial increase in payments on account of armament imports was that from the middle of October 1957 until February 1958 the exchange inflow into the Bundesbank not only ceased, but actually gave place to a certain outflow; and, while exchange surpluses have again been occurring since March 1958, they remain as yet within moderate limits. Even in the settlement with E.P.U. an almost perfect balance was achieved in the period from October 1957 to March 1958, which is the more remarkable since it would accord with the structure of German foreign trade and payments if substantial regional surpluses in relation to the E.P.U. Area were obtained even with complete equilibrium in the balance of payments as a whole.

It may be expected that some of the factors tending to produce better payments equilibrium during this period will remain at work. Thus in particular the Federal Republic's foreign payments in connection with armament imports and indemnification are likely to remain large. Private and Government exports of capital — the latter also in connection with the Federal Republic's capital subscription to international organisations — will probably grow further. The transfer of foreign trade financing back to the home market is also likely to make its effects felt for some time longer, provided that a further fall in interest rates abroad does not again create an interest rate gap adverse to the Federal Republic. It may also be expected that the large down payments and advance payments which were made in 1956 and 1957 in respect of German exports will result during 1958 in corresponding shortfalls in current export proceeds. Even if large German trade surpluses continue, therefore, it may be expected for all these reasons that 1958 will show a substantial decline in exchange surpluses as compared with the two preceding years.

On a longer view indeed the course of the German balance of payments will depend, more than at present, on that of trade and services. Here too it is possible to discern certain tendencies

which might work towards gradually producing better equilibrium. Thus it is unlikely that the extremely high level of *exports* that was attained in 1957 under the triple influence of the international investment boom, the inflation-distended demand of certain deficit countries for imports and the anticipation of export orders and deliveries during the period of talk about exchange rates will be exceeded in the near future, or even merely maintained; as to this the new export orders coming in since the autumn of 1957 provide clear indications. The present slight setback to exports by comparison with the level reached in the autumn and winter of 1957 was no doubt inevitable after the exaggerations during the international investment boom. It has moreover certainly not assumed threatening proportions, so that the position of German exports on an international comparison is still relatively favourable; and it would be quite wrong to counter this "cooling" of export business by artificial measures of encouragement especially since these would hinder the return to normal international payment relationships, to the detriment of internal German economic equilibrium. The present situation affords much more ground for supporting and safeguarding the successes achieved by Germany in exporting during recent years — doing so by making it easier for the countries with which Germany trades and which are troubled by exchange difficulties to overcome those difficulties as the result of a strong German demand for imports.

Whether *imports* can grow within the near future enough to fill the still quite considerable room afforded by the balance-of-payments surpluses will primarily depend on the cyclical trend in the German home market, but also on the course of international prices for important imports and — not least — on German trade policy. This latter had already made a remarkable contribution in 1956 and 1957 by further lowering quota barriers, and especially by reducing customs duties on the greater part of the industrial goods imported; it was largely due to this that imports of finished industrial products were in 1957 above the level of 1956 by 24 per cent, and in the first quarter of 1958 above the level of the corresponding period in 1957 by as much as 33 per cent. From the monetary point of view, as well as from that of ensuring export sales by German industry on a lasting basis, it would indeed be a great advantage if the liberalising of imports were pressed to the extreme limit, and above all if it were applied more than hitherto to the non-industrial categories of imports. The rise in imports of industrial finished goods, impressive though it is in itself, has recently seemed hardly enough to offset the check to importing which has been caused in the agricultural sphere by the growth of home production, and in the case of raw materials and semi-finished goods by the slackening of domestic activity coupled with a temporary running down of stocks — quite apart from the effects produced by the fall in prices of numerous imported goods. Even so the stability of present internal economic activity in the Federal Republic, the bases of which were described above, affords ground for expecting that — apart from variations in the holding of stocks of goods — imports as a whole will at least maintain their present high level.

With the disappearance of the long-persisting pull on exports which had largely determined the state of German economic activity and the German monetary situation during past years, a situation is arising in which the previously almost unbridgeable contradiction between the requirements of internal monetary stability and those of balance-of-payments equilibrium might be resolved. The slackening of exports has widened the margin for a non-inflationary expansion of the domestic economy. A switch of the upward forces from export to domestic sales is now desirable alike from the point of view of stabilising the overall economic situation and from that of establishing better equilibrium in the balance of payments. It is also probably the chief contribution which the Federal Republic can at present make towards supporting the international business trend. In international discussion the view is constantly expressed that in the present international situation, threatened as it is by downward forces, it is mainly incumbent on the countries with strong balances of payments to support the world economy by maintaining their domestic activity and their demand for imports. One may feel inclined to agree with that

Contradiction between
internal and external
equilibrium disappearing

view, subject however to two reservations. First, it is not proper to demand — as is often done — that the countries with strong balances of payments shall promote their domestic expansion to the detriment of their internal monetary stability. And secondly it is a condition for any such economic policy in the countries with strong balances of payments that they shall not soon be exposed to a fresh inflationary pull from outside. Such a policy must therefore go hand in hand with a successful anti-inflationary policy in the deficit countries.

For the functioning of the European Common Market, which was created at the beginning of 1958, and also for the more comprehensive Free Trade Area which, it is hoped, will soon follow this first partial plan, it is crucially important to coordinate better than before the monetary and financial policy in all the countries taking part. As is clearly shown by the present situation, this much cited “coordination of economic and monetary policy” cannot simply amount to complete parallelism in the monetary policy of all the participating countries. If it is to make sense in the present situation it can mean only that the countries with strong balances of payments, among which in Europe the Federal Republic is foremost, shall maintain their domestic activity at the highest possible level and develop it further within the limits of what is justifiable, but that at the same time the deficit countries shall exercise greater restraint in their credit and financial policy so as finally to eradicate the remnants of inflationary excess demand. Only if both sides successfully perform their task will it be possible for lasting international monetary equilibrium to develop.

III. The Deutsche Bundesbank's Credit and Foreign Exchange Policy Regulations at present in force*)

1. Credit Policy Regulations

Principles for Eligibility of Credit Instruments at the Bundesbank

a) Discount Business

Bills of exchange presented for discount are to be backed by three parties known to be solvent. The bills must be payable within three months from the date of purchase. They should be good commercial bills (Article 19, paragraph 1 item 1, of the Law concerning the Deutsche Bundesbank).

Commercial Bills

For assessment of the soundness of a signature the Central Bank Council has laid down the following ruling: any person who is liable on a bill which has been presented to the Deutsche Bundesbank for purchase or as security for an advance, and who despite being invited to provide information as to his financial affairs gives no information or no sufficient information, and with regard to whom there are otherwise available or procurable no data permitting adequate judgement of his financial affairs, is not to be regarded as a "party known to be solvent" within the meaning of Article 19, paragraph 1 item 1, of the Law concerning the Deutsche Bundesbank. A bill may not be purchased, nor may an advance be made against it, if it is clear that the acceptor cannot be regarded as a "party known to be solvent" (Decision of 20 February 1957).

Commercial bills are bought only if the period to their maturity does not extend beyond the time which is necessary for settlement of the underlying transaction in goods (Decision of 10 May 1949). Grain and fodder bills can however in principle be taken with a period to maturity of three months in order to facilitate the storage of grain and feedingstuffs at the marketing and processing stages, and thereby at the same time to reduce the demands for financial accommodation made on the central agencies (Decision of 31 July 1952).

Bills which are given for the purpose of financing instalment sales transactions are in principle excluded from discount (Decision of 21 March 1956). Instalment sales bills may however be purchased which serve to finance the purchase of agricultural machines that have a long life and assist production. In this exceptional case all bills which are due within 90 days are discountable if it is a case of an instalment sales transaction where the buyer has paid cash down for at least 40 per cent of the purchase price, and the whole period for which the credit runs does not exceed 24 months. If such an instalment sales transaction does not fulfil these conditions, then the last bill only is eligible at the Bundesbank if it is due within 90 days, or, in the case of instalment sales transactions which are based on monthly instalments, the last three bills relating to the whole transaction are discountable.

Instalment Sales
Financing Bills

Instalment sales bills which do not fall under the provisions for exceptions, but which relate to transactions that had already been concluded by 22 March 1956, can be purchased under the regulations which applied up till 21 March 1956. In addition instalment sales bills with a remaining life of not over 14 days may be presented for discount.

Bills which serve for the interim financing of building projects will not be purchased (Decision of 12 October 1955). This exclusion does not apply to building-material bills, that is bills drawn on the basis of building materials delivered by the producer to the trade, by the trade to the builder or building craftsman, and by the builder to the owner of the house (for repair or maintenance work). Prolongations of such bills however continue to be excluded from purchase.

Building Bills and
Building-Material Bills

*) See in this connection the following Annual Reports of the Bank deutscher Länder: for 1948/49, pages 53 to 57; for 1950, pages 100 to 106; for 1951, pages 82 to 86; for 1952, pages 91 to 97; for 1953, pages 101 to 113; for 1954, pages 118 to 130; for 1955, pages 116 to 128; and for 1956, pages 114 to 127.

Bank Acceptances	<p>Bank acceptances are purchased only if they serve to finance at short term specific individual transactions. They should be for at least DM 5,000 (Decision of 31 January 1951). For the purpose of encouraging the establishment of a market in prime acceptances the Land Central Banks may in cases where they deem it appropriate waive the declaration as to the underlying transaction, indicating the business financed by the bank acceptance (Decision of 14 April 1954). Bank acceptances which serve to finance capital investments or to render frozen debtors liquid are not purchased (Decision of 10 May 1949).</p> <p>Since bank acceptances as a rule bear only two signatures when taken by the Land Central Bank, regard must be paid to the legal provision according to which the third signature may be dispensed with only if the security of the bill is guaranteed in some other way (Article 19, paragraph 1 item 1, of the Law concerning the Deutsche Bundesbank).</p>
Bills drawn on Debtors	<p>The guiding principles for the purchase of bank acceptances apply mutatis mutandis to the purchase of bills drawn by credit institutions on their debtors, subject to the proviso that the total amount of the bills drawn by a bank and relating to any one debtor should not exceed DM 20,000, and that no minimum amount is laid down (Decision of 31 January 1951).</p>
Promissory Notes of the Import and Storage Agencies	<p>Promissory notes of the Import and Storage Agencies, known as Storage Agency Bills, are deemed in virtue of special Decisions of the Central Bank Council to be purchasable within the meaning of Article 19, paragraph 1 item 1, of the Law concerning the Deutsche Bundesbank and the guiding principles in force for credits. They may be used in the regulating of the money market (see "Other Measures and Decisions in the Field of Credit Policy", Section b, page 62). The maximum limit for the circulation of Storage Agency Bills will from time to time be laid down in special agreements (Decision of 27/28 March 1958).</p>
Bills for Financing Export Orders	<p>Also rediscountable are the bills drawn on themselves by German exporters, bearing the endorsements of the exporter's bank and of the Ausfuhrkredit-AG (Export Credit Company), and necessary prolongations of the said bills, which have been issued for the purpose of financing export orders at medium or long term within the limit of a rediscount line accorded to the Ausfuhrkredit-AG (Decision of 5/6 March 1952). The rediscount line, known as Limit B of the Ausfuhrkredit-AG, amounts at present to DM 500 million (Decision of 20 February 1957). It may be used only for credits running for not less than one year and not more than four years (Decision of 6 February 1957). The exporter must as a rule himself participate to the extent of 40 per cent of the value of the order, either through use of his own resources or through recourse to his own bank (Decision of 6 October 1954). Only individual transactions may be financed. The financing assistance is intended in general to bridge over the interval between the time when production begins and that when the export proceeds are received. In case of the export of mass or series-produced goods which are produced within any manufacturer's normal production programme, or are sold ex warehouse, the duration of production and of warehousing must not be included in the period for which the financing assistance runs. For transactions of this kind, therefore, the Bundesbank's assistance is given only for the purpose of bridging over the period between despatch of the goods and receipt of the export proceeds (Decisions of 18 May 1956 and 25 July 1956). The rediscount line must not be used for the purpose of providing funds for capital investment or working resources for general export purposes of the exporting firms.</p>
Export Drafts	<p>Export drafts have been no longer purchased since 1 December 1957, and their permissible prolongations since the end of February 1958 (Decision of 21/22 August 1957). For West Berlin an exceptional arrangement laid down in detail applies.</p>
Foreign Currency Bills	<p>Under Article 19, paragraph 1 item 8, in conjunction with Article 22 of the Law concerning the Deutsche Bundesbank the Bundesbank is empowered to purchase directly, from physical and legal persons that are not credit institutions, bills of exchange and cheques expressed in foreign currency. At present the Bank is not making use of this power (Decision of 16 Oktober 1957).</p> <p>Foreign currency bills and cheques are purchased from credit institutions at the Deutsche Bundesbank's rate of discount (Decisions of 18 May 1956 and 22 January 1958). The governing rates</p>

for purchase are laid down in conformity with the prevailing forward rates, and are regularly published in the *Bundesanzeiger* (Federal Advertiser) (Decision of 21/22 August 1957).

b) Advances on Securities

Advances on securities (interest-bearing loans against collateral for not more than three months) may be granted against pledging of the securities and claims on the Federal or Land Debt Registers listed in Article 19, paragraph 1 item 3, of the Law concerning the Deutsche Bundesbank. Detailed information regarding the assets eligible as security for advances, and the lending limits applicable thereto, is given in the "List of Securities Eligible at the Deutsche Bundesbank as Security for Advances" which is published in the *Bundesanzeiger* and the Bank's Notices.

The inclusion of a security in the above-mentioned list does not oblige the Bundesbank to grant advances, and does not limit the Bank's right to determine the cover to be provided by the borrower.

The question whether an advance against securities can be granted in an actual individual case will be decided according to the general credit situation and the individual circumstances of the would-be borrower. In principle an advance against securities is to be granted only where the object is to cover for a short period a temporary need for liquidity, and where in other respects there are no objections to the purpose of the borrowing (Decision of 17/18 December 1952).

Bills which cannot be purchased under the regulations in force are also in principle ineligible as security for advances (Decision of 10 May 1949). There is an exception in the bills drawn by German exporters on themselves and financed through the *Ausfuhrkredit-AG's* Limit A, which bills may be taken as security for advances but may not be purchased (Decision of 5/6 December 1951).

In other respects the "Deutsche Bundesbank's General Business Conditions" (VI. Advances) apply to the granting of advances on securities.

Notwithstanding the limitations under Article 19, paragraph 1 item 3, the Bundesbank may grant loans to credit institutions, insurance companies and building and loan associations against the pledging of Equalisation Claims within the meaning of Article 1 of the Law on the Redemption of Equalisation Claims¹⁾, in so far and so long as is necessary for maintaining the solvency of the pledger (Article 24, paragraph 1, of the Law concerning the Deutsche Bundesbank).

Rediscount Quotas for Credit Institutions

The extent of the recourse by credit institutions to the Deutsche Bundesbank is limited — apart from other effects of Central Bank policy — through individually proportioned rediscount quotas. The Central Bank Council has laid down standard quotas which, differentiated according to categories of institutions, are calculated on the basis of the "liable funds"²⁾ (Decisions of 17 April 1952, 15 December 1954 and 3 May 1957). The method of fixing the quotas contains sufficiently elastic elements.

The standard quotas were reduced by 15 per cent with effect from 1 May 1957. The reduction is also applied in the calculating of new standard quotas. From the reduced standard quota there is deducted the amount taken abroad of such credits as do not serve for the initial financing of an import or for carrying out a merchanting transaction (Decisions of 10 April 1957 and 3 May 1957).

The rediscount quota of any large bank with a branch system, or of any other supra-regionally operating credit institution, will be fixed by the Land Central Bank in the area of

¹⁾ Law on the Redemption of Equalisation Claims, of 14 June 1956 (Federal Law Gazette I, page 507).

²⁾ For a definition of "liable funds" see page 61.

which the head office of the institution in question is located (Decision of 17/18 September 1952).

The rediscount quotas of the following credit institutions, which have central functions for the whole area of the Federal Republic (Article 7, paragraph 1 item 2, of the Law concerning the Deutsche Bundesbank), will be laid down on the basis of the standard quotas by the Directorate of the Deutsche Bundesbank (Decision of 27/28 March 1958):

Ausfuhrkredit-Aktiengesellschaft, Frankfurt on Main
Deutsche Bau- und Bodenbank AG, Frankfurt on Main
Deutsche Genossenschaftskasse, Frankfurt on Main
Deutsche Girozentrale — Deutsche Kommunalbank, Düsseldorf
Deutsche Verkehrs-Kredit-Bank Aktiengesellschaft, Frankfurt on Main
Industriekreditbank AG, Düsseldorf
Kreditanstalt für Wiederaufbau, Frankfurt on Main
Landwirtschaftliche Rentenbank, Frankfurt on Main
Lastenausgleichsbank (Bank für Vertriebene und Geschädigte), Bad Godesberg

For the purpose of determining the extent to which any credit institution has used its rediscount quota the total amount of the bills that the credit institution has rediscounted and which are not yet due is decisive, this amount being known as the "Einreicherobligo".

Outside the fixed rediscount quota those bills drawn by German exporters on themselves may be purchased which are issued within the rediscount line of DM 500 million opened by the Bundesbank for the Ausfuhrkredit-AG for the purpose of financing medium and long-term export transactions.

The fixed rediscount quota must never be exceeded, not even temporarily. Credit institutions whose rediscount quota is exhausted may resort to advances against securities.

Guiding Ratios for Credits Granted by Credit Institutions

In order to bring the total amount and the structure of any credit institution's lendings into line with its financial capacities the Central Bank Council has established certain Guiding Ratios, on the observance of which the Bundesbank's assistance through rediscounting or similar operations may be made dependent.

There are four Guiding Ratios, namely

- Guiding Ratio I for the ratio of the lendings at short and medium term to the liable funds;
- Guiding Ratio II for the ratio of the "debtors" to the total of liable funds and deposits;
- Guiding Ratio III for the liquidity;
- Guiding Ratio IV for the ratio of the acceptance credits to the liable funds.

Details of the Guiding Ratios in force since December 1954 are contained in the table on page 61.

Other Measures and Decisions in the Field of Credit Policy

a) Purchase of Equalisation Claims

Under the Law on the Redemption of Equalisation Claims¹⁾ DM 40 million — and from the 1980 accounting year onwards DM 30 million — out of the Bundesbank's net profit are to be paid each year into the Fund for the Purchase of Equalisation Claims (the Purchase Fund), established as a juridically dependent institution of the Bundesbank. Equalisation Claims are bought to the debit of this Purchase Fund where their definitive acquisition seems desirable for the purpose of enabling the creditor institutions to fulfil matured obligations (loc. cit., Article 9, para-

¹⁾ Law on the Redemption of Equalisation Claims, of 14 June 1956 (Federal Law Gazette I, page 507).

Present Guiding Ratios in regard to Credits

Guiding Ratio	Commercial Banks ¹⁾	Savings Banks	Industrial Credit Cooperatives	Agricultural Credit Cooperatives	Central Giro Institutions	Central Institutions of Industrial Credit Cooperatives	Central Institutions of Agricultural Credit Cooperatives
I	The total of the short-term and medium-term lendings to business and private customers shall not exceed 18 times the liable funds of the commercial bank. ²⁾	The total of the short-term lendings to business and private customers shall not exceed 15 times the liable funds of the savings bank.	The total of the short-term lendings to business and private customers shall not exceed 15 times the liable funds of the industrial credit cooperative (plus the addition to these which is permitted by law).	The total of the short-term lendings shall not exceed 15 times the liable funds of the agricultural credit cooperative (plus the addition to these which is permitted by law).	The total of the short-term lendings to business and private customers shall not exceed 15 times the liable funds of the central giro institution.	The total of the short-term lendings to business and private customers shall not exceed 5 times the liable funds of the central institution of industrial credit cooperatives.	The total of the short-term lendings shall not exceed 20 times the liable funds of the central institution of agricultural credit cooperatives.
II	The debtors shall not exceed 60 per cent of the liable funds and deposits ²⁾ .	The total of the debtors plus the bills drawn on debtors shall not exceed 60 per cent of the liable funds and deposits, the savings deposits being taken at the rate of only 50 per cent.	The total of the debtors plus the bills drawn on debtors shall not exceed 70 per cent of the liable funds (plus the addition to these which is permitted by law) and of the deposits.	The total of the debtors plus the bills drawn on debtors shall not exceed 70 per cent of the liable funds (plus the addition to these which is permitted by law) and of the deposits.	The total of the debtors plus the bills drawn on debtors shall not exceed 70 per cent of the liable funds and deposits, the savings deposits being taken at the rate of only 50 per cent.	The total of the debtors plus the bills drawn on debtors shall not exceed 80 per cent of the liable funds and deposits.	No Guiding Ratio established.
III	The liquid resources shall not be less than 20 per cent of the borrowed funds.	The liquid resources shall not be less than 15 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	The liquid resources shall not be less than 15 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	The liquid resources shall not be less than 15 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	The liquid resources shall not be less than 20 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	The liquid resources shall not be less than 20 per cent of the borrowed funds, the savings deposits being taken at the rate of only 50 per cent.	No Guiding Ratio established.
IVa	The total of acceptance credits and bills drawn on debtors shall not exceed three times the liable funds.						
IVb	The acceptance credits and bills drawn on debtors, included in such credits and bills, and not serving directly to finance exports, imports or crops, shall not exceed the liable funds.						
<p>¹⁾ Large banks with branch networks, "State", regional and local banks, and private bankers. — ²⁾ If the position of a commercial bank in regard to Guiding Ratio I is substantially better than the standard laid down, then the Deutsche Bundesbank may take this into account in the application of Guiding Ratio II (Decision of 20/21 June 1951).</p> <p><i>Remarks</i></p> <p>Any credit which a credit institution has granted to expelled persons is in principle left out of account in determining whether, and if so, to what extent, the credits granted by the institution are in accordance with the Guiding Ratios, provided that the Lastenausgleichsbank (Bank für Vertriebene und Geschädigte) — (Equalisation of Burdens Bank) — has guaranteed the credit and has placed the funds at the disposal of the credit institution. This applies also to that part of the credit on which the credit institution itself carries the commitment (Decision of 11/12 April 1951).</p> <p><i>Definitions</i></p> <p>Liable Funds: These are the liable capital and reserves ("Eigenkapital") within the meaning of Article 11, paras 2 and 3, of the Banking Law (Kreditwesengesetz), plus the global adjustment of values permitted under the tax laws.</p> <p>Debtors: Credits in current account, and acceptance credits.</p> <p>Liquid Resources: Cash, balances at Land Central Banks, postal cheque balances, cheques and bills, Treasury bill and non-interest-bearing Treasury bonds of the Federal Government and the Länder, certain foreign Treasury bills and non-interest-bearing Treasury bonds.</p> <p>Borrowed Funds: Deposits, monies and loans taken, own acceptances and promissory notes in circulation.</p> <p>The definitions of the Guiding Ratios conform closely with those which are in current use in the banking statistics. There are full explanations indicating which items in the form for the statistical return must be used in the calculation for the purpose of each of the Ratios.</p>							

graph 1). So far as the resources of the Purchase Fund are not required for these purposes, the Bundesbank is to purchase Equalisation Claims of creditors who show in their balance sheet — by comparison with the balance sheets of creditors having an identical or similar business structure — a proportion of Equalisation Claims higher than the average (these operations being known as “equalising purchases” — loc. cit., Article 9, paragraph 2). Only then may the resources of the Fund be used to purchase Equalisation Claims of all creditors in a proportion to be determined as a uniform percentage (loc. cit., Article 9, paragraph 3).

In addition the Bundesbank may purchase for its own account from credit institutions, insurance companies and building and loan associations Equalisation Claims within the meaning of Article 1 of the Law on the Redemption of Equalisation Claims, subject to the provisions of Article 9, paragraph 1, of that Law, in so far and so long as the resources of the Purchase Fund are not sufficient for this purpose (Article 24, paragraph 2, of the Law concerning the Deutsche Bundesbank).

b) Money-Market Regulation and Money-Market Policy

The open-market operations of the Bank deutscher Länder were conducted until 1955 within narrow limits. They were mainly confined to offsetting short-term money-market fluctuations. In order to be able to conduct open-market policy on a broader basis in accordance with the objects of credit and liquidity policy, the Bank in the years 1955 to 1957 concluded with the Federal Minister of Finance special agreements under which it could obtain, in exchange for a corresponding part of its Equalisation Claim, Federal Treasury Bills or non-interest-bearing Federal Treasury Bonds having between six months and two years to run. These administrative agreements have now been replaced by the provisions of Article 42 of the Law concerning the Deutsche Bundesbank. According to these the Federal Government, as the debtor in respect of the Equalisation Claim which the Deutsche Bundesbank holds under the Monetary Reform provisions, is on the Bank's request to hand to it Treasury Bills or non-interest-bearing Treasury Bonds in denominations and on terms of the Bank's choice (“mobilisation paper”) up to a maximum of DM 4 billion. On the Bank's request the Cabinet may increase the maximum to the nominal amount of the total Equalisation Claim (see Article 42, paragraph 1, second sentence, of the Law concerning the Deutsche Bundesbank). In September 1957 the maximum was increased, on request, to DM 7 billion.

The mobilisation paper is payable at the Bundesbank. The Bank is under obligation to the Federal Government to meet all liabilities arising from such mobilisation paper.

In the course of its regulation of the money market the Bundesbank furthermore arranges the placing of Treasury Bills and non-interest-bearing Treasury Bonds which are issued by the Federal Government, its Special Funds and the Länder, as well as of Promissory Notes of the Import and Storage Agencies (Storage Agency Bills).

The Bundesbank lays down the selling rates for the money-market paper mentioned, and also the purchasing rates so far as such paper is purchased (Decision of 11 January 1956).

c) Provisions as to Minimum Reserves

After entry into force of the Bundesbank Law, except for one single provision, the instructions as to minimum reserves issued by the various Land Central Banks to credit institutions under Article 14, paragraph 2, second sentence, of the Land Central Bank Law in accordance with the specimen instruction¹⁾ approved by the Board of Directors of the Bank deutscher Länder for the time being remained in force and to that extent mutatis mutandis continued to be valid (Announcement of the Deutsche Bundesbank dated 1 August 1957). The exception was the deletion of Article 2, paragraph 1 (b), of the Instructions as to Minimum Reserves (Notice No. 2004/57).

¹⁾ See the Report of the Bank deutscher Länder for the Year 1956, page 121 and following pages.

The said paragraph provided for liabilities arising from the taking of earmarked monies, so far as the latter had not yet been passed on, to carry the reserve obligation even though they had periods to maturity of four years or more and/or were liabilities towards credit institutions subject to the reserve obligation. Cancellation of this special arrangement followed from Article 16, paragraph 1, first sentence, of the Bundesbank Law, under which liabilities in respect of long-term borrowings and liabilities towards credit institutions required to maintain minimum reserves cannot be subjected to the minimum-reserve obligation.

On 1 May 1958 the Instructions as to Minimum Reserves previously issued by the Land Central Banks to the credit institutions were abolished. They were replaced by the Deutsche Bundesbank's Order on Minimum Reserves of 28 March 1958, adopted by the Central Bank Council under Articles 6 and 16 of the Bundesbank Law.

The principal innovation contained in the Bundesbank's Order is the cancellation of the earlier provision — issued in accordance with Article 14, paragraph 2, first sentence, of the former Land Central Bank Law — stipulating that the credit institutions with branch establishments in several Land Central Bank areas had to decentralise their maintenance of reserves. The institutions operating on a supra-regional basis are now able, therefore, to distribute the minimum reserves at will among the Land Central Banks in whose area the Bundesbank's account-keeping branch establishments appropriate for their branches are located (Article 5, paragraph 1).

A further material change against the previous arrangement is the provision that liabilities in respect of foreign-currency deposits are no longer exempt from the reserve obligation generally, but only to the extent to which they have against them balances with foreign banks after deduction of those balances which are kept abroad as cover for customers' balances covering letters of credit and other covering balances (Article 2, paragraph 3 (e) and (d)). The previous arrangement (Decision of 8 July 1953) was based on the assumption that the credit institutions, if only for reasons of liquidity, would provide corresponding cover for the foreign-currency deposits by maintaining balances with foreign banks. Experience has shown however that this was by no means always the case. For reasons of liquidity and monetary policy it was therefore thought advisable to exempt foreign-currency deposits from the minimum-reserve obligation only in so far as the requisite covering balances are actually kept with foreign banks. It is not necessary however for the covering balances to be expressed in the same currency as the customers' deposits.

Another point of major importance is the limitation of the exceptional arrangement for "earmarked monies passed on" by a narrower definition of the term "earmarked monies" (Article 2, paragraph 3 (b)). The new wording makes it clear that the exceptional ruling does not apply to liabilities in respect of deposits. Liabilities in respect of earmarked monies taken come under the exceptional ruling, i. a., only if both the monies and the corresponding lendings run for not less than one year.

Apart from that the former provisions remained on the whole unchanged in substance.

The rate of the special interest charged for failure to meet the reserve requirement had previously been established in the Instructions as to Minimum Reserves. Under the new Order, on the other hand, it is specified from time to time by the Bundesbank. With effect from 1 May 1958 the special interest under Article 10, paragraph 1, of the Bundesbank's Order on Minimum Reserves was fixed at three per cent above the Deutsche Bundesbank's advance rate applying on the 15th of the month in question (Decision of 24 April 1958). This has not altered the situation in any way.

With effect from 1 September 1957 the reserve ratios in respect of liabilities towards non-residents and subject to the reserve obligation were raised to 30 per cent in the case of sight liabilities and to 20 per cent in the case of time liabilities (Decision of 8 August 1957).

The following is the text of the Order on Minimum Reserves in force since 1 May 1958.

*The Deutsche Bundesbank's Order on Minimum Reserves
of 28 March 1958*

In pursuance of Articles 6 and 16 of the Law concerning the Deutsche Bundesbank the Central Bank Council of the Deutsche Bundesbank has made the following Order as to Minimum Reserves:

I. General Provisions

Article 1

- (1) Credit institutions within the meaning of this Order comprise all enterprises conducting bank or savings bank business within the country (Article 1 of the Banking Law).
- (2) Not subject to the reserve obligation are:
 - a) the enterprises mentioned in Article 2, paragraph 1 d–f, of the Banking Law, even if they conduct bank or savings bank business in addition to the business proper to them;
 - b) credit institutions which are in liquidation, and other credit institutions whose activity is confined to winding up.

Article 2

- (1) Liabilities subject to the reserve requirement comprise all liabilities towards
 - a) non-banks,
 - b) credit institutions not subject to the reserve requirement, and
 - c) banks in foreign countries,arising from deposits and from loans taken, the latter for agreed periods to maturity, or at agreed periods of notice, of less than four years.
- (2) For the purpose of ascertaining the liabilities subject to the reserve requirement an account-holder's deposits payable on demand may be reduced by the offsetting of short-term claims on that account-holder on
 - a) accounts which in the calculation of interest and commission are treated together with the deposit accounts in question as a unit,
 - b) special loan accounts in accordance with Article 2, paragraph 4, of the Agreement regarding Debtor Interest (the so-called "English accounting method").This does not apply to deposits in foreign currency.
- (3) Exempt from the reserve requirement are liabilities
 - a) towards the Bundesbank;
 - b) in respect of earmarked monies taken as loans running for not less than one year, so far as the said monies have already been passed on to the recipients or to an intermediary credit institution. Earmarked monies within the meaning of this provision are monies which according to directions laid down from the outset by the lender in regard to the terms of lending in particular are to be lent to borrowers designated by name by the lender or — where it is a case of a public or publicly assisted lending scheme — to borrowers who fulfil the requirements for taking part in the said lending scheme; the life of the loans to be granted must be not less than one year;
 - c) of private or public mortgage banks or ship mortgage banks in respect of monies which have been taken as global loans but have not yet been passed on to the borrowers indicated, and for the purpose of securing which there has been transferred to the lender a registered mortgage bond that is covered not by mortgages but by substitute cover through use of the loan monies received;
 - d) in respect of balances for covering letters of credit, and of other covering balances, in so far as the credit institution for its part maintains a covering balance in respect of them at a bank within the country or abroad;
 - e) in respect of foreign-currency deposits, to the extent of the credit balances held at banks abroad; of the said credit balances, for this purpose, that part will be left out of account which has already been reckoned in accordance with d);
 - f) in respect of customers' drawings on credits opened at other credit institutions;

- g) in respect of the receipt of amounts collected purely on a commission basis, so far as the said amounts are currently paid over to the beneficiaries. This also applies to liabilities of the security-clearing institutions known as "Kassenvereine" in respect of redemption monies paid to them. Amounts are to be regarded as "currently paid over" if they remain at the collecting institution for not longer than 14 days;
- h) in respect of compensation balances within the meaning of Article 4 of the Law on Currency Conversion Compensation for Expelled Persons' Savings Balances, in so far as such balances have not yet been released (Article 11, paragraph 3, of the Law);
- i) in respect of savings deposits to the extent of the Covering Claims held under the "Old Savers' Law" for amounts credited as compensation on deposit accounts.

Article 3

- (1) Among the liabilities subject to the reserve requirement a distinction is made between:
- a) sight liabilities,
 - b) time liabilities, and
 - c) savings deposits.
- (2) Sight liabilities are deemed to comprise liabilities due on demand, as well as liabilities in respect of which a period of notice of less than one month or a period to maturity of less than 30 days has been agreed, and liabilities in respect of customers' balances for covering letters of credit and of their other covering balances.
- (3) Time liabilities are deemed to comprise
- a) liabilities in respect of which a fixed period to maturity of at least 30 days has been agreed;
 - b) liabilities in respect of which a period of notice of at least one month has been agreed.
- (4) Savings deposits are deemed to comprise deposits within the meaning of Chapter VII (Article 22 and following Articles) of the Banking Law.

Article 4

A "bank place" (Bankplatz) within the meaning of the provisions as to minimum reserves is any place at which the Deutsche Bundesbank maintains a branch. In exceptional cases where due reason exists the appropriate Land Central Bank may declare localities within a "bank place" which are difficult of access, for example distant suburbs included within the municipal boundaries, to be "non-bank places".

II. Reserve Obligation

Article 5

- (1) Credit institutions subject to the reserve requirement (Article 1) are required to maintain minimum reserves at the Bundesbank as credit balances on giro account.
- (2) Agricultural credit cooperatives which are members of a regional central institution and maintain no giro account at the Bundesbank are to keep the minimum reserves as balances payable on demand on a special account at their central institution; to the extent of the balances on such accounts the central institution is to maintain credit balances at the Bundesbank.

Article 6

The duty to maintain minimum reserves is fulfilled if a credit institution's actual reserve (Article 9) comes up to the required reserve (Article 7).

III. Calculation of the Required and Actual Reserve

Article 7

- (1) The required reserve is found by applying the percentages specified by the Bundesbank (reserve ratios) to the monthly average, ascertained in accordance with Article 8, of the liabilities subject to the reserve requirement (Article 2). In the case of credit institutions with more than one branch or office the monthly averages of the individual branches' or offices' liabilities subject to the reserve requirement will be reckoned together.

- (2) The required reserve of a central institution of agricultural credit cooperatives means the required reserve found according to paragraph 1 plus the total actual reserves of the cooperatives holding reserves with it.
- (3) If the reserve ratios are set at different levels according to the size of the institutions (reserve categories), then the ranking of a credit institution in one of the reserve categories is determined by the total of the monthly averages shown in the previous month's Reserve Statement (Article 11) for its sight and time liabilities subject to the reserve requirement.

Article 8

- (1) The monthly average of the liabilities subject to the reserve requirement will be calculated from the totals at the close of the business and non-business days in the period from the 24th of the previous month to the 23rd of the current month.
- (2) The monthly average can instead be calculated from the total of the liabilities subject to the reserve requirement as they stand at the close of the following four days:
 - Last day of the previous month;
 - 7th day of the current month;
 - 15th day of the current month;
 - 23rd day of the current month.
- (3) Agricultural credit cooperatives may use, in place of the monthly average, the total of the liabilities subject to the reserve requirement as they stood at the close of the last day of the previous month. In exceptional cases where due reason exists the appropriate Land Central Bank may permit other credit institutions to do the same.
- (4) If one of the days mentioned in paragraphs 1 to 3 falls on a non-business day, then for the total of the liabilities subject to the reserve requirement on that day the total at the close of the previous business day shall be taken.
- (5) In the case of agricultural credit cooperatives which maintain minimum reserves in accordance with Article 5, paragraph 2, the appropriate Land Central Bank may permit an ascertained monthly average to stand good for a further period of up to five months.
- (6) The monthly average is to be ascertained according to the same procedure for all the categories of liabilities subject to the reserve requirement (Article 3).

Article 9

- (1) The actual reserve means the monthly average of the credit balance maintained in accordance with Article 5. It will be calculated from the totals at the close of all the days in the month, the total balance on any non-business day being deemed to be the balance ascertained as at the close of the preceding business day, and will be notified to the credit institution at the close of the month by the Bundesbank (Central Cash Office).
- (2) If a credit institution keeps a giro account at more than one office of the Bundesbank, the actual reserve is deemed to be the total of the monthly averages of the individual credit balances.

IV. Special Interest

Article 10

- (1) If in any month a credit institution's actual reserve falls short of its required reserve the said credit institution shall for 30 days pay on the deficiency, unless the Bundesbank grants a request for waiver of the interest payment, special interest at the rate from time to time ordered by the Bundesbank.
- (2) Deficiencies of agricultural credit cooperatives which maintain minimum reserves in accordance with Article 5, paragraph 2, may not be offset by the central institution against its own surplus reserve or the surplus reserve of another cooperative. In respect of deficiencies of cooperatives the central institution shall pay the special interest to the Bundesbank.

V. Reserve Statement

Article 11

- (1) Not later than the 5th business day in each month every credit institution subject to the reserve requirement is in respect of the past month, except as otherwise provided in paragraphs 2 and 3, to submit a Reserve Statement (Form 1500, Section A) to the account-keeping office of the Bundesbank. For each day (Article 8) this Statement shall show -- on a schedule in the case of institutions which calculate in accordance with Article 8, paragraph 1 the monthly average of the liabilities subject to the reserve requirement -- the liabilities subject to such requirement divided according to the different categories (Article 3) and, divided between liabilities in accordance with paragraphs 2 and 3 of Article 2, the liabilities left out of account in accordance with the said paragraphs of that Article.
- (2) In the case of credit institutions having more than one office or branch each such office or branch is to render a Reserve Statement (Form 1500, Section A). The head office is in addition to render a Combined Statement (Form 1500, Section B), in which the monthly averages of each branch's or office's liabilities subject to the reserve requirement and of its Bundesbank giro balances are to be separately shown, so far as the branch or office maintains a Bundesbank giro account of its own; the monthly averages of the liabilities, subject to the reserve requirement, of branches or offices not having a Bundesbank giro account of their own may be shown in summary with an indication of the number of such branches or offices. The monthly averages of the liabilities subject to the reserve requirement are in every case to be split between bank places and non-bank places according to Form 1500 (Section B). The head office is to submit the Combined Statement together with the Statements of the individual branches or offices, also not later than the 5th business day in the month, to the Bundesbank's account-keeping office appropriate to its location; the appropriate Land Central Bank may permit their submission to another office of the Bundesbank.
- (3) Agricultural credit cooperatives which maintain minimum reserves in accordance with Article 5, paragraph 2 are to give to their central institution the data required in Form 1500 (Section A) for the calculation of the required reserve. For each cooperative maintaining a reserve with it the central institution shall state, in a schedule to its Reserve Statement, the monthly averages (Article 8) of the liabilities subject to the reserve requirement, the required reserve and the actual reserve.
- (4) The Bundesbank may cause the ascertainment of the liabilities subject to the reserve requirement to be explained to it in the Reserve Statement or in a schedule thereto. It retains the right to assure itself that the said ascertainment is in order.

VI. Coming into Force

Article 12

This Order comes into force on 1 May 1958. At the same time the instructions given by the Land Central Banks to credit institutions as to minimum reserves cease to have effect.

Deutsche Bundesbank
(sgd.) Blessing (sgd.) Dr. Wolf

d) Credit Limits of the Public Authorities

In accordance with Article 20, paragraph 1, of the Law concerning the Deutsche Bundesbank the Bank may grant short-term credits in the form of book and Treasury Bill credits (known as cash advances) to the following public administrations:

to the Federal Government	up to DM 3,000 million;
to the Federal Railways	up to DM 400 million;
to the Federal Postal Administration	up to DM 200 million;
to the Equalisation of Burdens Fund	up to DM 200 million;
to the E.R.P. Special Fund	up to DM 50 million;

to the Länder up to DM 20 per inhabitant according to the last official census; in the case of the Land of Berlin and the Free and Hanseatic Cities of Bremen and Hamburg an amount of DM 40 per inhabitant serves as the basis of computation.

Treasury Bills which are issued by these public administrations and which the Bundesbank has purchased for its own account, or in respect of which it has given an assurance of purchase, are counted against the credit limits. This however does not apply to Federal Treasury Bills which have been handed to the Bank in pursuance of Article 42, paragraph 1, of the Law concerning the Deutsche Bundesbank (Mobilisation Treasury Bills).

In addition the Bank may grant credits to the Federal Government with a view to fulfilment of the latter's obligations as member of the following institutions:

- a) the International Monetary Fund up to DM 1,500 million;
- b) the European Fund up to DM 180 million;
- c) the International Bank for Reconstruction and Development up to DM 35 million.

Credits have so far been granted to the Federal Government against these limits to the extent of DM 483.2 million, of which payments to the International Monetary Fund account for DM 452.9 million, while financing of the subscription paid in dollars to the International Bank for Reconstruction and Development accounts for DM 30.3 million.

Interest Rates and Minimum Reserve Ratios of the Deutsche Bundesbank*)

a) Rates for Discounts and Advances, and Special Rate of Interest charged for failure to meet the Minimum Reserve Requirement

Applicable as from:	Discounts ¹⁾	Advances on securities	Special rate of interest charged to credit institutions for failure to meet minimum reserve requirement
	% per annum	% per annum	% p. a. over advance rate
1948 July 1	5	6	1
Dec. 1			3
1949 May 27	4 1/2	5 1/2	
July 14	4	5	
1950 Oct. 27	6 ²⁾	7	
Nov. 1			1
1951 Jan. 1			3
1952 May 29	5 ⁴⁾	6	
Aug. 21	4 1/2	5 1/2	
1953 Jan. 8	4	5	
June 11	3 1/2	4 1/2	
1954 May 20	3	4	
1955 Aug. 4	3 1/2	4 1/2	
1956 March 8	4 1/2	5 1/2	
May 19	5 1/2 ⁵⁾	6 1/2	
Sep. 6	5	6	
1957 Jan. 11	4 1/2	5 1/2	
Sep. 19	4	5	
1958 Jan. 17	3 1/2	4 1/2	

*) Up to 31 July 1957 rates of Bank deutscher Länder and of Land Central Banks.
¹⁾ This is also the rate for cash advances to public authorities and to the Reconstruction Loan Corporation; cf. footnotes ³⁾ and ⁴⁾. The discount rate for bills expressed in foreign currency was uniformly fixed at 3%, for the time being, by a decision adopted by the Board of Directors of the Bank deutscher Länder on 3 August 1948. By decision of 9/10 November 1949 the Board of Directors authorised the Board of Managers to fix varying rates for bills in this class, in accordance with the discount rates of the foreign Central Banks. The same applies to bills in DM which have been accepted abroad (Decision of 22/23 March 1950), and also to export drafts (Decisions of 15/16 November 1950 and 23/24 May 1951); cf. footnote ⁵⁾. — ²⁾ Promissory notes arising under the export promotion scheme of the Reconstruction Loan Corporation were discounted at the preferential rate of 4% even after the raising of the discount rate on 27 October 1950 (Decision of 29/30 November 1950). This privilege in regard to the interest rate was cancelled by decision of 7/8 November 1951; and it could then be claimed only for promissory notes arising from credits which were granted or promised not later than 7 November 1951. — ³⁾ Under a decision taken by the Board of Directors of the Bank deutscher Länder on 20 December 1950 the interest rate for cash advances to the Reconstruction Loan Corporation was fixed, with effect from 27 October 1950, at 4% in the case of lendings to agriculture, maritime shipping and housebuilding, while for credits serving other purposes it was fixed at 5 1/2%. — ⁴⁾ Since 29 May 1952 there has been in effect only the special arrangement mentioned under ³⁾ for lendings to be used for financing agriculture, maritime shipping and housebuilding, to which lendings the rate of 4% continues to apply. — ⁵⁾ As from 19 May 1956 also discount rate for foreign bills, foreign cheques, foreigners' DM acceptances and export drafts.

b) Minimum Reserve Ratios *)

Applicable as from:	For credit institutions																								For Land Central Banks ²⁾	
	Liabilities towards residents																		Liabilities towards non-residents							
	Sight deposits												Time deposits						Savings deposits	Sight deposits	Time deposits	Savings deposits				
	at "Bank places" ^{*)}						at other places						Reserve category ¹⁾													
	Reserve category ¹⁾												Reserve category ¹⁾													
	1	2	3	4	5	6	1	2	3	4	5	6	1	2	3	4	5	6								
in per cent of the liabilities subject to the reserve requirement																										
1948 July 1	10						10						5						5							20
Dec. 1	15						10						5						5							
1949 June 1	12						9						5						5	up to 30 April 1957 the same rates were applying as to liabilities towards Residents						12
Sep. 1	10						8						4						4							
1950 Oct. 1	15						12						8						4							
1952 May 1	15	14	13	12	11	10	12	11	10	9	8	8	8	7.5	7	6.5	6	5.5	4							
Sep. 1	12	12	11	11	10	9	10	10	9	9	8	8	7	7	6	6	5	5	4							
1953 Feb. 1	11	11	10	10	9	9	9	9	8	8	8	8	7	7	6	6	5	5	4							
1955 Sep. 1	12	12	11	11	10	10	10	10	9	9	9	9	8	8	7	7	6	6	5							
1957 May 1	13	13	12	12	11	11	11	11	10	10	9	9	9	9	8	8	7	7	6	20	10	10				
Sep. 1	13	13	12	12	11	11	11	11	10	10	9	9	9	9	8	8	7	7	6	30	20	10				

*) Applying to the credit institutions in the area of the Federal Republic and, as from 1 May 1954, also to the credit institutions in Berlin (West). Prior to 1 May 1954, partly different regulations applied to the West-Berlin credit institutions. — *) "Bank places" are places at which there is a branch establishment of the Deutsche Bundesbank.

1) Since 1 May 1952 the credit institutions have been graded as follows, the amounts representing the totals of their liabilities (other than savings deposits) subject to the reserve requirement:

Reserve category 1	Millions of DM	Reserve category 4	Millions of DM
" " 2	100 and over	" " 5	from 5 to under 10
" " 3	from 50 to under 100	" " 6	" 1 " " 5
	" 10 " " 50		under 1

The reserve class into which any credit institution is to be placed is determined by the amount of its sight and time liabilities subject to the reserve requirement in the previous month.

2) No longer applicable since entry into force of the Law concerning the Deutsche Bundesbank (1 August 1957).

2. Arrangements on Matters of Foreign Exchange Policy

General Survey

The existence of currencies of limited convertibility alongside the freely convertible currencies (the U.S. and Canadian dollars and free Swiss francs), and the fact that the Federal Republic of Germany belongs to the European Payments Union, entail the maintenance of provisions designed to counteract currency deterioration in the sense of passing out of hard currencies into soft currencies. Normally therefore a Special Licence is required where payments in freely convertible foreign currencies, or into a Freely Convertible DM Account, are to be made to recipients in the area of currencies of limited convertibility. In principle it is not permissible to accept payments in foreign currencies of limited convertibility, or out of a DM Account of Limited Convertibility, from the area of freely convertible currencies.

Income items of all kinds, such as interest, dividends, profits from participations and income derived from real property, as well as amounts arising from the drawing of German securities, may be either paid into Liberalised Capital Accounts or transferred in freely convertible currency if the creditor has his residence or registered office in the area of freely convertible currencies. It is true that in the case of the actual capital liabilities (in respect of non-bonded loans and claims to the proceeds of realisation of foreigners' investments in Germany such as securities, participations and real properties) there is as yet no General Licence permitting transfer in freely convertible currencies to beneficiaries having their residence or registered office in the areas of such

Separation of
Currency Areas

Transfer

currencies. Payment on maturity into a Liberalised Capital Account of amounts of capital which are owed is however permitted, and so is the sale abroad against freely convertible currency of the balance on such accounts.

Since dealings in balances on Liberalised Capital Accounts consistently took place during 1957 at rates very close to parity, foreign creditors on selling their balances on such accounts received amounts of foreign exchange practically as great as in the case of a direct transfer in freely convertible currency.

The fact that the quotation for Liberalised Capital Marks is always very close to that for Freely Convertible DM suggests that there is no practical need to maintain this special type of DM for financial transactions. Since moreover the abolition of Liberalised Capital Marks would assist the return to normal of payment transactions between the Federal Republic of Germany and other countries, replacement of the Liberalised Capital Mark system by a new arrangement is now being considered.

Capital Imports

The import of foreign capital into the Federal Republic has not been included in the general liberalising of payment transactions with foreign countries. In view of the large German exchange surpluses and on grounds of currency policy the granting of bonded or other loans in foreign currency to parties in the Federal Republic, and the acquiring of capital assets (German securities, participations and real properties) in the Federal Republic against foreign currency, whether freely convertible or of limited convertibility, are not yet generally permitted. The use of DM balances, whether freely convertible or of limited convertibility, for the same purposes is not permitted either.

Such investments by foreigners are however permitted where Liberalised Capital Mark balances are used. Such balances can now be used without restriction for the purpose of granting DM loans having not less than five years to run, and for the acquiring of German securities, participations and real properties.

The taking in foreign countries of loans in connection with which the West German borrower will incur debt in foreign currency still requires a Special Licence, which is granted only in exceptional cases where there are particular reasons.

Transactions in Goods and Services

In the field of transactions in goods and services with foreign countries the rules at present in force for implementing the foreign-exchange regulations in respect of certain kinds of business still contain prohibitions which are maintained on the ground of considerations that do not relate to foreign-exchange business in the proper sense, but are partly political (as where embargoes have been ordered) and partly concern the country's internal economy. International agreements regarding transactions in goods and services with foreign countries also entail for the Federal Republic certain obligations which result in the maintenance of foreign-exchange restrictions in regard to payment transactions with the countries concerned.

London Debts Agreement

The undertaking which in the London Debts Agreement the Federal Republic gave to the foreign contracting parties to ensure the contractual execution of the Agreement, and in particular only to permit the payments contemplated therein, makes it necessary to keep a check on the agreements for settlement and to refuse to permit payments which are not permissible under the Agreement.

The "Comparative Survey of the Progressive Liberalisation of Trade in Goods and the Main Items of Services and Capital Transactions with Foreign Countries" which follows on pages 72/73 shows, in the same way as in last year's Report, the course of the liberalisation of exchange movements since 1949.

Arrangements Made during the Year under Report

On 1 January 1958 a uniform free list for the import of goods from the various areas came into force. 800 further items — mostly industrial goods — out of the items numbering about 6,000 in the list of goods as classified for the foreign-trade statistics have been put into the new free list, the greater part representing imports from countries in the free currency area. The multilateralisation of possibilities of importing has also made further progress. — The liberalisation ratio for imports from O.E.E.C. member countries has risen from 92.4 per cent at the end of 1956 to 94.0 per cent, the basis year being 1949, and that for imports from the Dollar Area (where the basis year is 1953) from 92.9 to 95.0 per cent of the items contained in the list of goods.

Import of Goods
against Payment

Gold coin was included in the free list in the course of the year under report.

Since 1 May 1957 all inhabitants of the Federal Republic may receive from any country by mail, without production of special import papers, industrial goods (including coffee, tobacco and tobacco products) of an invoiced value of up to DM 100 for each lot sent.

In regard to the export of goods against payment certain relaxations have been permitted. The requirement of permission for exports to the non-European Eastern bloc countries has been largely cancelled. Deliveries by way of replacement and abatements of price in connection with export transactions are now in principle permissible without special permit.

Export of Goods
against Payment

At the middle of February 1958 the regulations as to procedure for the export of goods against and without payment were codified. The special permits hitherto required for the export of goods without payment, in the form of certificates of non-objection to export, have been dropped.

Beyond the far-reaching measures of liberalisation which were adopted in August 1956, and which resulted in a notable increase of merchanting trade in 1957, only slight changes in merchanting trade procedure were made during the latter year.

Merchanting Trade

The limiting provision under which commodity future transactions could be concluded in foreign markets only to provide cover against market risks arising in the course of the party's own business on buying and selling, as well as during the production, storage and processing of particular lots of goods, has been cancelled. The list of the commodities and market centres admitted for future dealings has been extended. Since November 1957 all residents have been permitted to conclude commodity future transactions in markets abroad.

Commodity Futures

Payments to foreign countries may now be made in any desired currency, with the exception of payments in U.S. and Canadian dollars and free Swiss francs and of payments made in Deutsche Marks into a Freely Convertible DM Account, in settlement of obligations towards persons domiciled in a country in the area of currencies of limited convertibility. General permission has been given for the delivery and receipt of notes and coin, as well as for their import and export; the payee may retain in his possession, without declaring them, foreign notes and coin received in payment.

Payments
Permissible Channels

The rule which limited the currencies admitted to exchange dealings to the more important foreign currencies has been dropped. German financial institutions may now deal in all currencies spot and forward with residents and foreigners. In dealings with foreign countries however freely convertible currencies may be sold only against freely convertible currencies, and currencies of limited convertibility may be bought only against currencies of limited convertibility.

Foreign Exchange
Dealings

Since the end of October 1957 financial institutions in the Federal Republic have been allowed to grant to non-residents loans for any period in Deutsche Marks and in foreign currency. The limitation of the period to 180 days has thus been dropped.

Extensions of Credit
to Non-Residents

Comparative Survey of the Progressive Liberalisation of Trade in Goods and the

	Position at end of 1949	Position at end of 1952	Position at end of 1956	Position in April 1958
A. Trade in Goods				
Liberalisation of the Import of Goods				
I. from O.E.E.C. Countries (in p.c. of 1949 imports)	47 per cent ¹⁾	81 per cent ¹⁾	92.4 per cent ¹⁾	94.0 per cent ¹⁾
II. from Dollar Countries (in p.c. of 1953 imports)	—	—	92.9 per cent ¹⁾	95.0 per cent ¹⁾
B. Services				
I. Transfer in respect of incidental expenses and services directly resulting from trade (e.g. freight and insurance)	transport costs free, otherwise Special Licence	free	free	free
II. Transfer in respect of incidental expenses and services indirectly resulting from trade				
1) Commissions	Special Licence	free up to 5% commission, otherwise Special Licence	free	free
2) Expenses on commercial agency reports and publicity	free	free	free	free
3) Licence fees (current and non-recurring)	Special Licence	Special Licence	free up to DM 50,000 per quarter or DM 300,000 once	free up to DM 50,000 per quarter or DM 300,000 once ²⁾
III. Insurance (for transport insurance see B. I)				
1) Property insurance contracts	not permitted	Special Licence	free (with certain exceptions)	free (with certain exceptions)
2) Life assurance contracts				
a) between residents and foreign life assurance companies	not permitted	not permitted	not permitted	Special Licence
b) between non-residents and domestic life assurance companies	not permitted	Special Licence	free on DM basis	free on DM basis
3) Active and passive reinsurance and further reinsurance — in any currency — conclusion and performance	Special Licence	Special Licence	free	free
IV. Transfer of employees' compensation (wages, salaries, old-age, disability and retirement pensions, fees)	Special Licence	free up to DM 1,000 per month to O.E.E.C. countries, otherwise Special Licence	free	free
V. Travel				
1) Purchase and export of national and foreign payment media to be used abroad by residents of the Federal Republic	Special Licence, private journeys only in exceptional cases	free subject to limitation of amount	free	free
2) Export of national and foreign payment media by foreigners when leaving the country				
a) national payment media	free up to DM 40	free up to DM 200	free	free
b) foreign payment media	free up to amount of imported foreign payment media	free up to amount of imported foreign payment media	free	free
3) Import of foreign and national payment media				
a) by residents	aa) national payment media ab) foreign payment media	free up to DM 40 free	free free	free free
b) by foreigners	ba) national payment media bb) foreign payment media	free up to DM 40 free	free free	free free
VI. Miscellaneous payments to foreign countries				
1) Inheritances	to Blocked DM Account	subject to reciprocity, transfer under Special Licence	free in currency of limited convertibility; otherwise Special Licence	free
2) Dowries	to Blocked DM Account under Special Licence	subject to reciprocity, transfer under Special Licence	free in currency of limited convertibility up to DM 50,000; otherwise Special Licence	free
3) Gifts and support payments to physical persons	to Blocked DM Account under Special Licence	to Blocked DM Account under Special Licence	free up to DM 300 per month	free
4) Legal and contractual maintenance payments	to Blocked DM Account under Special Licence	Special Licence	free up to DM 3,000 per month	free
5) Loans to relatives abroad	not permitted	Special Licence	Special Licence	free
6) Winnings from governmentally approved gaming (lotteries, totalisator, etc.)	to Blocked DM Account under Special Licence	to Blocked DM Account under Special Licence	free in currency of limited convertibility; otherwise Special Licence	free
7) Prizes, e.g. art, literature or sport prizes and prizes in connection with public and other competitions	to Blocked DM Account under Special Licence	to Blocked DM Account under Special Licence	free up to DM 50,000	free
8) Fines and penalties: compensation on the ground of tortious act, of average and on other non-contractual grounds of liability; unjustified enrichment	to Blocked DM Account under Special Licence	to Blocked DM Account under Special Licence	free	free
9) Taxes and public imposts	to Blocked DM Account under Special Licence	to Blocked DM Account under Special Licence	Special Licence	free

¹⁾ Excluding governmental imports. — ²⁾ In the case of larger amounts the Special Licences are liberally granted.

Main Items of Services and Capital Transactions with Foreign Countries

	Position at end of 1949	Position at end of 1952	Position at end of 1956	Position in April 1958
C. Capital Transactions				
I. Income from foreign-owned investments in the Federal Republic and countervalue of drawn bonds	to Blocked DM Account	to Blocked DM Account	free	free
II. Repatriation of foreign-owned capital or investments (including transfer of capital assets to emigrants)				
1) Proceeds of sale, redemptions, repayments and individual indemnification	to Blocked DM Account	to Blocked DM Account	free in currency of limited convertibility; otherwise Special Licence	free in currency of limited convertibility; otherwise Special Licence ¹⁾
2) Balances on accounts at financial institutions (Blocked DM or Liberalised Capital Accounts)	not permitted	not permitted (transfer between foreigners permitted)	free in currency of limited convertibility; otherwise Special Licence	free in currency of limited convertibility; otherwise as a rule Special Licence ¹⁾
3) Acquisition of German securities and external bonds abroad by residents of the Federal Republic	not permitted	not permitted	not permitted (free for German external bonds)	free
III. Interest and redemption payments under the London Debts Agreement	Agreement not yet concluded	Agreement not yet concluded	full service according to Agreement	full service according to Agreement
IV. Fresh investments				
1) Foreign investments in the Federal Republic, DM loans, participations, real estate, domestic securities	not permitted (except in certain cases out of original Blocked DM Accounts)	acquisition of marketable securities and real estate out of blocked accounts free; otherwise Special Licence	free out of Liberalised Capital Accounts (participations over DM 500,000, loans at more than 4½% interest or running for less than 5 years and acquisition of non-marketable securities under Special Licence)	free out of Liberalised Capital Accounts (loans running for not less than 5 years); otherwise Special Licence
2) German investments abroad				
a) enterprises, branch establishments and participations	not permitted	Special Licence	free up to DM 3 million for German enterprises	free
b) acquisition of marketable foreign securities	not permitted	not permitted	free	free
c) acquisition of real estate	not permitted	not permitted	Special Licence	free
V. Import and export of foreign-owned securities	not permitted	import free; export not permitted (except re-export)	free	free
VI. Import of gold coin and dealings therein in the Federal Republic	not permitted	dealings permitted subject to limitation	free	free
D. Special Public Deliveries and Payments				
1) Israel Agreement	Agreement not yet concluded	deliveries and payments according to Agreement	deliveries and payments according to Agreement	deliveries and payments according to Agreement
2) Federal Indemnification Law	Law not yet promulgated	Law not yet promulgated	free	free
3) Federal Restitution Law	Law not yet promulgated	Law not yet promulgated	Law not yet promulgated	free
4) War Consequences Law	Law not yet promulgated	Law not yet promulgated	Law not yet promulgated	free
E. Keeping of Foreign Currency Accounts				
I. for residents of the Federal Republic, at foreign banks				
1) financial institutions	Special Licence	Special Licence	free	free
2) business enterprises	not permitted	Special Licence for building and assembly firms	Special Licence for building and assembly firms, ship-builders, collection accounts	free
3) private persons	not permitted	Special Licence	Special Licence	free
II. for foreigners, at banks in the Federal Republic	not permitted	free for crediting of travellers' payment media; otherwise Special Licence	free for crediting of travellers' payment media; otherwise Special Licence	free for crediting of travellers' payment media; otherwise Special Licence
III. for residents, at banks in the Federal Republic	not permitted	not generally permitted; Special Licence for average adjusters	free	free

¹⁾ The Special Licence is liberally granted.

Accounts Kept Abroad
(Foreign Currency
Accounts at Foreign
Financial Institutions)

All residents, and not only firms entered in the Commercial Register or Register of Co-operative Societies, have been allowed since the middle of January 1958 to keep foreign currency accounts at financial institutions abroad. In addition the possibilities of using balances on these accounts have been widened, and the requirements as to declaration of the balances held and the turnover have been simplified.

Foreign Currency
Accounts
at West German
Financial Institutions
for Residents

As an extension of the previous provisions residents have been allowed since the middle of January 1958 to effect through their foreign currency accounts at financial institutions in the Federal Republic all payments permitted under exchange regulations. The limitation to a period of 180 days for overdrawing such accounts has been dropped.

Foreign Acceptances

Foreign acceptances (and promissory notes) expressed in a foreign currency have been purchased since the end of August 1957 at special buying rates which are fixed by the Bundesbank each working day for the date of purchase. These rates apply uniformly to all bills and promissory notes with up to three months to run.

Assignment of Claims
on Foreigners; Transfer
of Foreign Bills and
Foreign Cheques

As an extension of the previous regulations residents are now allowed to assign to other residents, against or without valuable consideration, monetary claims of all kinds which they have on non-residents. There is a further extension of the General Licence in the fact that residents may transfer to other residents all bills and cheques, including travellers' cheques, which are payable outside the Federal Republic or are ranked as foreign exchange assets for other reasons, for instance because they are expressed in foreign currencies.

Inheritances

In an amended version of the General Licence regarding the treatment of assets inherited by non-residents the permissions previously accorded have been more clearly and more comprehensively formulated. Monies to which foreign heirs and legatees are directly entitled in virtue of such inheritance may be transferred in any amount to the country of residence of the foreign beneficiary — and hence, if the case arises, also to the area of freely convertible currencies.

Miscellaneous
Foreign Payments

The possibility of transferring monetary payments of miscellaneous character has been extended. Donations, maintenance payments, relatives' loans, dowry payments, payments of damages, payments in respect of unjustified enrichment, taxes and dues as well as prizes and winnings from gaming can now be transferred in any amount and without regard to the recipient's country of residence.

Liberalised
Capital Accounts

The provisions regarding investment of balances on Liberalised Capital Accounts in assets in the Federal Republic have been further relaxed. The General Licence permitting foreigners to acquire German securities and subscription rights not expressed in any foreign currency now also applies to securities which are not the subject of dealings on any stock exchange in the area of the Federal Republic and are not offered for public subscription in that area. In the case of securities which are quoted on a stock exchange or are offered for public subscription, moreover, the provision limiting the contracting parties to the stock-exchange or subscription price has been dropped.

Where German securities are sold by foreigners to residents the limitation to securities quoted on a stock exchange, and to dealings at the stock-exchange quotation, has also been dropped. The provision that the sale must be effected through a financial institution in the Federal Republic has however been retained.

The granting of DM loans out of balances on Liberalised Capital Accounts is now permissible without the former limitation of the interest rate to a maximum of 4.5 %. Where foreigners acquire participations in business enterprises in the Federal Republic, and where such business enterprises or branch establishments or places of business or manufacture are established, the former limit of DM 500,000 per enterprise in the calendar year has been cancelled.

The possibility of overdrawing Liberalised Capital Accounts has been widened. Whereas formerly overdrawing was permitted for three days at most, the account-keeping financial institutions may now execute orders from foreign customers for purchase of securities and other

permissible orders without previous provision of cover. Not later than ten days after the over-drawing they must however call upon the foreign customer to provide cover, and for the whole period of the overdraft they must charge the normal bank interest on the debit balance.

Through a new General Licence permission has been granted for the acquiring in foreign countries, against exchange payment, of German securities which are the subject of dealings on a foreign stock exchange. This General Licence also applies to the acquisition of certificates which have been issued in a foreign country in respect of such German securities. The purchase may also be effected, against payment in freely convertible currency, in countries not belonging to the area of freely convertible currencies. On the other hand the sale of German securities abroad against foreign exchange remains impermissible; German securities may be sold to foreigners only against payment of the purchase price from a Liberalised Capital Account.

Purchase of German Securities in Foreign Countries

The General Licences concerning the acquisition by residents of German external bonds abroad against foreign exchange, and dealings in German external bonds in the Federal Republic between residents, have been combined and extended. German external bonds can now be acquired abroad by any resident even without the interposition of a financial institution in the Federal Republic. There is moreover no longer any limitation to external bonds which are quoted on a foreign stock exchange. The bonds acquired abroad may also be left abroad.

German External Bonds

In the General Licence as to dealings in foreign securities a number of former restrictions have also been terminated. Here also, for instance, residents need no longer make use of a financial institution in the Federal Republic when buying and selling foreign securities. Similarly it is no longer laid down that the securities must be held in safe custody by a financial institution in the Federal Republic. The purchase of foreign securities is permissible against freely convertible currency also in countries having a currency of limited convertibility. Foreign securities may be sold abroad at any time against freely convertible currency, or in the Federal Republic against Deutsche Marks.

Foreign Securities

Investments in foreign countries, through the setting up of enterprises and branch establishments, the acquiring of participations and so forth, are now permissible in any amount; the former limit of DM 3 million in the individual case, up to which no Special Licence was prescribed, has been dropped. In addition the General Licence now applies to persons who are not traders within the meaning of mercantile law. General permission has also been given for the granting of loans to foreign enterprises which belong to the West German lender to the extent of more than 50 per cent; it is expected that the requirement of this minimum participation will be dropped.

Investments in Foreign Countries

Under a new General Licence any resident can now acquire real property abroad for business or private purposes. The General Licence also covers the taking of foreign real properties on rent as well as the conclusion of leases for hunting, shooting and fishing purposes and of contracts for the renting of buildings and premises in foreign countries. The alienation of foreign estate is also covered by the General Licence.

Real Properties Abroad

Explanation of the Opening Balance Sheet as at 1 January 1957 and of the Annual Statement for 1957 of the Deutsche Bundesbank

I. Legal Bases — Form of Returns and Balance Sheet

- Original Capital** On the entry into force of the Law concerning the Deutsche Bundesbank the assets of the Land Central Banks and the Berlin Central Bank together with the liabilities were transferred in their entirety on 1 August 1957 to the Bank deutscher Länder, which in accordance with Article 1 of the Law has become the Deutsche Bundesbank. Its original capital of DM 290 million corresponds to the capital, which until then had belonged to the Länder, of the former Land Central Banks and of the Berlin Central Bank. The Federal Government has now become the sole shareholder.
- Apportionment of Assets and Liabilities between Federal Government and Länder — Opening Balance Sheet** In connection with this arrangement for transfer of the assets and liabilities as a consequence of the merging of the Land Central Banks and the Berlin Central Bank with the Bank deutscher Länder the transfer of the liabilities in respect of the Land Central Banks' Equalisation Claims is also regulated in Article 38 of the Bundesbank Law. With effect from 1 January 1957 the Federal Government has assumed the liabilities of the Länder in respect of Equalisation Claims held by the Land Central Banks according to the provisions concerning the Currency Reform. The interest paid thereon by the Länder for the period since 1 January 1957 is to be reimbursed by the Bank out of the balance of profit due to the Federal Government; in addition the Bank is paying fifteen million Deutsche Marks to the Land of North Rhine-Westphalia and five million Deutsche Marks to the Land of Berlin, in each case together with six per cent interest as from 1 January 1957, to counterbalance cash payments formerly made towards the capital. All claims of the Länder arising from the extinction of their participations in the Land Central Banks and the Berlin Central Bank are thereupon regarded as settled.
- The form thus found for apportionment of the assets and liabilities between Federal Government and Länder has made it possible to dispense with the arranging of an abbreviated accounting year. Article 38, paragraph 4 of the Law lays down that, with due regard for the provisions of Article 26 as to the Annual Statement, the Deutsche Bundesbank's Opening Balance Sheet is to be drawn up as at 1 January 1957.
- Accounting System** Under Article 26 of the Law the Deutsche Bundesbank's accounting system is required, in accordance with the provisions formerly applying to the Bank deutscher Länder, the Land Central Banks and the Berlin Central Bank, to conform to the principles of regular bookkeeping. The provisions of company law continue to apply mutatis mutandis to the valuations in the Annual Balance Sheet.
- Annual Statement** The competence of the Bank's organs in regard to the part which they play in connection with the drawing up and passing of the Annual Statement, as that competence is laid down in Article 26 of the Bundesbank Law, is changed by comparison with the arrangement in the Bank deutscher Länder Law, inasmuch as publication of the Bundesbank's Annual Statement is incumbent on the Directorate (Article 26, paragraph 3, sentence 3), and the relieving of the Directorate (formerly called the Board of Managers) from responsibility by the Central Bank Council (formerly called the Board of Directors) has been dropped.
- The Directorate continues to have the duty of preparing the Annual Statement, which is approved by the Central Bank Council after it has been audited by the certified auditor appointed by the Central Bank Council in agreement with the Federal Audit Office.

A new feature is the cooperation of the Federal Audit Office in the appointment of the auditors; another is the obligation imposed on the Bank in Article 26, paragraph 4 of the Bundesbank Law to communicate the auditor's report, as well as the findings of the Federal Audit Office thereon, to the Federal Minister for Economic Affairs and the Federal Minister of Finance.

In the new version of the regulations as to distribution of profits (Article 27 of the Law) the former provisions regarding allocation to the legal reserve, to which 20 per cent of the profit or DM 20 million — whichever is the higher — is to be transferred until the legal reserve amounts to 5 per cent of the note circulation, have been adopted for the time being without change.

Distribution of Profits

In addition 10 per cent of the balance of profit remaining after the allocation to the legal reserve may as before be used to constitute other reserves; however — and this is new — these reserves must not together exceed the amount of the original capital.

In the manner formerly applying to the Bank deutscher Länder the Deutsche Bundesbank is required each year after the allocation to its reserves to pay 40 million Deutsche Marks, and from the 1980 business year onwards 30 million Deutsche Marks, to the Fund for the Purchase of Equalisation Claims which has been formed in accordance with the Law on the Redemption of Equalisation Claims.

The list of provisions for appropriation of the profit concludes with the Federal Government, to which as sole shareholder the remaining balance of profit is to be transferred. No provision is made in the Bundesbank Law, as opposed to the regulations for distribution of profit which applied to the members of the former Central Banking System, for the immediate payment of a dividend after the allocation to the legal reserve.

So far as the Law concerning the Deutsche Bundesbank has altered the legal bases and requirements for the Bank's banking activity, this will be discussed in the explanations of the corresponding items in the first Annual Statement of the Deutsche Bundesbank which is here presented.

Amendment of Other Legal Provisions

The classification and the names of the assets and liabilities in the Opening Balance Sheet, and in the Annual Balance Sheet for 1957, have been made largely to conform to the pattern of the Deutsche Bundesbank's return. The classification in the Deutsche Bundesbank's Opening Balance Sheet and its Annual Balance Sheet for 1957 differs in certain items from the classification in the Balance Sheet of the Bank deutscher Länder. Thus for example the assets arising from foreign business are otherwise arranged. In Asset Item 2, entitled "Balances at foreign banks and money-market investments abroad", there are comprised bank balances and money-market investments abroad which are at all times freely available. The less liquid balances and the claims on foreign countries are shown in Item 4, entitled "Other claims on foreign countries". The foreign banks' acceptances shown in Asset Item 3 of the Bank deutscher Länder Balance Sheet, entitled "Foreign notes, coin, bills and cheques", have been placed in the Deutsche Bundesbank's Balance Sheets among the money-market investments abroad.

Form of Returns

The deposits are shown with subdivisions in Liability Item 5; the Liability Item 6 entitled "Other deposits payable on demand", which was included in the Bank deutscher Länder's Balance Sheet, has been dropped.

In the Opening Balance Sheet the items for distinguishing between accounting periods have been mostly placed in the items "Other assets" and "Other liabilities".

In the Annual Balance Sheet, under Asset Item 13 entitled "Equalisation Claims on public authorities and Debt Certificate in respect of the provision of new currency to the Municipality of Berlin", the item in the previous column described as "of which: used to employ deposits of Federal Government, Federal Special Funds and Länder" has been dropped because the Law concerning the Deutsche Bundesbank no longer provides for employment of public authorities' deposits in Equalisation Claims.

The classification of the Deutsche Bundesbank's Profit and Loss Account for 1957 follows the previous statement of the Bank deutscher Länder.

II. Opening Balance Sheet as at 1 January 1957

Initial Values

The Opening Balance Sheet which is attached to this Report as Appendix 1 has been evolved from the Bank deutscher Länder's, the Land Central Banks' and the Berlin Central Bank's Annual Balance Sheets for 1956 carrying unqualified audit certificates. In it the items showing the position at the individual institutions have been brought together, collective items having been broken up and apportioned among other items, while liability and asset items such as existed between the formerly independent institutions, for instance the capital stock, participation in the Bank deutscher Länder, the Land Central Banks' liabilities towards the Bank deutscher Länder in respect of advances on securities, their deposits at the Bank deutscher Länder and so forth, have been offset. Thus the Opening Balance Sheet is in essentials a consolidated Balance Sheet of the former Central Banking System. The 1956 net profits shown in all the Closing Balance Sheets as undistributed have been treated in the Opening Balance Sheet as having been distributed, and have been allocated to the accounts in accordance with the decisions as to distribution.

The valuations in the Balance Sheets of the merged institutions as at 31 December 1956 conform to the provisions of company law, and therefore to Article 26, paragraph 2 of the Bundesbank Law; no new valuations have been effected.

DM

Bank Note Circulation — Divisional Coin

The bank note circulation is shown in

Liability Item 4 of the Bank deutscher Länder Balance Sheet at	14,510,815,660.65
and in the Opening Balance Sheet at	14,473,463,071.05
	<hr/>
The difference of	37,352,589.60

represents the bank notes in the cash holding of the Berlin Central Bank, which, unlike the Land Central Banks in the area of the Federal Republic, carried a cash holding of its own. This also explains the increase of DM 1,657,357.57, in the holding of divisional coin in Asset Item 5, to DM 42, 236,697.12 in the Opening Balance Sheet.

III. Conversion Account

In pursuance of the Central Bank Council's decision of 13/14 November 1957 the Conversion Accounts of the Bank deutscher Länder and the Land Central Banks are being continued as Partial Conversion Accounts in accordance with the existing principles. A combined Conversion Account is attached to this Report as Appendix 2.

In this combined Conversion Account the mutual liability and asset items — Credit balances at Bank deutscher Länder / Deposits of the Land Central Banks and their share in the capital stock of the Bank deutscher Länder / Capital stock of the Bank deutscher Länder — have been offset.

In view of the Currency Reform regulations separately issued for Berlin the assets and liabilities from the Berlin Central Bank's Conversion Account are shown in Asset Items 11 and 12 and in Liability Items 7 and 8.

Through the corrections of the Conversion Accounts to the position shown by the books on 31 December 1957 the Deutsche Bundesbank's claim to allocation of Equalisation Claims has altered as follows:

Amount of Equalisation Claims as shown by the books on 31 December 1956	DM	DM	DM
			8,101,986,971.97
Increase through			
Notes and coin put into circulation (Liability Item 3 b)		635.29	
Credited in respect of deposits (Liability Item 4)			
Subsequent conversion of Reichsmark balances at Land Central Banks	51,641.56		
Initial allocation to			
Credit institutions	1,754,893.84		
Public authorities	990.—		
	<u>1,807,525.40</u>		
<i>less</i>			
repaid			
Business allocations	55,298.13		
Per capita quotas	12,146.06		
other adjusting items	17.76	1,740,063.45	1,740,698.74
Amount of Equalisation Claims as shown by the books on 31 December 1957			8,103,727,670.71.
		DM	DM
The claim on the Federal Government in respect of the provision of new currency to the Municipality of Berlin amounted on 31 December 1956 to			622,169,726.95.
In 1957 it was reduced through the offsetting, against an equal part of the Debt Certificate, of a special advance of		75,000,000.—	
formerly granted to the Berlin Central Bank out of resources of the Bank deutscher Länder in accordance with Paragraph 52 c of the Berlin Central Bank Ordinance.			
Certain other items altered, through subsequent pay- ments and the recalling of amounts previously cred- ited, by a total of		1,394.51	75,001,394.51
Claim on 31 December 1957			<u>547,168,332.44.</u>
In respect of this claim the Federal Government has issued a non-interest-bearing Debt Certificate.			

IV. Annual Statement for 1957

The Annual Statement for 1957, which is attached as Appendix 3, will be explained in the order of the items in the Balance Sheet and Profit and Loss Account. At the same time a report is hereby rendered on the activity during 1957 of the Deutsche Bundesbank and the institutions united in it, namely the Bank deutscher Länder, the Land Central Banks and the Berlin Central Bank. For comparison of the Balance Sheet items the values in the Opening Balance Sheet have

been used. In the description of the course of business the 1957 turnovers of the above-named institutions have been compared, so far as possible, with the combined 1956 turnovers of the members of the former Central Banking System, including the Berlin Central Bank.

The amounts in the Profit and Loss Account have been compared with the combined Expenditure and Receipts of the Bank deutscher Länder, the Land Central Banks and the Berlin Central Bank for 1956.

Balance Sheet

The changes in the most important Balance Sheet items as against the Opening Balance Sheet are shown in the following comparative statement.

Assets	1 Jan. 1957	31 Dec. 1957	Liabilities	1 Jan. 1957	31 Dec. 1957
	millions of DM			millions of DM	
Gold, balances at foreign banks, money-market investments abroad, foreign notes and coin, foreign bills and cheques, other claims on foreign countries	18,141.5	23,841.4	Bank notes in circulation	14,473.5	16,132.9
Domestic bills of exchange	2,721.8	1,366.1	Deposits of credit institutions (including Postal Cheque and Postal Savings Bank offices)	5,260.0	7,108.9
Advances against securities	262.6	53.3	public depositors	4,093.9	4,616.3
Cash advances to Federal Government and Federal Special Funds, Länder and other public authorities	148.4	150.6	other German depositors	291.0	229.6
Treasury bills and Treasury bonds of Federal Government and Federal Special Funds	119.9	153.7	foreign depositors	163.2	251.3
Securities	122.0	238.2	Liabilities in respect of foreign business		
Equalisation claims	4,277.1	4,587.2	in foreign currency	121.0	151.2
Credit to Federal Government in respect of I.M.F. and I.B.R.D.	390.8	390.8	in DM	544.2	1,123.1
Holding of divisional coin, postal cheque account balances	191.4	236.6	Other liabilities	357.1	184.1
Other claims	125.4	79.2	Reserves for specific purposes	626.9	675.3
Other assets	155.9	300.1	Original capital, reserves	726.0	726.0
Total	26,656.8	31,397.2	Profit	—	198.5
			Total	26,656.8	31,397.2

Balance Sheet Total

The Balance Sheet total has increased by DM 4,740.4 million, from DM 26,656.8 million on 1 January 1957 to DM 31,397.2 million.

Assets

Gold

The 1957 increase of DM 4,371.6 million in the Gold holding, to DM 10,602.5 million, was greater by DM 2 billion than the addition of DM 2,378.4 million in 1956.

Balances at Foreign Banks and Money-Market Investments Abroad

The freely available balances with foreign banks amounted to the following:

in foreign currency

1 Jan. 1957

31 Dec. 1957
Millions of DM

1,551.6

840.5

in DM (loro accounts)

4.3

1.9

1,555.9

842.4

The money-market investments amounted to

6,605.7

5,761.5

8,161.6

6,603.9.

The money-market investments include DM 4,996.1 million of Treasury Bills against DM 5,860.6 million on 1 January 1957, DM 72.3 million of bonds and DM 639.1 million of acceptances of foreign banks against DM 61.6 and 683.5 million respectively on that date.

At DM 6,295.7 million in the year under report the turnover in foreign exchange spot dealings was in terms of value nearly double that of DM 3,279.1 million in 1956; the number of deals however declined from 7,000 to 5,540. Details were as follows:

Foreign Exchange Dealings

	1956		1957	
	Number	Million DM	Number	Million DM
Purchases	1,814	1,568.0	2,713	3,257.7
Sales	5,186	1,711.1	2,827	3,038.0
	<u>7,000</u>	<u>3,279.1</u>	<u>5,540</u>	<u>6,295.7</u>

With the further progress in the decentralising of payment transactions with foreign countries there was again a decrease in the payment orders to and from foreign countries processed by the Bank; they declined in number from 289,083 to 271,680. The details were:

Foreign Payments

	1956	1957
	Number	Number
Orders for payments to foreign countries		
in DM	33,432	34,517
in foreign currencies	45,363	41,363
	<u>78,795</u>	<u>75,880</u>
Orders for payments from foreign countries		
in DM	114,914	130,067
in foreign currencies	95,374	65,733
	<u>210,288</u>	<u>195,800</u>
Total processed orders for payments to and from foreign countries	289,083	271,680
Of the orders for payment in foreign currency the amount given		
by the debit of German banks' U.S. \$ Accounts kept at the Bank was	24,749	9,673
and to the credit of such accounts	43,970	21,755
	<u>68,719</u>	<u>31,428</u>
The number of transfers between such U.S. \$ Accounts was	28,764	27,009.

At DM 1.9 million the holding of foreign notes and coin at the end of 1957 was greater by DM 0.3 million than on 1 January 1957. During the year under report the Bank effected 43,884 purchases of foreign notes and coin against 44,700 in 1956; the number of sales rose from 9,983 in 1956 to 11,917 in 1957.

Foreign Notes and Coin, Foreign Bills and Cheques
Purchase and Sale of Foreign Notes and Coin

At the close of the year the holding of foreign bills arising from purchase within the country was DM 172.4 million as compared with DM 147.1 million on 1 January 1957. The following were purchased:

Purchase of Foreign Bills

	Number	Million DM
In 1956	90,776	905.9
In 1957	77,659	975.2

The proportion of DM acceptances to the total purchased fell from 58 per cent in 1956 to 37 per cent in 1957.

Purchase and Sale of Foreign Cheques

During the year under report 170,456 foreign cheques amounting to DM 151.4 million were purchased, against 201,525 in 1956 of a value of DM 164.1 million. 13,911 travellers' cheques were sold, against 19,849 in 1956, the total amount being unchanged at DM 2.8 million.

Foreign Commission Business

The following were taken for realisation on a commission basis:

	1956	Number	1957
Foreign notes and coin	11,112		11,621
Foreign cheques	16,530		13,634
	<u>27,642</u>		<u>25,255.</u>

Other Claims on Foreign Countries

The "Other claims on foreign countries" rose by the considerable amount of DM 2,860.3 million in 1957 to DM 6,460.6 million. They comprise:

	1 Jan. 1957	31 Dec. 1957
	Millions of DM	
Credit balances in the E.P.U. clearing	2,885.8	4,238.8
Consolidation claims	402.7	383.9
Other claims	311.8	1,837.9
	<u>3,600.3</u>	<u>6,460.6.</u>

European Payments Union

The Federal Republic's net surplus in the European Payments Union reached about 1.4 billion units of account (without interest) in the year under report as against roughly 983 million units of account in the previous year; the monthly average surpluses in the first three quarters were 121.9, 128.4 and 232.6 million units of account, whereas in the last quarter there was a monthly average deficit of 16.0 million units of account.

The Federal Republic's surpluses and deficits arising up to the close of the 1957/58 E.P.U. accounting year, that is up to 30 June 1958, are continuing to be settled three-quarters by gold payment and one-quarter by grant of credit.

Change from Bilateral Payments to a Multilateral Basis

During the year under report the bilateral payment agreements with countries outside E.P.U. were completely cleared off; this ended the so-called "bilateral epoch" in our payment relations with foreign countries. With effect from 2 December 1957 the payment transactions with Argentina, the last country with which we had a bilateral agreement, were also put on to a multilateral basis. At the same time the Federal Republic joined the multilateral trade and payments system which is known as the Paris Club, and which has existed since May 1956 between Argentina and Belgium-Luxemburg, Denmark, France, the United Kingdom, Italy, the Netherlands, Norway, Austria, Sweden and Switzerland. This system provides for complete mutual transferability, in payment transactions with Argentina, of the currencies of all the European countries taking part.

Consolidation Claims

On the consolidation and interim credits to a countervalue of DM 627.6 million, which had been granted by the Bank in connection with the change from bilateral payments to a multilateral basis, DM 383.9 million was outstanding at the end of December 1957.

Trade and Payment Agreements

Altogether during the year under report 14 trade agreements (against 29 in 1956) and 6 agreements for regulating international payments (against 17 in 1956) were concluded with the Bank's participation.

Other Claims

A sum of £ 75 million was transferred to a special account of the Bank at the Bank of England, out of which obligations arising from British post-war economic assistance are to be paid.

At the end of October 1957 a sum equivalent to DM 100 million, serving to meet the Federal Republic's payments to the Saar, was transferred to a special account of the Deutsche Bundesbank at the Bank of France.

The Bank acquired from the International Bank for Reconstruction and Development notes to a total of U.S. \$ 175 million during the year under report. Together with the U.S. \$ 17.5 million of bonds already included in the holding at the end of 1956 the Bank's resulting claims amounted on 31 December 1957 to U.S. \$ 192.5 million (DM 807.9 million).

The Bank's holding of German divisional coin amounted at the close of the year to DM 63.1 million, against DM 42.2 million on 1 January 1957. During the year under report the Bank took over from the Mints coin amounting to DM 83.3 million (against DM 82.2 million in 1956), and the countervalue was credited to the Federal Government. In the years 1948 to 1957 the Bank received coin to a total of DM 1,204.1 million, of which DM 0.7 million were passed to the Federal Coinage Metal Depository for destruction as being no longer fit for circulation. With the inclusion of the deliveries of coin still outstanding at the end of December 1957 on minting orders given up till that time, namely DM 71.5 million of all denominations, the amount of coin per head of population works out at DM 24.10 on the basis of a population of 52.9 million in the Federal Republic and West Berlin as on 30 September 1957. The amount of coin minted is thus within the limits laid down in the Law on the Striking of Divisional Coin, dated 8 July 1950.

The Postal Cheque Account Balances amounted on 1 January 1957 to DM 149.1 million, and at the close of the year to DM 173.6 million, including items in course of settlement. Balances not required for current payments are currently transferred by the Land Central Banks to the Bank's Postal Cheque Account at Frankfurt on Main, balances on which are except for a relatively small amount daily offset against the giro balance of the Central Cash Office of the Postal Administration. The Land Central Bank in Berlin is in this respect an exception, inasmuch as it offsets its unneeded Postal Cheque Account balances against the giro balance of the Berlin Regional Cash Office of the Postal Administration.

The following table gives details of postal cheque transactions with third parties.

	1956				1957			
	Third-party transfers received		Used for current transfers		Third-party transfers received		Used for current transfers	
	number	DM mn	number	DM mn	number	DM mn	number	DM mn
Land Central Bank								
Baden-Württemberg	82,420	3,749.8	18,988	432.3	90,394	4,505.3	22,742	473.7
Bavaria	65,810	4,439.6	29,239	350.2	70,203	5,172.4	28,482	437.3
Berlin	14,616	648.8	25,395	253.8	12,840	1,118.3	25,596	320.7
Bremen	27,146	573.3	1,467	7.4	29,011	698.6	1,670	11.6
Hamburg	50,954	2,838.6	10,801	109.2	46,808	3,269.1	11,453	97.5
Hesse	52,976	2,467.2	27,903	643.3	55,496	2,801.1	27,492	681.3
Lower Saxony	85,620	2,696.5	30,471	405.8	102,847	3,168.0	28,150	408.5
North Rhine-Westphalia	188,459	6,240.5	45,868	939.7	198,686	6,970.1	44,163	1,003.6
Rhineland-Palatinate	53,379	1,035.9	20,964	230.1	54,691	1,172.0	23,906	261.7
Schleswig-Holstein	19,237	191.4	10,065	156.6	17,603	196.8	9,101	176.9
Total	640,617	24,881.6	221,161	3,528.4	678,579	29,071.7	222,755	3,872.8
Bundesbank—Directorate— (formerly BdL)	9,446	1,345.5	44,445	322.9	9,864	1,347.8	42,286	186.6
Grand total	650,063	26,227.1	265,606	3,851.3	688,443	30,419.5	265,041	4,059.4

The published holding comprises:

purchased by way of discount

Domestic bills

Export drafts

Import and Storage Agency Bills taken in
the course of open-market operations

	1 Jan. 1957	31 Dec. 1957
	Millions of DM	
	2,082.0	1,189.3
	596.7	103.5
	43.1	73.3
	2,721.8	1,366.1.

Holding of German
Divisional Coin

Postal Cheque Account
Balances

Domestic Bills of
Exchange

The average bill holding during 1957, as calculated from the figures in the weekly returns, is DM 1,675.2 million as against DM 3,400.7 million in 1956.

Purchase of Domestic Bills of Exchange in the Land Central Bank Areas

	Position on 31 Dec. 1955 ^{*)} DM million	Purchase 1956		Position on 31 Dec. 1956 ^{*)} DM million	Purchase 1957		Position on 31 Dec. 1957 DM million
		'000	DM mn		'000	DM mn	
Land Central Bank							
Baden-Württemberg	407.4	779	3,075.6	213.1	507	2,037.8	92.7
Bavaria	568.9	579	2,879.5	247.6	237	1,220.8	76.5
Berlin	74.8	51	793.0	27.0	25	289.2	12.4
Bremen	86.1	74	576.2	62.8	53	393.1	31.2
Hamburg	455.8	190	2,504.6	245.3	110	1,456.3	147.1
Hesse	370.3	471	2,956.2	254.6	323	2,418.3	232.1
Lower Saxony	337.5	517	1,987.9	204.8	335	1,263.2	113.7
North Rhine-Westphalia	829.3	1,142	8,062.9	543.4	717	5,788.7	334.0
Rhineland-Palatinate	250.6	353	1,277.4	183.9	242	855.9	91.4
Schleswig-Holstein	138.1	182	838.2	99.5	94	401.6	42.0
Pending bill remittances	—	—	—	—	—	—	16.2
Total	3,518.8	4,338	24,951.5	2,082.0	2,643	16,124.9	1,189.3

^{*)} Including bills rediscounted at the Bank deutscher Länder.

Of the purchased bills the following were returned and charged, in the absence of payment, to the parties presenting them for discount:

	1956		1957	
	Number	Million DM	Number	Million DM
	52,179	41.6	30,297	26.2
in per cent of the total purchased	1.20	0.17	1.15	0.16.

“Direct Business“

The possibility formerly provided of granting credits by way of discounts and advances against securities to public administrations, and in the areas of Land Central Banks in the former French occupation zone also to other non-bank customers (so-called direct business), is no longer provided in the Law concerning the Deutsche Bundesbank. Promises of accommodation and prolongation given before 1 August 1957 must be worked off, under a transitional regulation laid down by the Central Bank Council, by 30 June 1958. The “direct credits“ amounted on 31 December 1957 to DM 2.2 million, and on 15 March 1958 to DM 0.1 million, as compared with DM 96.4 million when the Bundesbank Law came into force.

Commission Business

Domestic bills and the like were taken on a commission basis as follows:

	Number	Million DM
1956	294,080	1,142.4
1957	293,618	1,422.1.

Export Drafts

Business in export drafts declined owing to the restrictive measures which the Bank adopted in this connection in the course of 1957. During the year under report only 102,227 export drafts amounting to a total of DM 1,307.3 million were purchased, against 161,890 amounting to DM 2,504.1 million in the previous year. Since 28 February 1958 export drafts coming forward have been purchased, on a limited scale, only in the area of the Land Central Bank in Berlin.

Up till 10 January 1957 the Central Bank rate of discount for domestic and foreign bills, foreign cheques, DM acceptances of foreigners and export drafts was 5%, from 11 January 4½% and from 19 September of that year 4%; since 17 January 1958 it has been 3½%.

Storage Agency Bills

The Bank's business in Storage Agency Bills was brisker in 1957 than in the previous year; 4,356 of them worth DM 1,438.8 million were purchased, as against 3,035 worth DM 947.4 million in 1956. They were purchased in the course of open-market operations at rates which varied somewhat frequently, and were resold to the market when there was a demand.

The holdings of Treasury Bills and non-interest-bearing Treasury Bonds amounted at the close of the year to DM 153.7 million, against DM 119.9 million on 1 January 1957. They comprised:

	1 Jan. 1957	31 Dec. 1957
	Millions of DM	
Treasury Bills of the German Federal Railways	113.0	144.7
Non-interest-bearing Treasury Bonds of the German Federal Railways	—	2.0
Non-interest-bearing Treasury Bonds of the German Federal Postal Administration	6.9	7.0
	<u>119.9</u>	<u>153.7</u>

Treasury Bills and Non-interest-bearing Treasury Bonds of Federal Govt. and Federal Special Funds

By purchasing or selling these titles in pursuance of its open-market policy the Bank contributed towards evening out the short-term fluctuations on the money market. Its holding of such paper accordingly underwent continuous changes. The buying and selling rates for the money-market paper of these types were altered a number of times in view of the state of the market.

The movement in the circulation of these Treasury Bills and non-interest-bearing Treasury Bonds during the year under report is shown by the following comparison.

	In circulation on 31 Dec. 1956	Issued in 1957		Redeemed	In circulation on 31 Dec. 1957
		millions of DM			
Treasury bills of the German Federal Railways	432.8	1,783.4	1,895.4	320.8	
Non-interest-bearing Treasury bonds of the German Federal Railways	2.1	363.4	115.5	250.0	
Non-interest-bearing Treasury bonds "F" of the German Federal Railways	100.0	325.0	136.0	289.0	
Non-interest-bearing Treasury bonds of the German Federal Postal Administration	500.0	503.0	563.2	439.8	
Non-interest-bearing Treasury bonds of the Land of Schleswig-Holstein	—	15.0	—	15.0	

The advances against securities amounted at the close of 1957 to DM 53.3 million against DM 262.6 million on 1 January of that year. The drawings on such advances declined from DM 6,976.7 million in 1956 to DM 3,204.1 million in 1957. The average amount of such advances taken and outstanding, as calculated from the weekly returns, was DM 112.2 million in 1956 and DM 57.7 million in 1957.

Advances against Securities

Lending on Securities in the Land Central Bank Areas

Land Central Bank	Position on 1 Jan. 1957	Loans against securities				Position on 31 Dec. 1957
		granted		repaid		
	DM mn	number	DM mn	number	DM mn	DM mn
Baden-Württemberg	45.6	3,943	575.1	3,694	613.5	7.2
Bavaria	31.9	3,097	217.0	2,984	245.4	3.5
Berlin	2.6	122	41.2	126	41.2	2.6
Bremen	1.1	108	11.1	117	12.1	0.1
Hamburg	4.3	751	112.9	709	113.4	3.8
Hesse	55.2	2,573	407.1	2,708	454.1	8.2
Lower Saxony	17.9	3,894	621.6	3,617	628.5	11.0
North Rhine-Westphalia	51.3	1,842	620.7	1,850	670.4	1.6
Rhineland-Palatinate	25.7	1,655	374.7	1,679	386.2	14.2
Schleswig-Holstein	27.0	700	222.7	794	248.6	1.1
Total	262.6	18,685	3,204.1	18,278	3,413.4	53.3

The rate of interest for advances against securities was 6% up till 10 January 1957, 5 1/2% from 11 January and 5% from 19 September in that year; since 17 January 1958 it has been 4 1/2%.

Cash Advances

Article 20 of the Bundesbank Law provides credit limits as follows:

for the Federal Government	DM 3,000 million
for the Federal Railways	„ 400 „
for the Federal Postal Administration	„ 200 „
for the Equalisation of Burdens Fund	„ 200 „
for the E.R.P. Special Fund	„ 50 „
for the Länder DM 20 per inhabitant, except that for Berlin, Bremen and Hamburg the limit is DM 40 per inhabitant.	

These are upper limits, up to which the Bank may grant credit to the said authorities in the form of Treasury Bill credits or direct short-term cash advances.

a) Federal Govt. and Federal Special Funds

The Federal Government and the Federal Special Funds took no cash advances during the year under report.

b) Länder

Cash advances were granted to the Länder in the form of actual advances as follows:

Land	1957			Credit limit on 31 Dec. 1957
	1 January	31 July	31 December	
millions of DM				
Baden-Württemberg	6.0	—	—	143
Bavaria	57.3	—	—	182
Berlin	—	53.0	54.0	89
Bremen	11.0	—	9.6	26
Hamburg	—	—	—	70
Hesse	7.2	—	—	91
Lower Saxony	—	54.7	16.4	130
North Rhine-Westphalia	—	—	—	296
Rhineland-Palatinate	17.4	8.7	3.8	65
Schleswig-Holstein	2.9	3.3	—	45
Total	101.8	119.7	83.8	1,137

The rate charged for cash advances corresponds to the current Central Bank discount rate.

c) Other Public Authorities

The cash advances to other public authorities comprise only claims on the Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation). The table which follows gives details of the credit lines existing when the Bundesbank Law came into force, and of the amounts outstanding under them.

	1 Jan. 1957		31 Dec. 1957	
	Credit line	Used	Credit line	Used
millions of DM				
Agriculture (including loans for refugee settlement)	9.0	—	—	—
Publicly assisted housing	18.1	18.1	5.9	5.9
Industries with high export quota	55.1	28.5	37.2	28.3
Repurchase of dollar loans of Deutsche Rentenbank	—	—	46.8	32.6
Total	82.2	46.6	89.9	66.8

To the credits granted to the Kreditanstalt für Wiederaufbau for the purpose of anticipatory financing of the Work Creation Programme of 1950 (including the Housing Programme) and of capital projects in industries producing largely for export, the liquidation of which credits has been continued, there was added during the year under report, prior to entry into force of the Bundesbank Law, a new credit line designed to permit the repurchase of pre-war dollar loans of the Deutsche Rentenbank; the "Agriculture" credit line expired in August 1957.

On all the credits except that for publicly assisted housing, on which an interest rate of 4% has been fixed, interest is chargeable at the current Central Bank discount rate.

The "Other claims" declined from DM 125.4 million on 1 January 1957 to DM 79.2 million at the close of the year. The claim on the Deutsche Notenbank of Berlin shown under this head in respect of the amount drawn by it under the so-called "swing" has declined by DM 17.9 million since the beginning of the year, to DM 67 million. With effect from 1 January 1958 the total swing was increased from its previous level of 100 million to 150 million clearing units.

In the Opening Balance Sheet the "Other claims" still included DM 8.5 million of interest which was due in accordance with Article 6, 1 of Regulation 15 under the Conversion Law on former arrears of interest in respect of Equalisation Claims, and which was paid during the year under report, as well as DM 18.3 million of claims on German banks in respect of spot sales of exchange.

The turnover in clearing transactions with the Deutsche Notenbank of Berlin in respect of goods delivered and services rendered was as follows:

	1956	1957
	Millions of DM	
Payments on West/East deliveries and services	669.9	838.9
Payments on East/West deliveries and services	624.6	833.8
	<u>1,294.5</u>	<u>1,672.7.</u>

Other Claims

Turnover in Inter-zonal Trade

The holding of securities is shown at DM 238.2 million at the close of 1957 against DM 122.0 million on 1 January in that year. It comprises bonds of the Federal Government, the Federal Railways and the Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation), as well as mortgage and communal bonds.

Securities

During the year under report the Bank operated, for account of the issuers, to regulate the price of loans of the Federal Government and the Federal Special Funds as well as of some Länder.

Security Issues

In January 1957 the Land of Rhineland-Palatinate and the Land of Schleswig-Holstein each issued a DM 30 million loan at the price of 98. Both loans were for the purpose of financing capital expenditure in the extraordinary budget. They were offered for subscription through banking syndicates led by the Land Central Banks of the Rhineland-Palatinate and of Schleswig-Holstein. These loans were admitted for official dealings on the stock exchanges at Berlin, Düsseldorf, Frankfurt on Main and Hamburg, and the Rhineland-Palatinate loan also at Munich.

In October 1957 the First Issue, amounting to DM 80 million at par value, of the German Federal Postal Administration's 7½% Loan of 1957 was issued at 96 with a view to consolidation of floating debts incurred for the purpose of financing extension of installations. It was offered for public subscription on 28 October by a syndicate formed under the leadership of the Deutsche Bundesbank. The loan was introduced for official dealings on the stock exchanges in the Federal Republic and West Berlin on 4 December 1957 at the subscription price of 96.

In November 1957 the Land of Hesse issued through a banking syndicate led by the Central Bank in Hesse (a Main Office of the Deutsche Bundesbank) a 7½% Loan of DM 50 million to finance extraordinary budget expenditure. In the case of all these loans the demand was so great that the subscription lists had to be closed before the appointed time.

The conversion of the Young Loan (German Issue), and the conversion or cash redemption of the foreign-currency bonds and fractional debt certificates of the Conversion Office for German External Debts, were continued during 1957. In the case of the bonds or debt certificates expressed in RM the conversion or cash redemption was fully under way during the year under report.

The Bank as Conversion and Paying Agent for External Loans

In its capacity as paying agent or agency for the Federal Republic of Germany's bonds issued in connection with the conversion of external bonds the Bank up till 31 December 1957 had

paid 476,838 interest coupons, including 228,960 in 1957. By the end of 1957 the Bank had also collected 1,703,620 interest coupons, including 1,185,513 in 1957, payable by foreign agents.

		1 Jan. 1957	31 Dec. 1957
		Millions of DM	
Equalisation Claims on the Public Authorities	Equalisation Claims arising from		
	own Conversion Account Bank deutscher Länder	5,503.3	5,503.8
	Land Central Banks	2,598.7	2,599.9
		<u>8,102.0</u>	<u>8,103.7</u>
	Conversion of Berlin pre-capitulation balances	13.0	13.9
	Conversion of RM balances at credit institutions in the Soviet Sector of Berlin	—	0.1
		<u>8,115.0</u>	<u>8,117.7</u>
	Equalisation Claims purchased	192.0	164.0
		<u>8,307.0</u>	<u>8,281.7</u>
	<i>less</i>		
Equalisation Claims used to employ giro balances of the Federal Government, the Federal Administrations and the Länder	3,223.0	—	
Equalisation Claims returned in exchange for money-market paper	1,429.0	4,241.6	
	<u>3,655.0</u>	<u>4,040.1</u>	

The increase in the Equalisation Claim arising from the Bank's own Conversion Account is explained in Chapter B III of this Report. The amount entered in the Federal Debt Register is DM 8,101.6 million.

The assistance granted by the Land Central Banks in the Federal Republic to financial institutions through purchase of Equalisation Claims by way of anticipatory financing and to improve liquidity was reduced during the year under report from DM 14.1 million to a remaining balance of DM 6.7 million; the holding of Equalisation Claims purchased by the Land Central Bank in Berlin was brought down from DM 177.9 million to DM 157.3 million. No fresh purchases for own account were effected during the year under report.

On 1 January 1957 giro balances of Federal Government and Federal Administrations amounting to DM 3,172 million, and deposits of the Länder amounting to DM 51 million, were employed in Equalisation Claims; on the coming into force of the Law concerning the Deutsche Bundesbank this method of using Equalisation Claims ceased.

Under Article 42 of the Law concerning the Deutsche Bundesbank the Federal Government, as the debtor in respect of the Equalisation Claims which the Deutsche Bundesbank holds in accordance with the provisions concerning Monetary Reform, is to hand over to the Bank upon the latter's request Treasury Bills or non-interest-bearing Treasury Bonds in denominations and on terms of the Bank's choice (mobilisation paper) up to a maximum of DM 4 billion. The agreements which were concluded between the Bank deutscher Länder and the Federal Minister of Finance in the years 1955 to 1957 as to the mobilising of Equalisation Claims for the purpose of open-market operations have thus been replaced by a legal regulation. On the Bank's application the Federal Cabinet in September 1957 raised the maximum limit for the calling of mobilisation paper to DM 7 billion.

The average amount of the mobilisation paper in circulation, as calculated from the weekly returns, is DM 3,891.4 million for 1957 and DM 1,509.8 million for 1956; the peak was reached on 25 October 1957 with DM 5,812.8 million in circulation.

The amount of the mobilisation paper sold and redeemed for account of the Bank in 1956 and 1957 is shown in the table which follows.

Mobilisation Paper Sold and Redeemed
1956 and 1957

	1955 in circ- ulation on 31 Dec.	1956			1957		
		Sold	Redeemed	In circ- ulation on 31 Dec.	Sold	Redeemed	In circ- ulation on 31 Dec.
millions of DM							
Treasury bills of the Federal Government (running for a maximum of ninety days)	264.0	3,178.4	3,076.2	366.2	3,005.0	3,078.7	292.5
Non-interest-bearing Treasury bonds of the Federal Government (running for 6 to 24 months)	784.2	1,442.0	1,163.3	1,062.9	7,110.9	4,224.7	3,949.1
Total	1,048.2	4,620.4	4,239.5	1,429.1	10,115.9	7,303.4	4,241.6

Asset Item 13b described as "Debt certificate" is shown in the Annual Balance Sheet reduced by DM 75 million; after fulfilment of the formal requirements the special advance placed at the disposal of the Municipality of Berlin, or the Berlin Central Bank, in connection with the two currency conversions in Berlin has been offset against an equal part of the Federal Government's debt certificate.

Debt Certificate in respect of the Provision of New Currency to the Municipality of Berlin

Under Article 20 of the Bundesbank Law, apart from the credit on Treasury Bills and in the form of advances explained in connection with Asset Item 10 under the head of "Cash advances", the Bank may grant credits to the Federal Government with a view to the meeting of the latter's commitments as a member of the following institutions to the extents indicated:

Credit to Federal Government in respect of I.M.F. and I.B.R.D.

	Millions of DM
International Monetary Fund	1,500
International Bank for Reconstruction and Development	35
European Fund	180

In the same way as in the previous year the amount drawn on the credit to the Federal Government in respect of I.M.F. and I.B.R.D. remained unchanged at DM 390.8 million.

Against the increase of DM 5.5 million in land and buildings there are disposals of DM 0.1 million. At the close of the year DM 15.1 million was written off the total for land and buildings, so that their book value was reduced from DM 64.7 million on 1 January 1957 to DM 55 million at the close of 1957.

Land and Buildings

The 1957 addition of DM 2.8 million to office furniture and equipment was fully written off in the same way as in previous years; the office furniture and equipment are shown among the assets in the Opening Balance Sheet at DM 11, and in the Annual Balance Sheet for 1957 at DM 1.

Office Furniture and Equipment

The Bank's "Other assets" are shown in the Opening Balance Sheet at DM 91.2 million, and in the Annual Balance Sheet for 1957 at DM 72.3 million. At the end of 1957 this item comprised as much as DM 70.8 million falling due in 1958, but assignable to the 1957 Profit and Loss Account, of interest on balances at foreign banks and on securities.

Other Assets

The transitory items on the assets side mainly comprise interest in respect of the years 1958 and 1959 on money-market paper issued in exchange for Equalisation Claims. In addition certain administrative expenditure paid in 1957 in respect of 1958 is shown under this head.

Transitory Items

Liabilities

Original Capital The original capital of the Deutsche Bundesbank is set in Article 2 of the Bundesbank Law at DM 290 million; it belongs to the Federal Government.

Reserves The reserves are shown unchanged in the Opening Balance Sheet and the Annual Balance Sheet, as follows:

	Millions of DM
the legal reserve at	303.2
the other reserves at	132.8
	436.0

Reserves for Specific Purposes The reserves for specific purposes were increased by DM 48.5 million to DM 675.3 million in 1957.

From the reserve for pension liabilities to the members of the Bank's organs and to the Bank's own officials, as well as in respect of the claims of former Reichsbank officials and their dependents, a sum of DM 14.2 million was taken in 1957 for pension payments, while 59.9 million was added to it. The Pension Reserve amounts at the end of 1957 to DM 412 million; it continues to fall short of the actuarially calculated requirement.

From the reserve for conversion costs (amounting to DM 27.7 million on 1 January) payments amounting to DM 27.4 million were made to the Länder during the year under report to meet the interest and redemption service of the Special Equalisation Claims in respect of conversion costs. In compliance with the obligations resting on the Bank according to Article 3, paragraph 1 of Regulation 45 under the Conversion Law DM 20.0 million were freshly allocated to this reserve; it accordingly amounts to DM 20.3 million. To the Special Equalisation Claims originally amounting to DM 211 million there were added during the year under report DM 0.7 million of confirmed Special Equalisation Claims and DM 2.1 million subject to adjustment; of the total amount of these Special Equalisation Claims the Bank had altogether redeemed DM 194.4 million up to 31 December 1957, so that DM 19.4 million still remain to be redeemed.

Of the "Other reserves for specific purposes" DM 1.7 million have been liquidated, being no longer required for the purpose contemplated. DM 12.8 million were taken from the reserves for specific purposes, including DM 12.5 million to cover exchange losses on the holdings of French francs in the form of bills, export drafts and balances at French banks, these losses having occurred in consequence of the measures which were adopted by the French Government with effect from 12 August 1957 and which in practice amounted to devaluation of the French franc by 16²/₃ per cent. For the purpose of meeting losses on exchange rates and of covering other hazards inherent in the foreign and home business DM 24.7 million were added to the "other reserves for specific purposes", bringing them up to DM 198.0 million.

The reserve for note printing is unchanged at DM 45 million.

Bank Notes in Circulation The bank notes in circulation rose during 1957 from DM 14,473.5 million to DM 16,132.9 million at the close of the year.

Circulation of Notes and Coin in comparison with Preceding Years

End of year	Bank-note circulation including small money tokens	Federal coins	Circulation of notes and coin total
	millions of DM		
1953	11,547.1	887.9	12,435.0
1954	12,349.8	946.2	13,296.0
1955	13,641.0	1,001.4	14,642.4
1956	14,473.5	1,078.0	15,551.5
1957	16,132.9	1,140.3	17,273.2

The denominations of the bank notes and Federal coin in circulation are shown in Appendix 5 to this Report. During the year under report the Bank has received from the printers notes of all denominations amounting to DM 5,204.7 million.

Details of bank notes, including small money tokens, called in and destroyed as being no longer fit for circulation are:

	1953	1954	1955	1956	1957
Millions	50.9	57.9	49.5	78.4	160.3
Millions of DM	801.2	1,322.0	1,111.1	3,125.7	4,047.8

The number and amount of counterfeit bank notes detained rose slightly as compared with 1956; on the other hand the number of counterfeit coins found was appreciably lower.

Year	Notes		Coins	
	number	DM	number	DM
1953	4,050	77,000	15,620	28,700
1954	2,980	77,500	18,510	54,600
1955	1,490	39,000	13,690	43,900
1956	530	20,400	14,840	41,300
1957	830	28,000	10,030	22,200

The Issue Law, and with it the provision for limiting the note circulation, were repealed on the coming into force of the Bundesbank Law.

The distribution of the deposits is as follows:

	1 Jan. 1957		31 Dec. 1957		
	Millions of DM				Deposits
Deposits of					
a) Credit institutions (including Postal Cheque and Postal Savings Bank Offices)		5,260.0		7,108.9	
b) Public depositors					
ba) Federal Govt. and Federal Special Funds	7,050.2		4,093.1		
less Deposits invested in Equalisation Claims	3,172.0		—		
	<u>3,878.2</u>		<u>4,093.1</u>		
bb) Länder	243.5		491.4		
less Deposits invested in Equalisation Claims	3,172.0		—		
	<u>192.5</u>		<u>491.4</u>		
bc) Other public depositors	23.2	4,093.9	31.8	4,616.3	
c) Other German depositors		291.0		229.6	
d) Foreign depositors		163.2		251.3	
		<u>9,808.1</u>		<u>12,206.1.</u>	

The credit institutions' deposits of DM 7.1 billion at the end of 1957 mainly represent the minimum reserves which have to be maintained at the Bundesbank. Among the Bundesbank's liabilities these deposits, with an addition of DM 1.8 billion or more than a third of the initial amount, show the greatest change.

Minimum Reserves

In December 1957 the minimum reserve required, which is calculated on a monthly average, amounted to DM 6.1 billion, the actual reserve to DM 6.3 billion.

Giro accounts were conducted for the following:

	Number at end of 1956	Number at end of 1957
German credit institutions (including Postal Cheque and Postal Savings Bank Offices)	4,786	4,792
Public administrations	3,469	3,416
Other German and foreign depositors	18,701	18,447
	<u>26,956</u>	<u>26,655.</u>

Of the total turnover on giro accounts the following proportions were settled without use of cash:

	Percentage of	
	number of transactions	amounts
In 1956	98.77	95.96
In 1957	98.82	95.97.

Annual Turnovers on Giro Accounts at the Deutsche Bundesbank or the Central Banking System

	1956			1957		
	Number	Amount	Average amount	Number	Amount	Average amount
	'000	million DM	'000 DM	'000	million DM	'000 DM
a) Credits of which:						
Cash in-payments	1,262	51,395	40.7	1,248	56,862	45.6
Settlements with account-holders	4,875	596,579	122.4	4,807	649,376	135.1
Local transfers	8,627	245,647	28.5	8,793	281,262	32.0
Transfers to other places	19,852	305,453	15.4	20,498	352,960	17.2
Cheque collections (cheques lodged)	67,809	86,138	1.3	71,016	94,976	1.3
Total	102,425	1,285,212	.	106,362	1,435,436	.
b) Debits of which:						
Cash out-payments	1,274	52,425	41.1	1,264	58,636	46.4
Settlements with account-holders	5,376	593,944	110.5	4,872	645,220	132.4
Local transfers	8,627	245,647	28.5	8,793	281,262	32.0
Transfers to other places	19,953	305,541	15.3	20,631	352,905	17.1
Cheque collections (cheques paid)	67,780	86,226	1.3	70,821	94,880	1.3
Total	103,010	1,283,783	.	106,381	1,432,903	.
c) Total turnover (credits and debits)	205,435	2,568,995	.	212,743	2,868,339	.
			<i>in per cent of total turnover</i>			
Cash payments	1.23	4.04	.	1.18	4.03	.
Settlements with account-holders	4.99	46.34	.	4.55	45.13	.
Local transfers	8.40	19.13	.	8.27	19.61	.
Transfers to other places	19.38	23.78	.	19.33	24.61	.
Cheque collections (cheques lodged and paid)	66.00	6.71	.	66.67	6.62	.
Total turnover (credits and debits)	100.00	100.00	.	100.00	100.00	.

Details of the Bank's giro transactions are contained in Appendix 5.

The liabilities in respect of foreign business are made up of the following:

	1 Jan. 1957	31 Dec. 1957
	Millions of DM	
Balances		
of foreign banks on loro and nostro accounts	188.9	764.4
of German banks on loro accounts	24.1	14.9
on accounts to cover letters of credit and guarantees	434.9	493.8
Other liabilities	17.4	1.1
	<u>665.3</u>	<u>1,274.2</u>
comprising liabilities in		
foreign currency	121.1	151.2
DM	544.2	1,123.0
	<u>665.3</u>	<u>1,274.2</u>

Liabilities in respect
of Foreign Business

Among the liabilities in DM the balances of foreign banks on current loro accounts have shown a particularly large rise. This rise is partly due to the fact that the payments made in each month into the accounts serving as basis for the E.P.U. settlement are settled only after the end of the month, that is to say for December 1957 in January 1958. Since at the end of December 1957 there were some relatively large DM in-payments, including about DM 200 million in respect of purchases of foreign money-market paper by German banks, there was a corresponding rise in the Balance Sheet item now under discussion.

Movement on Loro
Accounts

In view of the progressive decentralising of payment transactions with foreign countries the number of orders and authorisations to open documentary credits declined to 11,550 in the year under report, as against 21,374 in the previous year; the number of orders processed by the Bank for the opening of export credits declined from 7,999 to 284.

Export Credit Business

The Bank opened 854 import credits in the year under report as against 2,360 in the previous year. The Bank was used in 760 cases, against 1,483 in the previous year, as reimbursement agent for credits that were opened direct by German banks.

Import Credit Business

The Bank was engaged, in the same way as before, in the settlement of I.C.A. (International Cooperation Administration) imports. Altogether during the year under report 90 I.C.A. credits were opened, against 279 in 1956; of these 54, against 194 in 1956, were put out directly by German banks.

During the year under report guarantee business was transferred to German banks even more than in the previous year. The guarantees given by the Bundesbank itself therefore declined further to 22 in 1957, amounting to DM 2.0 million, against 65 amounting to DM 41.2 million in 1956.

Guarantees

Financial institutions and other physical and legal persons gave in the year under report a total of 7,831 guarantees amounting to DM 1,927.5 million, against 6,867 amounting to DM 1,389.3 million in the previous year. They included 7,335 amounting to DM 1,284.1 million given on the basis of General Licences against 6,143 amounting to DM 902.8 million in the previous year, and 496 amounting to DM 643.4 million against 724 amounting to DM 486.4 million given under ad hoc permits.

This Balance Sheet item includes the transfers to and collections from other places that were proceeding inside the Bank on the two Balance Sheet dates, as well as the net amounts of cheques in course of clearing and of unrepresented certified cheques outstanding on those dates. The net "Items in course of settlement" amounted to DM 183.4 million on 1 January 1957 and to DM 107.5 million at the close of 1957.

Items in course of
Settlement

The "Other liabilities" are shown in the Opening Balance Sheet at DM 173.8 million, and in the Annual Balance Sheet for 1957 at DM 39.7 million. In the Annual Balance Sheet they include provision of DM 23.8 million as cover for recalled export drafts and foreign bills. The largest items under this head in the Opening Balance Sheet were, first, the special advance which was

Other Liabilities

granted in accordance with Section 52 c of the Ordinance as to the Establishment of the Berlin Central Bank (Asset Item 13), and which was offset against a part of the Federal non-interest-bearing Debt Certificate in respect of the provision of new currency to the Municipality of Berlin, and secondly the amount of DM 40 million allocated to the Fund for the Purchase of Equalisation Claims out of the Bank deutscher Länder's net profit. In the Opening Balance Sheet the transitory items on the liabilities side, amounting to DM 44.9 million, were also added to this item.

Transitory Items

The transitory items on the liabilities side in the Annual Balance Sheet mainly comprise interest which was received in the year under report on foreign Treasury Bills, domestic bills of exchange and foreign bank acceptances, but which relates to the year 1958.

Contingent Liabilities and Claims

The contingent liabilities, and the contingent claims, are down from DM 89.0 million at the beginning of the year to DM 41.3 million. This movement is mainly due to the decrease in contingent liabilities in respect of guarantees on behalf of customers; these amounted to only DM 31.5 million against DM 86.2 million at the beginning of the year.

Profit and Loss Account

The comparison, hitherto usual in the explanation of the Profit and Loss Account, of receipts and expenditure with the previous year's figures has been retained because no change took place, on the reorganisation of the Central Bank, in the bases and premises underlying the form in which the receipts and expenditure are classified.

Receipts

Interest The earnings from interest shown in the Profit and Loss Account are up from DM 434.8 million in the previous year to DM 484 million. They comprise the following:

	1956	Millions of DM		1957
Interest				
from foreign business		181.9		367.0
on Equalisation Claims	249.4		249.2	
<i>less</i>				
interest paid in respect of employment of giro balances in Equalisation Claims	99.6		35.6	
3% interest paid on issued money-market paper obtained in exchange for Equalisation Claims	45.3	104.5	115.7	97.9
on domestic bills, advances against securities and cash advances		136.8		71.6
on foreign bills and export drafts		22.8		18.7
on securities, Treasury Bills and Treasury Bonds		12.5		12.9
		458.5		568.1
<i>less</i>				
difference between the rate for sale of money-market paper obtained in exchange for Equalisation Claims and the interest on these latter	22.9		83.2	
other interest paid	0.8	23.7	0.9	84.1
		434.8		484.0

The earnings on foreign business, which were shown last year at DM 181.9 million after allowance in account for the required valuation of foreign exchange assets, have risen to DM 367 million in 1957 mainly as the result of growth in the exchange holdings and of higher interest

rates. The interest on Equalisation Claims, after deduction of the interest paid on the amount of the public authorities' giro balances employed in Equalisation Claims and after offsetting of 3 0/0 interest payable on the parts of the Equalisation Claim exchanged for money-market paper, declined by the small margin of DM 6.6 million to DM 97.9 million. The interest on domestic bills, advances against securities and cash advances is down from DM 136.8 million to DM 71.6 million in 1957 owing to the smaller amount of credit taken and the reductions of Bank Rate. The additional interest expenditure on the money-market paper obtained in exchange for Equalisation Claims amounted, owing to the increased sale of such mobilisation paper, to DM 83.2 million in 1957 as against DM 22.9 million in 1956.

DM 2.9 million of fees and charges were received in 1957, against DM 4.7 million in the previous year. There was a decrease especially in those arising from foreign business.

The other receipts are shown at DM 9.1 million; in 1956 they amounted to DM 24.5 million.

Fees, Charges and Other Receipts

Expenditure

With a slight decrease in the number of staff, to 10,980 at the end of 1957 against 11,101 at the end of the previous year, the administrative costs in respect of personnel have risen from DM 114.4 million in 1956 to DM 120.2 million in the year under report. The increase in such expenditure is almost entirely due to the raising of salaries and wages in the entire public service with effect from 1 April 1957. The numbers of persons employed in the Central Banking System, or the Deutsche Bundesbank, were as follows:

Administrative Costs
a) **Personnel**

	31 December 1956 Central Banking System					31 December 1957 Bundesbank				
	Bank deut- scher Länder	Land Central Banks and Berlin Central Bank	Total			Direc- torate	Land Central Banks	Total		
			male	female	total			male	female	total
Officials	518	4,137	4,633	22	4,655	508	4,066	4,552	22	4,574
Salaried employees	1,353	4,054	2,728	2,679	5,407	1,302	4,065	2,710	2,657	5,367
Wage-earners	205	834	226	813	1,039	203	836	231	808	1,039
Total	2,076	9,025	7,587	3,514	11,101	2,013	8,967	7,493	3,487	10,980

On the other hand the administrative costs in respect of materials, at DM 22.7 million in 1957, show little change from the previous year's DM 22.6 million.

b) **Materials**

The expenditure on note printing has risen slightly from DM 7.9 million in 1956 to DM 8.3 million in 1957.

Note Printing

The depreciation applied to buildings and to office furniture and equipment, as well as the allocations to reserves for specific purposes, have been discussed in the account given of the relative Balance Sheet items.

Depreciation and Allocations to Reserves for Specific Purposes

Under Article 41 of the Bundesbank Law the Deutsche Bundesbank is the appropriate institution, within the meaning of Article 61 of the Law regulating the Status of Persons coming within the Provisions of Article 131 of the Basic Law in the text of 1 September 1953, in relation to the Deutsche Reichsbank, the Nationalbank für Böhmen und Mähren (the National Bank for Bohemia and Moravia) and foreign banks of issue. Within the terms of the existing legal provisions the Bundesbank is required to provide pensions for persons belonging to those institutions. The expenditure for this purpose amounted in 1957 to DM 24 million, and in 1956 to DM 24.2 million; of these amounts DM 3.8 million in 1957 and DM 4.2 million in 1956 were taken from the pension reserve, so that the expenditure shown as pension payments in respect of the Reichsbank is DM 20.2 million for 1957 against DM 20.0 million for 1956.

Pension Payments in respect of the Reichsbank

Net Profit

Proposed Distribution of the Profit	DM
According to the Profit and Loss Account the net profit amounts to (against DM 182.6 million in 1956).	198,528,341.64
<p>The Directorate proposes to the Central Bank Council that in accordance with the provisions of Article 27 of the Bundesbank Law as to the distribution of profits the net profit be appropriated as follows.</p>	
There will be allocated	DM
to the legal reserve	39,736,956.67
to the other reserves	15,873,582.35
to the Fund for the Purchase of Equalisation Claims	40,000,000.— = 95,610,539.02.
Out of the Federal Government's remaining balance of profit	102,917,802.62
<p>as mentioned in Article 27, paragraph 4, there are payable in accordance with Article 38, paragraph 2 of the Bundesbank Law DM 5 million to the Land of Berlin and DM 15 million to the Land of North Rhine-Westphalia, making a total of</p>	
together with 6 ⁰ / ₁₀₀ interest from 1 January 1957	20,000,000.—
until the date of crediting (9 Mai 1958), that is	1,630,000.— = 21,630,000.—.
In addition, under Article 38, paragraph 3 the interest paid by the Länder on Equalisation Claims of the Land Central Banks for the period after 1 January 1957, namely	38,985,315.62
is to be refunded to the Länder.	42,302,487.—
The balance of	42,302,487.—
will be transferred to the Federal Government.	

Frankfurt on Main, May 1958

*Deutsche Bundesbank
The Directorate*

*Karl Blessing Dr. Troeger
Dr. Benning Dr. Emminger Hartlieb Könniker Tüngeler
Dr. Wolf Dr. Zachau*

Report on the Position of the Fund for the Purchase of Equalisation Claims during 1957

To the Fund for the Purchase of Equalisation Claims, which was established in 1956 under Article 8 of the Law on the Redemption of Equalisation Claims (see the Report of the Bank deutscher Länder for the year 1956, page 140), there was transferred during 1957, in accordance with Article 8, paragraph 2 a of that Law, a further DM 40 million out of the Bank deutscher Länder's net profit obtained in the 1956 accounting year.

There were purchased during 1957 for account of the Purchase Fund not only such Equalisation Claims as it seemed appropriate to take over definitively in order to enable the creditor institutions to carry out matured obligations (Article 9, paragraph 1 of the Redemption Law). Resources of the Fund were in fact also used for the first time to purchase Equalisation Claims of creditors who are particularly hindered in the performance of their functions in relation to other creditors of comparable character by the fact that their Equalisation Claims form a proportion, higher than the average, of their Balance Sheet total (Article 9, paragraph 2 of the Redemption Law). For the purpose of this "levelling scheme" DM 6 million were made available in 1957 for credit institutions and DM 4 million for insurance companies. This made it possible to establish conditions such that, at credit institutions not in liquidation, the Equalisation Claims including the Covering Claims do not amount to more than 40 per cent of the balance-sheet total after deduction of the loans transmitted on a trust basis. For 1958 further sums of DM 15 million and DM 10 million have been provided for levelling purchases from credit institutions and from insurance companies respectively.

	DM
Cash resources available to the Fund on 1 January 1957 amounted to	24,811,312.31
During the 1957 accounting year the Purchase Fund received the following amounts:	
Share in the Bank deutscher Länder's 1956 net profit	40,000,000.—
Interest	
on Equalisation Claims	4,931,372.48
from temporary employment of the Fund's cash resources	1,355,034.72
Redemption of Equalisation Claims	1,822,452.63
Retrocession of Equalisation Claims	99.88
	72,920,272.02.
There were used for purchase of Equalisation Claims	48,769,674.55
On 31 December 1957, there were held	
in Federal Treasury Bills	DM
to a par value of DM 22 million	21,915,305.56
at the Deutsche Bundesbank	2,235,291.91
	24,150,597.47.

The holding of Equalisation Claims on 1 January 1957, namely	DM	DM
rose through		126,694,044.23
purchase of Equalisation Claims the initial capital amount of which was	49,568,841.08	48,769,674.55
		<hr/> 175,463,718.78
and was reduced through		
redemption of Equalisation Claims		1,822,452.63
retrocession		99.88
Holding on 31 December 1957		<hr/> 173,641,166.27.

Movement in the Holding of Equalisation Claims

‰	DM Initial capital			DM Remaining capital	
	Holding on 31 Dec. 1956	Addition through Purchase	Decrease through premature re- demption and re- trocession	Holding on 31 Dec. 1957	Holding on 31 Dec. 1957
	DM				
0	1,525,916.18	3,147,164.61	—	4,673,080.79	4,299,234.32
3	99,969,405.06	14,039,682.70	11,598.76	113,997,489.—	111,665,725.44
3½	18,126,402.61	7,220,203.63	—	25,346,606.24	24,826,211.22
4½	8,382,065.91	25,161,790.14	—	33,543,856.05	32,849,995.29
Total	128,003,789.76	49,568,841.08	11,598.76	177,561,032.08	173,641,166.27

The Certified Auditor appointed by the Central Bank Council for the purpose of auditing the Bank's Annual Statement for 1957 also included in his audit the Fund for the Purchase of Equalisation Claims; he has confirmed that the allocation to the Purchase Fund, its administration and use are in accordance with the provisions of the law, and that the statement of the Fund's position as of 31 December 1957 (attached as Appendix 4) has been correctly evolved from the books and other records of the Bank.

Frankfurt on Main, May 1958

*Deutsche Bundesbank
The Directorate*

*Karl Blessing Dr. Troeger
Dr. Benning Dr. Emminger Hartlieb Könniker Tüngeler
Dr. Wolf Dr. Zachau*

Report of the Central Bank Council

The Opening Balance Sheet as at 1 January 1957, the Annual Statement for 1957, the Conversion Account as shown by the books on 31 December 1957 and the Report on the Fund for the Purchase of Equalisation Claims according to the position on 31 December 1957 have been prepared by the Directorate of the Deutsche Bundesbank and audited by Dr. Merkle, Certified Auditor, of Stuttgart, who under the terms of Article 26 of the Law concerning the Deutsche Bundesbank had been appointed Auditor by the Central Bank Council acting in agreement with the Federal Audit Office. Dr. Merkle based his audit and report on the results of the audits which were carried out for the Land Central Banks by the former auditors (auditing companies) of the Land Central Banks and the Berlin Central Bank.

In his unreserved notes of certification Dr. Merkle has confirmed that the Opening Balance Sheet as at 1 January 1957, the Annual Statement for 1957, the bookkeeping and the Conversion Account as shown by the books on 31 December 1957, as well as allocation to and use of the Fund for the Purchase of Equalisation Claims, are in accordance with the legal provisions.

The Central Bank Council approved the Opening Balance Sheet as at 1 January 1957 on 13 March 1958, and the Annual Statement for 1957 on 8 May 1958. Furthermore, at the session on 8 May 1958 it confirmed the Conversion Accounts of the Bank deutscher Länder and the Land Central Banks, as well as the Combined Conversion Account of the members of the former Central Banking System as shown by the books on 31 December 1957, and approved the Report on the Fund for the Purchase of Equalisation Claims according to the position as of 31 December 1957.

The Central Bank Council has accepted the Directorate's Report and proposal for appropriation of the Profit. After allocations to the Reserves and to the Fund for the Purchase of Equalisation Claims formed in accordance with legal provisions there remains a balance of profit of DM 102,917,802.62 to the Federal Government. According to Article 38, paragraph 2 of the Bundesbank Law the Bundesbank has to pay DM 20 million plus 6% interest from 1 January 1957 to the Länder of North Rhine-Westphalia and Berlin out of this profit, and under Article 38, paragraph 3 of the Bundesbank Law has to refund to the Länder interest paid by them on the Land Central Banks' equalisation claims for the first half of 1957. The balance of DM 42,302,487.00 is to be paid to the Federal Government.

After expiry of his period of office as President of the Land Central Bank of the Free and Hanseatic City of Hamburg Dr. Erich Leist retired from the Board of Directors of the Bank deutscher Länder on 30 June 1957. As his successor Herr Friedrich Wilhelm von Schelling was appointed to be President of the Land Central Bank of the Free and Hanseatic City of Hamburg with effect from 1 July 1957.

On 19 September 1957 Vice-President Dr. Franz Suchan retired from the Board of Managers of the Berlin Central Bank.

On the entry into force of the Bundesbank Law the Boards of Directors at the Land Central Banks and the Berlin Central Bank ceased to exist.

The members — with the exception of the President and Vice-President — of the Board of Managers of the Bank deutscher Länder, and the members of the Boards of Managers of the Land Central Banks and the Berlin Central Bank, remained in their offices as members of the corresponding organs of the Deutsche Bundesbank. Pending the appointment of a President

and a Vice-President of the Deutsche Bundesbank, their duties were performed by the President of the former Board of Directors of the Bank deutscher Länder, Dr. h. c. Karl B e r n a r d ; the President of the former Board of Managers of the Bank deutscher Länder, Dr. Dr. h. c. Wilhelm V o c k e ; and the Vice-President of the former Board of Managers of the Bank deutscher Länder, Herr Wilhelm K ö n e k e r (Article 39, Bundesbank Law).

On the appointment of the President and the Vice-President of the Deutsche Bundesbank the following gentlemen retired from service as at the close of 31 December 1957

Dr. h. c. Karl B e r n a r d , President of the Board of Directors of the Bank deutscher Länder,

Geheimer Finanzrat Dr. Dr. h. c. Wilhelm V o c k e , President of the Board of Managers of the Bank deutscher Länder.

On 31 December 1957 there also retired from service

Dr. Hellmut M ö c k e l , Vice-President of the Land Central Bank in Baden-Württemberg,

Dr. Dr. Fritz P a e r s c h , Vice-President of the Land Central Bank in Hesse,

and on 31 March 1958

Dr. Fridolin D e j o n , Vice-President of the Land Central Bank in Schleswig-Holstein.

The following gentlemen were newly appointed

with effect from 1 January 1958

Herr Karl B l e s s i n g to be President of the Deutsche Bundesbank,

Dr. Heinrich T r o e g e r to be Vice-President of the Deutsche Bundesbank, at the same time retiring from his office as President of the Land Central Bank in Hesse,

Dr. Karl F r e d e to be Vice-President of the Land Central Bank in Baden-Württemberg,

Herr Werner G u s t to be Vice-President of the Land Central Bank in Berlin,

Dr. Heinrich I r m l e r to be Vice-President of the Land Central Bank in North Rhine-Westphalia, at the same time retiring from his office as Vice-President of the Land Central Bank in Lower Saxony,

Herr Otto K ä h l e r to be Vice-President of the Land Central Bank in Hesse, at the same time retiring from his office as Member of the Board of Management of the Land Central Bank in Schleswig-Holstein,

Herr Richard K r a u s e to be Vice-President of the Land Central Bank in Lower Saxony,

with effect from 15 February 1958

Herr Leopold B r ö k e r to be President of the Land Central Bank in Hesse,

with effect from 1 April 1958

Herr Wilhelm S p i l g e r to be Vice-President of the Land Central Bank in Schleswig-Holstein.

The following gentlemen were reappointed

with effect from 15 February 1958

Herr Wilhelm K ö n n e k e r as Member of the Directorate of the Deutsche Bundesbank,

Dr. Otto P f l e i d e r e r as President of the Land Central Bank in Baden-Württemberg,

with effect from 1 April 1958

Herr Otto B u r k h a r d t as President of the Land Central Bank in Schleswig-Holstein,

Dr. Otmar E m m i n g e r as Member of the Directorate of the Deutsche Bundesbank,

Dr. Hermann T e p e as President of the Land Central Bank in Bremen.

The Central Bank Council, speaking also on behalf of the Directorate and of the Boards of Management of the Land Central Banks, expresses to the officials, employees and workers of the Deutsche Bundesbank its thanks for their loyal and understanding co-operation during the year 1957.

Frankfurt on Main, May 1958

KARL BLESSING

President of the Deutsche Bundesbank

Appendices

to

Parts B and C

Assets

Opening Balance Sheet of the Deutsche Bundesbank

	DM	DM
1. Gold		6,230,854,098.39
2. Balances at foreign banks and money-market investments abroad		8,161,623,878.22
3. Foreign notes and coin, foreign bills and cheques		148,666,944.88
4. Other claims on foreign countries		3,600,329,761.02
5. Holding of German divisional coin		42,236,697.12
6. Postal cheque account balances		149,139,278.87
7. Domestic bills of exchange		2,721,816,295.10
8. Treasury bills and non-interest-bearing Treasury bonds of Federal Government and Federal Special Funds		119,900,000.—
9. Advances against securities		262,615,901.—
10. Cash advances to		
a) Federal Government and Federal Special Funds	—.—	
b) Länder	101,838,000.—	
c) other public authorities	46,576,908.96	148,414,908.96
11. Other claims		125,404,158.19
12. Securities		122,026,137.34
13. Equalisation claims on public authorities and debt certificate in respect of the provision of new currency to the Municipality of Berlin	DM	
a) Equalisation claims	8,307,025,264.40	
<i>of which:</i> used to employ deposits of Federal Government, Federal Special Funds and Länder	DM 3,222,979,850.—	
returned in exchange for money-market paper	1,429,120,000.—	4,652,099,850.—
b) Debt certificate		622,169,726.95
14. Credit to Federal Government in respect of International Monetary Fund and International Bank for Reconstruction and Development		390,800,000.—
15. Land and buildings		64,700,930.45
16. Office furniture and equipment		11.—
17. Other assets		91,211,717.70
<i>Right of recourse in respect of contingent liabilities</i>		88,992,870.19
		<u>26,656,835,859.59</u>

as at 1 January 1957

Liabilities

	DM	DM	DM
1. Original capital			290,000,000.—
2. Reserves:			
a) legal reserve		303,163,043.33	
b) other reserves		132,826,417.65	435,989,460.98
3. Reserves for specific purposes			
a) for pension liabilities		366,248,824.03	
b) for note printing		45,000,000.—	
c) for conversion costs		27,740,000.—	
d) for other purposes		187,859,269.72	626,848,093.75
4. Bank notes in circulation			14,473,463,071.05
5. Deposits of			
a) Credit institutions (including Postal Cheque and Savings Bank offices)		5 260,029,533.08	
b) public depositors			
ba) Federal Govt. and Federal Special Funds	3,878,207,546.06		
bb) Länder	192,501,264.17		
bc) other public depositors	23,140,445.89	4,093,849,256.12	
c) other German depositors		291,034,984.62	
d) foreign depositors		163,228,736.85	9,808,142,510.67
6. Liabilities in respect of foreign business			
a) Liabilities in foreign currency			
foreign banks	52,034,188.91		
German banks	53,944,749.07		
others	15,055,981.81	121,034,919.79	
b) Liabilities in DM			
foreign banks	186,828,183.15		
German banks	4,590,302.16		
others	352,799,053.29	544,217,538.60	665,252,458.39
7. Items in course of settlement			183,363,321.53
8. Other liabilities			173,776,943.22
Contingent liabilities		88,992,870.19	
			<u>26,656,835,859.59</u>

Frankfurt on Main, 6 January 1958

Deutsche Bundesbank
The Directorate

Karl Blessing Dr. Troeger

Dr. Benning Dr. Emminger Hartlieb Tüngeler Dr. Wolf Dr. Zachau

The final result of my audit, which was duly carried out on the basis of the records, books and other data of the Deutsche Bundesbank as well as of the explanations given and vouchers produced by the Directorate, shows the Opening Balance Sheet of the Deutsche Bundesbank as at 1 January 1957 to have been duly derived from the Balance Sheets of the Bank deutscher Länder, the Land Central Banks and the Berlin Central Bank as at 31 December 1956, which were examined and certified without reserve by the auditors. The Opening Balance Sheet conforms to the provisions of Article 38 paragraph 4 in conjunction with Article 26 of the Law concerning the Deutsche Bundesbank.

Stuttgart, 12 February 1958

Dr. Merkle
Certified Auditor

Combined Conversion Account of the Institutions

Assets as shown by the books

	as shown by the books on 1 Jan. 1957 DM	Changes in 1957 DM	as shown by the books on 31 Dec. 1957 DM
1. Cash*)	1,133,326.07	—	1,133,326.07
2. Bills of exchange	211,524.63	—	211,524.63
3. Advances against securities	103,241.—	—	103,241.—
4. Cash advances	100.—	—	100.—
5. Other short-term credit extended to public authorities	1,345,153.61	—	1,345,153.61
6. Land and Buildings	26,440,270.—	—	26,440,270.—
7. Office furniture and equipment	2,166,811.21	—	2,166,811.21
8. Other assets	9,502,199.21	—	9,502,199.21
9. Transitory items	938,761.74	—	938,761.74
10. Equalisation claim	8,101,986,971.97	+ 1,740,698.74	8,103,727,670.71
11. Proceeds from realisation of DM (East) holdings	41,334,713.71	—	41,334,713.71
12. Non-interest-bearing debt certificate in respect of the provision of new currency to the Municipality of Berlin	622,169,726.95	./. 75,001,394.51	547,168,332.44
	<u>8,807,332,800.10</u>	<u>./. 73,260,695.77</u>	<u>8,734,072,104.33</u>
13. Contingent claims	126,558.92	—	126,558.92

*) Relating to converted Small Money Tokens.

Amalgamated to Form the Deutsche Bundesbank

on 31 December 1957

Liabilities

	as shown by the books on 1 Jan. 1957 DM	Changes in 1957 DM	as shown by the books on 31 Dec. 1957 DM
1. Original capital	270,000,000.—	—	270,000,000.—
2. Reserves for specific purposes			
for pension liabilities	126,968,586.60	—	126,968,586.60
others	233,810.35	—	233,810.35
3. Notes and coin put into circulation			
a) first instalment of per-capita quotas . . .	1,853,121,612.32	—	1,853,121,612.32
b) second instalment of per-capita quotas, delayed cases, etc.	264,980,481.14	+ 635.29	264,981,116.43
4. Deposits	5,626,697,528.68	+ 1,740,063.45	5,628,437,592.13
5. Other liabilities	1,648,526.03	—	1,648,526.03
6. Transitory items	177,814.32	—	177,814.32
7. Amounts paid or credited under para. 52 a, b, d and e, Berlin Central Bank Ordinance, and para. 9, Implementing Reg. 2, Berlin Conversion Ordinance . . .	588,504,440.66	./. 1,394.51	588,503,046.15
8. Special advance under para. 52 c, Berlin Central Bank Ordinance	75,000,000.—	./. 75,000,000.—	—
	<u>8,807,332,800.10</u>	<u>./. 73,260,695.77</u>	<u>8,734,072,104.33</u>
9. Contingent liabilities	126,558.92	—	126,558.92

Frankfurt on Main, 18 February 1958

Deutsche Bundesbank

The Directorate

Karl Blessing Dr. Troeger

Dr. Benning Dr. Emminger Hartlieb Könniker Tüngeler

Dr. Wolf Dr. Zachau

The final result of my audit, which was duly carried out on the basis of the books and records of the Deutsche Bundesbank as well as of the explanations given and vouchers produced, shows the accounting records and the Combined Conversion Account of the Institutions Amalgamated to Form the Deutsche Bundesbank, as shown by the books on 31 December 1957, to be in accordance with the provisions of the Law.

Stuttgart, 16 April 1958

Dr. Merkle
Certified Auditor

Assets	Balance Sheet of the Deutsche Bundesbank		
	DM	DM	DM
1. Gold			10,602,483,220.29
2. Balances at foreign banks and money-market investments abroad			6,603,909,621.79
3. Foreign notes and coin, foreign bills and cheques			174,352,327.34
4. Other claims on foreign countries			6,460,594,473.29
5. Holding of German divisional coin			63,067,734.96
6. Postal cheque account balances			173,575,205.54
7. Domestic bills of exchange			1,366,084,798.21
8. Treasury bills and non-interest-bearing Treasury bonds of Federal Government and Federal Special Funds			153,700,000.—
9. Advances against securities			53,277,400.—
10. Cash advances to			
a) Federal Government and Federal Special Funds		—.—	
b) Länder		83,800,000.—	
c) other public authorities		<u>66,790,301.—</u>	150,590,301.—
11. Other claims			79,194,597.41
12. Securities			238,224,004.22
13. Equalisation claims on public authorities and debt certificate in respect of the provision of new currency to the Municipality of Berlin			
a) Equalisation claims	8,281,707,223.80		
less			
equalisation claims returned in exchange for money-market paper	<u>4,241,640,000.—</u>	4,040,067,223.80	
b) Debt certificate		<u>547,168,332.44</u>	4,587,235,556.24
14. Credit to Federal Government in respect of International Monetary Fund and International Bank for Reconstruction and Development			390,800,000.—
15. Land and buildings:			
Position as at 1 January 1957		64,700,930.45	
Increase		<u>5,482,366.52</u>	
		70,183,296.97	
Disposals	91,360.63		
Depreciation	<u>15,091,936.34</u>	<u>15,183,296.97</u>	55,000,000.—
16. Office furniture and equipment:			
Position as at 1 January 1957		11.—	
Increase		<u>2,828,011.02</u>	
		2,828,022.02	
Depreciation		<u>2,828,021.02</u>	1.—
17. Other assets			72,302,116.98
18. Transitory items			172,779,749.65
<i>Right of recourse in respect of contingent liabilities</i>		41,290,315.43	
			<u><u>31,397,171,107.92</u></u>

as at 31 December 1957

Liabilities

	DM	DM	DM
1. Original capital			290,000,000.—
2. Reserves			
a) legal reserve		303,163,043.33	
b) other reserves		<u>132,826,417.65</u>	435,989,460.98
3. Reserves for specific purposes			
a) for pension liabilities		412,000,000.—	
b) for note printing		45,000,000.—	
c) for conversion costs		20,300,000.—	
d) for other purposes		<u>198,000,000.—</u>	675,300,000.—
4. Bank notes in circulation			16,132,919,973.20
5. Deposits of			
a) Credit institutions (including Postal Cheque and Postal Savings Bank offices)		7,108,881,895.27	
b) public depositors			
ba) Federal Govt. and Federal Special Funds	4,093,034,353.70		
bb) Länder	491,404,855.07		
bc) other public depositors	<u>31,822,545.62</u>	4,616,261,754.39	
c) other German depositors		229,639,941.64	
d) foreign depositors		<u>251,327,555.45</u>	12,206,111,146.75
6. Liabilities in respect of foreign business			
a) Liabilities in foreign currency			
foreign banks	88,108,061.03		
German banks	17,233,213.45		
others	<u>45,874,390.55</u>	151,215,665.03	
b) Liabilities in DM			
foreign banks	719,755,553.88		
German banks	1,502,325.37		
others	<u>401,766,411.26</u>	<u>1,123,024,290.51</u>	1,274,239,955.54
7. Items in course of settlement			107,460,003.04
8. Other liabilities			39,696,510.61
9. Transitory items			36,925,716.16
10. Net profit			198,528,341.64
Contingent liabilities		41,290,315.43	
			<u><u>31,397,171,107.92</u></u>

Profit and Loss Account of the Deutsche Bundesbank for the Year 1957

Expenditure	DM	DM
1. Administrative costs:		
a) Personnel	120,154,004.84	
b) Materials	<u>22,731,209.64</u>	142,885,214.48
2. Note printing		8,327,842.60
3. Depreciation		
a) on land and buildings	15,091,936.34	
b) on office furniture and equipment	<u>2,828,021.02</u>	17,919,957.36
4. Allocation to reserves for specific purposes		
a) for pension liabilities	59,920,054.22	
b) for conversion costs, according to Reg. No. 45 / Conv. Law	20,029,177.43	
c) others	<u>24,659,343.14</u>	104,608,574.79
5. Pension payments in respect of Reichsbank		20,166,720.86
6. Other expenditure		3,601,836.20
7. Net profit		198,528,341.64
		<u>496,038,487.93</u>
<hr style="border-top: 3px double #000;"/>		
Receipts		
1. Interest		484,012,616.81
2. Fees and charges		2,880,027.29
3. Other receipts		9,145,843.83
		<u>496,038,487.93</u>
<hr style="border-top: 3px double #000;"/>		

Frankfurt on Main, 18 February 1958

*Deutsche Bundesbank
The Directorate*

*Karl Blessing Dr. Troeger
Dr. Benning Dr. Emminger Hartlieb Könneker Tüngeler
Dr. Wolf Dr. Zachau*

The final result of my audit, which was duly carried out on the basis of the records, books and other data of the Deutsche Bundesbank as well as of the explanations given and vouchers produced by the Directorate, shows the accounting records and the Annual Statement to be in accordance with the provisions of the law.

Stuttgart, 16 April 1958

*Dr. Merkle
Certified Auditor*

Fund for the Purchase of Equalisation Claims

Position as of 31 December 1957

	Equalisation claims (remaining capital) DM	Cash resources DM	Total assets of the Fund DM
Position as of 1 January 1957 . . .	126,694,044.23	24,811,312.31	151,505,356.54
Allocation from the Bank deutscher Länder's 1956 net profit		40,000,000.—	40,000,000.—
In 1957			
Equalisation claims purchased . . .	48,769,674.55	less 48,769,674.55	
Redeemed	less 1,822,452.63	1,822,452.63	
Retroceded	less 99.88	99.88	
Interest			
on equalisation claims		4,931,372.48	4,931,372.48
from temporary employment of the Fund's cash resources		1,355,034.72	1,355,034.72
Position as of 31 December 1957 . . .	<u>173,641,166.27</u>	<u>24,150,597.47</u>	<u>197,791,763.74</u>

Frankfurt on Main, 18 February 1958

Deutsche Bundesbank
The Directorate

Karl Blessing Dr. Troeger

Dr. Benning Dr. Emminger Hartlieb Könneker Tüngeler

Dr. Wolf Dr. Zachau

Combined Returns of the Bank deutscher Länder and the
in millions

Date of return	Assets											
	Gold	Balances at foreign banks and money-market investments abroad ¹⁾	Foreign notes and coin, foreign bills and cheques ²⁾	Other claims on foreign countries ²⁾		German divisional coin	Balances on postal cheque account	Domestic bills of exchange	Treasury bills and non-interest-bearing Treasury bonds			Advances against securities
				Total	thereof: balances with European Payments Union				Total	of which		
										Federal Government and Federal Special Funds	Länder	
1	2	3	4	5	6	7	8	9	10	11	12	
1957												
Jan. 7	6,230.8	(11,019.3)	(778.8)	(—)	(—)	61.3	127.1	2,444.3	10.8	10.8	—	90.9
15	6,530.9	(10,833.4)	(746.7)	(—)	(—)	84.0	103.1	2,073.6	4.9	4.9	—	89.0
23	6,530.9	(10,986.1)	(711.5)	(—)	(—)	103.7	85.0	1,821.7	—	—	—	84.5
31	6,530.9	(11,055.4)	(752.1)	(—)	(—)	71.1	75.1	1,712.3	8.0	8.0	—	49.5
Feb. 7	6,530.9	(11,182.7)	(745.2)	(—)	(—)	82.4	91.1	1,997.2	64.5	64.5	—	61.7
15	6,930.7	(10,911.8)	(721.2)	(—)	(—)	85.6	87.1	1,910.5	81.3	81.3	—	60.0
23	6,930.7	(11,062.4)	(762.8)	(—)	(—)	97.5	41.7	1,705.2	48.6	48.6	—	61.7
28	6,930.8	(11,119.9)	(693.9)	(—)	(—)	68.1	65.6	1,572.6	20.0	20.0	—	98.2
Mar. 7	6,930.7	(11,299.4)	(678.5)	(—)	(—)	74.8	89.1	2,275.3	122.0	122.0	—	52.3
15	7,334.4	(10,940.6)	(712.0)	(—)	(—)	89.2	97.7	1,992.3	21.9	21.9	—	85.7
23	7,334.4	(11,027.9)	(732.4)	(—)	(—)	106.2	60.9	1,701.3	—	—	—	65.6
31	7,334.4	(10,833.0)	(756.7)	(—)	(—)	70.4	64.0	1,952.4	69.0	69.0	—	61.8
Apr. 7	7,334.4	(11,022.6)	(727.6)	(—)	(—)	76.4	77.2	2,261.0	—	—	—	49.9
15	7,660.6	(10,873.1)	(741.8)	(—)	(—)	67.1	116.2	2,041.7	20.8	20.8	—	55.7
23	7,660.6	(11,050.1)	(687.2)	(—)	(—)	77.9	163.7	1,803.3	—	—	—	53.9
30	7,660.6	(11,119.9)	(739.0)	(—)	(—)	58.1	84.5	1,855.7	41.2	41.2	—	45.8
May 7	7,660.6	(11,242.8)	(770.4)	(—)	(—)	67.7	109.3	2,312.5	48.4	48.4	—	80.7
15	8,034.5	(10,939.8)	(768.7)	(—)	(—)	82.9	110.4	2,319.5	46.3	46.3	—	64.3
23	8,034.5	(11,046.6)	(815.5)	(—)	(—)	100.6	84.1	2,066.3	9.2	9.2	—	70.0
31	8,034.5	(11,276.3)	(787.0)	(—)	(—)	64.7	83.3	1,965.3	75.9	75.9	—	44.8
June 7	8,034.5	(11,387.2)	(787.4)	(—)	(—)	69.6	79.9	2,447.3	80.0	80.0	—	63.5
15	8,478.4	(11,071.8)	(786.6)	(—)	(—)	84.5	100.6	2,161.0	—	—	—	87.4
23	8,478.4	(11,232.5)	(823.3)	(—)	(—)	94.5	93.4	2,133.3	—	—	—	130.6
30	8,478.4	(11,305.5)	(821.1)	(—)	(—)	61.9	78.9	2,763.1	98.1	98.1	—	103.3
July 7	8,583.6	(11,461.1)	(714.6)	(—)	(—)	69.9	82.5	2,584.2	25.6	25.6	—	67.5
15	8,583.6	(11,748.7)	(700.9)	(—)	(—)	82.9	111.2	1,993.8	—	—	—	61.1
23	8,886.9	(11,541.5)	(732.3)	(—)	(—)	98.4	78.9	1,704.7	—	—	—	55.1
31	8,886.9	(11,817.1)	(754.0)	(—)	(—)	61.9	96.8	1,864.4	67.5	67.5	—	30.3
Aug. 7	8,964.4	7,485.1	204.0	5,035.9	3,600.1	75.6	113.7	1,924.4	50.7	50.7	—	34.5
15	9,544.4	7,020.7	199.4	5,269.0	3,750.6	89.1	91.9	1,495.3	—	—	—	41.7
23	9,449.7	7,732.3	209.1	5,326.2	3,750.6	104.6	81.4	1,253.1	—	—	—	46.1
31	9,449.8	8,144.0	214.6	5,330.0	3,750.6	72.2	82.4	1,115.8	2.5	2.5	—	29.6
Sep. 7	9,449.8	8,398.6	213.3	5,437.0	3,735.6	78.6	73.7	1,283.7	48.7	48.7	—	34.5
15	10,032.6	7,813.2	214.2	5,717.8	4,023.1	88.1	90.9	1,232.3	14.1	14.1	—	39.7
23 ⁵⁾	10,032.6	8,178.5	227.8	5,774.0	4,023.1	105.4	72.6	1,104.5	0.1	0.1	—	65.1
30	10,032.6	8,304.1	230.5	5,793.7	4,023.1	69.3	87.6	1,246.6	6.0	6.0	—	44.1
Oct. 7	10,032.6	8,404.2	226.1	5,793.5	4,023.1	75.8	103.9	1,294.7	—	—	—	36.8
15	10,702.4	7,424.8	219.5	6,012.5	4,251.9	88.9	111.2	1,075.7	—	—	—	40.0
23	10,655.1	7,167.7	218.5	6,328.5	4,251.9	103.8	97.2	945.4	—	—	—	45.0
31	10,655.1	6,989.6	215.5	6,428.5	4,251.9	69.3	91.9	952.5	42.5	42.5	—	39.6
Nov. 7	10,655.1	7,054.5	214.3	6,428.3	4,251.9	79.8	111.0	897.2	—	—	—	42.3
15	10,691.5	6,841.0	210.2	6,435.3	4,272.2	89.7	105.5	758.3	—	—	—	46.6
23	10,691.5	6,874.6	206.4	6,434.6	4,272.2	99.8	75.1	742.0	—	—	—	35.1
30	10,691.5	6,803.7	204.3	6,428.2	4,272.2	63.7	79.8	795.3	6.0	6.0	—	37.4
Dec. 7	10,691.5	6,868.4	198.1	6,504.2	4,272.2	57.8	81.1	1,210.3	77.0	77.0	—	34.6
15	10,587.0	6,760.9	195.5	6,467.6	4,237.7	60.6	100.5	1,190.3	28.7	28.7	—	51.7
23	10,587.3	6,794.2	195.3	6,465.9	4,237.7	61.2	83.8	1,089.6	28.7	28.7	—	49.0
31	10,602.5	6,603.9	174.3	6,460.6	4,238.8	63.1	173.6	1,366.1	153.7	153.7	—	53.3

¹⁾ Up to 31 July 1957 "Combined Return of the Bank deutscher Länder and the Land Central Banks"; not fully comparable figures are shown "ments abroad". — ²⁾ Apart from the credit balances with the European Payments Union the item contains in particular the Bank's claims under 1957 included in item 2. — ³⁾ Including equalisation claims resulting from conversion of Berlin pre-capitulation accounts (Supplementary Conversion Law) of the Soviet Sector of Berlin (Second Supplementary Conversion Law). — ⁴⁾ The "Items in course of settlement", which up to 31 July 1957 were including Land Central Bank in Berlin. Figures for previous dates contain only the Berlin Central Bank's deposits with the Deutsche Bundes-

Land Central Banks, and Returns of the Deutsche Bundesbank*)
of DM.

Assets													Date of return
Cash advances				Securities	Equalisation Claims and non-interest-bearing debt certificate					Credit to Federal Govt. in respect of I.M.F. and I.B.R.D.	Other assets ⁴⁾	Total	
Total	of which, to				Holding	note							
	Federal Government and Federal Special Funds	Länder	Other public authorities			from conversion of own balance sheet ⁵⁾	Equalisation claims purchased	Equalisation claims returned in exchange for money-market paper	Debt certificate				
13	14	15	16	17	18	19	20	21	22	23	24	25	
41.7	—	16.8	24.9	121.2	3,969.6	8,090.2	13.9	1,725.8	622.2	390.8	355.5	25,642.1	1957
31.4	—	—	31.4	122.4	3,725.7	8,089.5	13.9	2,047.6	622.2	390.8	296.4	25,032.3	Jan. 7
27.0	—	—	27.0	125.0	3,749.7	8,089.5	13.9	2,260.5	622.2	390.8	294.0	24,909.9	15
41.8	—	13.1	28.7	126.8	3,995.1	8,089.6	13.4	2,486.4	622.2	390.8	464.5	25,273.4	23
45.5	—	17.2	28.3	128.4	3,991.5	8,089.6	12.2	2,415.2	622.2	390.8	288.2	25,600.1	31
37.3	—	10.8	26.5	130.7	3,816.6	8,089.6	12.1	2,407.8	622.2	390.8	301.0	25,464.6	Feb. 7
27.7	—	—	27.7	131.4	3,770.1	8,089.6	12.1	2,409.6	622.2	390.8	933.9	25,964.5	15
91.1	—	68.8	22.3	132.2	4,037.5	8,089.6	12.1	2,437.6	622.2	390.8	558.4	25,779.5	23
88.9	—	64.2	24.7	133.9	4,033.0	8,089.7	12.1	2,392.1	622.2	390.8	320.0	26,488.7	28
28.2	—	—	28.2	131.6	3,465.1	8,089.7	12.1	2,486.6	622.2	390.8	251.6	25,541.1	Mar. 7
26.3	—	—	26.3	133.1	3,567.6	8,089.7	12.1	2,609.5	622.2	390.8	338.5	25,485.0	15
57.2	—	24.7	32.5	132.7	3,956.8	8,115.3	12.1	2,637.5	622.2	390.8	510.2	26,189.4	23
48.3	—	20.7	27.6	134.5	3,932.9	8,115.3	11.7	2,768.2	622.2	390.8	178.0	26,233.6	31
40.4	—	20.2	20.2	134.4	3,871.3	8,115.4	11.7	2,754.8	622.2	390.8	161.9	26,175.8	Apr. 7
77.6	—	27.1	50.5	134.3	3,833.5	8,115.4	11.7	2,871.3	622.2	390.8	158.4	26,091.3	15
108.7	—	62.2	46.5	134.2	3,979.3	8,115.4	11.5	3,009.3	622.2	390.8	317.1	26,534.9	23
93.0	—	40.9	52.1	134.7	3,954.5	8,115.4	11.3	2,928.5	622.2	390.8	154.2	27,019.6	30
55.1	—	5.6	49.5	135.1	3,811.3	8,115.5	11.1	2,950.0	622.2	390.8	144.5	26,903.2	May 7
46.8	—	4.3	42.5	137.9	3,779.6	8,115.5	11.1	3,198.3	622.2	390.8	147.0	26,728.9	15
120.3	—	72.7	47.6	138.3	3,982.4	8,115.5	11.1	3,443.1	622.2	390.8	377.0	27,340.6	23
117.1	—	79.2	37.9	138.0	3,948.5	8,115.5	11.1	3,351.7	622.2	390.8	166.2	27,710.0	31
31.3	—	—	31.3	139.9	3,369.9	8,115.5	11.1	3,422.7	622.2	390.8	169.1	26,871.3	June 7
31.0	—	—	31.0	139.6	3,382.0	8,115.5	11.1	3,457.8	622.2	390.8	189.7	27,119.1	15
59.6	—	34.5	25.1	147.3	3,851.1	8,115.5	10.6	3,448.9	622.2	390.8	369.7	28,528.8	23
66.2	—	36.6	29.6	143.2	3,953.7	8,115.6	10.2	3,699.2	622.2	390.8	158.9	28,301.8	30
47.8	—	14.2	33.6	147.2	3,886.5	8,115.6	10.2	4,015.9	622.2	390.8	165.8	27,920.3	July 7
34.4	—	5.8	28.6	150.9	3,863.6	8,115.6	10.2	4,071.2	622.2	390.8	168.4	27,705.9	15
94.3	—	66.7	27.6	152.6	4,134.6	8,115.9	10.2	4,325.7	622.2	390.8	327.2	28,678.4	23
92.8	—	59.3	33.5	155.7	4,360.4	8,115.9	9.6	4,387.3	622.2	390.8	196.8	29,084.8	31
40.8	—	19.2	21.6	158.6	4,100.4	8,115.9	9.6	4,647.3	622.2	390.8	201.8	28,643.9	Aug. 7
47.8	—	22.1	25.7	164.4	3,415.2	8,115.9	9.6	5,332.5	622.2	390.8	208.1	28,428.8	15
133.8	—	112.4	21.4	165.7	3,117.5	8,115.9	9.6	5,630.2	622.2	390.8	235.1	28,483.8	23
121.6	—	96.7	24.9	166.8	3,460.1	8,116.0	9.6	5,287.7	622.2	390.8	208.4	29,365.6	31
37.9	—	—	37.9	166.9	3,431.5	8,116.0	9.6	5,316.3	622.2	390.8	213.2	29,483.2	Sep. 7
46.0	—	3.0	43.0	172.4	3,645.6	8,116.0	169.5	5,262.1	622.2	390.8	223.5	30,038.9	15
104.7	—	61.5	43.2	172.5	3,659.9	8,116.0	169.5	5,247.8	622.2	390.8	447.1	30,589.5	23 ⁶⁾
89.8	—	59.9	29.9	172.6	3,570.8	8,116.0	168.9	5,336.3	622.2	390.8	234.0	30,425.6	30
57.0	—	40.0	17.0	172.9	3,386.1	8,116.0	168.9	5,521.0	622.2	390.8	236.5	29,918.3	Oct. 7
60.2	—	41.6	18.6	172.8	3,211.6	8,116.0	168.9	5,695.5	622.2	390.8	239.0	29,635.6	15
112.1	—	95.6	16.5	172.7	3,319.7	8,116.1	168.6	5,587.2	622.2	390.8	451.3	29,931.1	23
137.8	—	115.6	22.2	172.8	3,329.4	8,116.1	168.4	5,577.3	622.2	390.8	248.5	29,761.8	31
86.9	—	59.5	27.4	173.0	3,265.2	8,116.1	168.0	5,641.1	622.2	390.8	255.2	29,349.2	Nov. 7
42.7	—	32.0	10.7	172.9	3,304.4	8,116.1	168.1	5,602.0	622.2	390.8	257.3	29,327.2	15
149.2	—	138.9	10.3	177.9	3,325.4	8,116.2	168.0	5,581.0	622.2	390.8	358.1	29,511.3	23
179.8	—	161.1	18.7	177.7	3,682.7	8,115.9	167.6	5,223.0	622.2	390.8	276.7	30,430.7	30
86.1	—	52.0	34.1	190.8	3,936.1	8,116.0	169.6	4,971.7	622.2	390.8	280.9	30,327.5	Dec. 7
84.8	—	44.0	40.8	203.8	4,246.5	8,116.0	174.0	4,665.7	622.2	390.8	297.5	30,578.4	15
150.6	—	83.8	66.8	238.2	4,662.2	8,117.7	163.9	4,241.6	622.2	390.8	439.6	31,532.5	23
													31

in brackets (.) — ¹⁾ The foreign bank acceptances shown under "Foreign Bills" up to 31 Juli 1957 are now included in "money-market investment-consolidation agreements, earmarked credit balances abroad, and foreign securities not representing money-market investments. Up to 31 July version Law), and from 23 December 1957 equalisation claims deriving from conversion of pre-currency-reform accounts with credit institutions in shown separately, have in this table been included in the item "Other assets" or "Other liabilities" respectively. — ²⁾ From 23 September 1957 bank, and its bills rediscounted at the Deutsche Bundesbank.

**Combined Returns of the Bank deutscher Länder and the
Land Central Banks, and Returns of the Deutsche Bundesbank (cont'd)**

in millions of DM

Date of return	Liabilities														
	Bank notes in circulation	Deposits								Liabilities in respect of foreign business	Amounts placed to reserve for specific liabilities	Reserves	Capital	Other liabilities ¹⁾	Total
		Total	of credit institutions (including Postal Cheque and Postal Savings Bank Offices)	of public depositors				of other German depositors	of foreign depositors						
				Total	Federal Government and Federal Special Funds	Länder	other public depositors								
26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	
1957															
Jan. 7	13,747.0	9,628.4	5,249.5	3,938.1	3,863.8	60.3	14.0	270.2	170.6	582.9	918.6	285.0	480.2	25,642.1	
15	13,166.8	9,622.6	4,004.6	5,170.4	5,043.1	112.7	14.6	275.9	171.7	581.7	918.6	285.0	457.6	25,032.3	
23	12,443.5	10,274.2	4,284.5	5,600.8	5,503.2	76.1	21.5	206.3	182.6	565.1	918.6	285.0	423.5	24,909.9	
31	14,173.1	8,979.4	3,542.1	5,095.2	5,016.6	62.6	16.0	191.2	150.9	581.6	918.6	285.0	335.7	25,273.4	
Feb. 7	13,436.5	10,012.6	4,697.5	4,950.7	4,886.3	50.8	13.6	195.6	168.8	587.3	918.6	285.0	360.1	25,600.1	
15	13,221.5	10,120.1	4,125.6	5,640.9	5,506.9	107.5	26.5	190.0	163.6	535.6	918.6	285.0	383.8	25,464.6	
23	12,660.6	11,160.7	4,942.4	5,886.1	5,743.6	121.5	21.0	185.5	146.7	589.4	918.6	285.0	350.2	25,964.5	
28	14,589.8	9,088.4	3,616.5	5,133.3	5,037.4	73.7	22.2	188.6	150.0	546.7	918.6	285.0	350.6	25,779.1	
Mar. 7	13,970.6	10,412.2	5,242.4	4,782.4	4,695.7	72.8	13.9	196.0	191.4	547.0	921.4	285.0	352.5	26,488.7	
15	13,523.1	9,910.8	3,884.5	5,670.3	5,513.3	140.2	16.8	172.7	183.3	538.6	927.5	285.0	356.1	25,541.1	
23	12,746.1	10,664.9	4,265.6	6,036.5	5,951.6	62.8	22.1	187.8	175.0	539.1	927.4	285.0	322.5	25,485.0	
31	14,670.3	9,378.0	4,074.7	4,860.9	4,739.7	76.0	45.2	199.7	242.7	584.1	935.8	285.0	336.2	26,189.4	
Apr. 7	13,908.0	10,260.0	5,039.1	4,840.2	4,768.1	52.6	19.5	188.1	192.6	621.5	1,043.4	285.0	115.7	26,233.6	
15	14,114.9	9,956.5	4,188.2	5,286.2	5,171.1	93.5	21.6	196.8	285.3	570.3	1,043.4	285.0	205.7	26,175.8	
23	13,415.2	10,345.4	4,326.6	5,565.1	5,434.2	109.7	21.2	213.2	240.5	579.8	1,043.4	285.0	422.5	26,091.3	
30	15,178.7	9,249.4	3,885.8	4,971.6	4,812.4	136.2	23.0	227.1	164.9	685.7	1,043.4	285.0	92.7	26,534.9	
May 7	14,308.7	10,517.3	5,550.3	4,583.5	4,441.0	128.6	13.9	200.9	182.6	701.4	1,050.0	285.0	157.2	27,019.6	
15	13,738.3	11,114.2	5,321.5	5,446.0	5,253.3	161.9	30.8	179.2	167.5	575.7	1,050.0	285.0	140.0	26,903.2	
23	13,147.0	11,520.4	5,491.6	5,680.1	5,503.2	159.4	17.5	193.3	155.4	568.8	1,051.0	285.0	156.7	26,728.9	
31	15,332.5	10,026.9	4,288.9	5,392.5	5,237.7	134.3	20.5	210.1	135.4	559.1	1,052.7	285.0	84.4	27,340.6	
June 7	14,650.6	11,085.0	5,875.0	4,807.4	4,675.8	118.4	13.2	212.8	189.8	553.5	1,052.7	285.0	83.2	27,710.0	
15	13,961.2	10,464.8	4,795.3	5,027.7	4,795.7	213.8	18.2	220.6	421.2	834.2	1,052.7	285.0	273.4	26,871.3	
23	13,357.3	11,470.6	5,327.6	5,565.0	5,456.9	85.0	23.1	198.2	379.8	856.3	1,052.7	285.0	97.2	27,119.1	
30	15,436.7	10,756.8	5,232.7	4,957.7	4,850.2	77.9	29.6	189.8	376.6	825.8	1,025.5	285.0	199.0	28,528.8	
July 7	14,712.6	11,236.5	5,768.1	4,913.5	4,834.9	64.4	14.2	169.6	385.3	840.8	1,025.5	285.0	201.4	28,301.8	
15	14,171.1	11,306.0	4,737.0	5,839.0	5,735.4	85.6	18.0	177.6	552.4	859.4	1,025.5	285.0	273.3	27,920.3	
23	13,390.0	11,941.4	5,491.7	5,755.7	5,664.1	66.8	24.8	172.3	521.7	800.7	1,026.6	285.0	262.2	27,705.9	
31	15,544.7	10,829.4	4,861.3	5,350.0	5,149.8	180.5	19.7	170.2	447.9	794.5	1,027.6	285.0	197.2	28,678.4	
Aug. 7	14,664.3	11,927.2	6,176.3	5,112.3	4,917.6	168.1	26.6	169.0	469.6	884.8	592.9	434.7	285.0	295.9	29,084.8
15	14,281.7	11,926.1	5,286.1	5,958.9	5,562.0	357.4	39.5	175.0	506.1	826.9	592.9	434.7	285.0	296.6	28,643.9
23	13,758.4	12,141.8	5,572.5	5,928.2	5,592.6	311.8	23.8	153.6	487.5	892.9	592.9	434.7	285.0	323.1	28,428.8
31	15,706.1	10,234.2	4,746.4	4,811.8	4,669.9	118.4	23.5	165.8	510.2	1,036.9	592.9	434.7	285.0	194.0	28,483.8
Sep. 7	14,957.0	11,782.3	6,520.9	4,586.3	4,425.0	142.0	19.3	173.9	501.2	1,064.3	592.9	434.7	285.0	249.4	29,365.6
15	14,613.2	12,193.3	5,260.6	6,042.6	5,011.4	1,008.2	23.0	170.1	720.0	1,030.2	592.9	434.7	285.0	333.9	29,483.2
23 ²⁾	13,702.1	13,685.8	6,139.1	6,661.2	5,633.3	999.9	28.0	193.9	691.6	944.6	600.9	436.0	290.0	379.5	30,038.9
30	15,928.5	11,906.2	5,622.6	5,471.9	4,963.4	460.7	47.8	179.7	632.0	1,134.4	600.9	436.0	290.0	293.5	30,589.5
Oct. 7	15,133.8	12,584.6	6,505.5	5,487.6	4,847.2	421.9	218.5	169.3	422.2	999.1	600.7	436.0	290.0	381.4	30,425.6
15	14,504.7	12,719.1	5,932.4	6,219.7	5,429.2	566.2	224.3	181.5	385.5	949.2	600.7	436.0	290.0	418.6	29,918.3
23	13,640.1	13,354.6	6,467.9	6,189.2	5,596.8	575.2	17.2	372.7	324.8	949.7	600.3	436.0	290.0	364.9	29,635.6
31	16,073.7	11,240.3	5,340.9	5,218.3	4,934.5	265.8	18.0	372.5	308.6	1,028.6	600.3	436.0	290.0	262.2	29,931.1
Nov. 7	15,080.9	12,066.3	6,621.6	4,863.4	4,644.6	207.0	11.8	267.0	314.3	988.0	600.3	436.0	290.0	300.3	29,761.8
15	14,598.4	12,045.8	5,631.5	5,904.2	5,406.1	471.2	26.9	228.2	281.9	1,015.1	600.3	436.0	290.0	363.6	29,349.2
23	13,801.4	12,884.0	6,401.7	5,996.9	5,481.3	493.9	21.7	270.5	214.9	1,032.7	600.3	436.0	290.0	282.8	29,327.2
30	16,402.3	10,351.7	5,397.0	4,428.2	4,214.1	194.1	20.0	261.0	265.5	1,154.0	600.3	436.0	290.0	277.0	29,511.3
Dec. 7	15,988.9	11,545.8	7,016.8	4,103.1	3,924.9	165.9	12.3	194.4	231.5	1,267.6	600.3	436.0	290.0	302.1	30,430.7
15	15,571.2	11,778.0	5,516.0	5,863.7	4,607.1	1,239.5	17.1	196.1	202.2	1,244.2	596.5	436.0	290.0	411.6	30,327.5
23	15,312.6	12,406.1	6,080.9	5,859.2	4,862.2	978.5	18.5	259.9	206.1	1,248.9	596.5	436.0	290.0	288.3	30,578.4
31	16,132.9	12,206.2	7,108.9	4,616.3	4,093.1	491.4	31.8	229.7	251.3	1,274.3	595.4	436.0	290.0	597.7	31,532.5

¹⁾ Cf. Assets. ²⁾ — ³⁾ Cf. Assets. ⁴⁾

Giro Transactions at the Deutsche Bundesbank and the Members of the former Central Banking System

a) Yearly Turnovers

	1956						1957					
	Debits		Credits		Total		Debits		Credits		Total	
	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn
Land Central Bank												
Baden-Württemberg	13,709	105,144	16,136	105,258	29,845	210,402	14,487	115,250	17,104	115,442	31,591	230,692
Bavaria	14,588	104,075	14,672	104,227	29,260	208,302	15,320	112,719	15,473	112,960	30,793	225,679
Berlin	1,943	23,489	2,645	23,479	4,588	46,968	1,965	27,682	2,744	27,749	4,709	55,431
Bremen	2,900	15,826	2,761	15,846	5,661	31,672	2,848	16,994	2,803	17,033	5,651	34,027
Hamburg	5,724	82,905	6,713	83,000	12,437	165,905	5,859	97,817	7,144	98,016	13,003	195,833
Hesse	9,960	105,657	10,268	105,748	20,228	211,405	10,351	124,107	10,509	124,522	20,860	248,629
Lower Saxony	12,584	62,691	10,628	62,705	23,212	125,396	13,116	69,713	11,401	69,857	24,517	139,570
North Rhine-Westphalia	30,856	318,408	29,466	318,677	60,322	637,085	31,469	356,025	29,717	356,694	61,186	712,719
Rhineland-Palatinate	6,040	35,586	5,405	35,586	11,445	71,172	6,120	37,296	5,590	37,394	11,710	74,690
Schleswig-Holstein	3,926	19,596	3,043	19,622	6,969	39,218	4,135	20,583	3,198	20,671	7,333	41,254
Total	102,230	873,377	101,737	874,148	203,967	1,747,525	105,670	978,186	105,683	980,338	211,353	1,958,524
Bundesbank - Directorate - (formerly BdL)	780	410,406	688	411,064	1,468	821,470	711	454,717	679	455,098	1,390	909,815
Grand total	103,010	1,283,783	102,425	1,285,212	205,435	2,568,995	106,381	1,432,903	106,362	1,435,436	212,743	2,868,339

b) Simplified Cheque Collection

	Cheques lodged				Cheques paid			
	1956		1957		1956		1957	
	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn
Land Central Bank								
Baden-Württemberg	11,380	12,418	12,085	13,862	9,873	12,631	10,368	13,680
Bavaria	10,237	11,956	10,926	13,020	9,824	11,640	10,465	12,682
Berlin	2,013	1,829	2,113	2,174	1,193	1,883	1,248	2,071
Bremen	1,888	2,135	1,929	2,299	1,829	1,959	1,909	2,138
Hamburg	3,885	5,460	4,221	6,430	2,199	5,620	2,349	6,464
Hesse	7,108	8,725	7,311	9,456	6,980	9,883	7,263	10,667
Lower Saxony	7,080	7,964	7,809	8,874	8,510	7,837	8,994	8,803
North Rhine-Westphalia	19,233	27,813	19,299	30,077	21,261	28,874	21,752	31,951
Rhineland-Palatinate	3,228	3,703	3,399	4,168	3,816	3,984	3,961	4,235
Schleswig-Holstein	1,688	1,901	1,837	2,037	2,287	1,847	2,502	2,137
Total	67,740	83,904	70,929	92,397	67,772	86,158	70,811	94,828
Bundesbank - Directorate - (formerly BdL)	69	2,234	87	2,579	8	68	10	52
Grand total	67,809	86,138	71,016	94,976	67,780	86,226	70,821	94,880

c) Clearing Transactions

	1956						1957					
	Bills, cheques, etc., lodged		Local transfers lodged		Total		Bills, cheques, etc., lodged		Local transfers lodged		Total	
	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn	'000	DM mn
Land Central Bank												
Baden-Württemberg	14,525	23,924	2,090	3,022	16,615	26,946	14,853	25,110	2,209	3,434	17,062	28,544
Bavaria	16,107	24,167	3,338	2,996	19,445	27,163	16,418	24,909	3,694	3,422	20,112	28,331
Berlin	5,311	8,288	1,745	5,954	7,056	14,242	5,485	8,962	2,031	7,301	7,516	16,263
Bremen	3,462	4,540	2,191	4,172	5,653	8,712	3,466	4,992	2,520	5,714	5,986	10,706
Hamburg	205	237	197	137	402	374	208	232	212	149	420	381
Hesse	10,663	54,350	1,899	57,207	12,562	111,557	11,018	72,152	2,070	71,068	13,088	143,220
Lower Saxony	9,791	12,672	2,713	3,744	12,504	16,416	9,979	13,315	2,890	3,897	12,869	17,212
North Rhine-Westphalia	33,689	50,987	4,751	13,866	38,440	64,853	34,245	55,239	5,047	16,875	39,292	72,114
Rhineland-Palatinate	4,855	6,485	962	1,357	5,817	7,842	5,035	6,824	1,049	1,352	6,084	8,176
Schleswig-Holstein	3,380	3,855	2,771	1,569	6,151	5,424	3,427	3,955	2,854	1,877	6,281	5,832
Total	101,988	189,505	22,657	94,024	124,645	283,529	104,134	215,690	24,576	115,089	128,710	330,779

d) Telegraphic Giro Transactions
 telegraphic giro transfers despatched

	1956		1957	
	'000	DM mn	'000	DM mn
Land Central Bank				
Baden-Württemberg	28	14,167	30	17,880
Bavaria	28	17,005	27	19,792
Berlin	7	4,160	8	5,771
Bremen	3	1,862	3	2,151
Hamburg	14	10,910	13	14,530
Hesse	22	14,549	24	18,651
Lower Saxony	17	7,998	18	10,589
North Rhine-Westphalia	52	44,822	53	56,024
Rhineland-Palatinate	11	4,290	10	4,947
Schleswig-Holstein	4	2,129	4	2,616
Total	186	121,892	190	152,951
Bundesbank - Directorate - (formerly BdL)	10	6,370	9	7,262
Grand total	196	128,262	199	160,213

e) Certified Cheques
 cheques bearing note of certification

	1956		1957	
	number	DM mn	number	DM mn
Land Central Bank				
Baden-Württemberg	1,911	1,155	1,740	1,095
Bavaria	1,465	866	1,336	968
Berlin	202	3	301	5
Bremen	316	63	365	128
Hamburg	622	100	609	86
Hesse	2,602	1,286	2,251	1,331
Lower Saxony	554	200	441	283
North Rhine-Westphalia	12,815	12,693	12,522	14,885
Rhineland-Palatinate	1,113	495	1,027	499
Schleswig-Holstein	796	48	841	68
Total	22,396	16,909	21,433	19,348

Bank Note Circulation of the Deutsche Bundesbank

Denominations	1954		1955		1956		1957	
	DM million	per cent	DM million	per cent	DM million	per cent	DM million	per cent
100 I	75.95	0.61	48.66	0.36	9.42	0.07	6.26	0.04
100 II	2,730.46	22.11	3,276.60	24.02	3,724.26	25.73	4,699.79	29.13
50 I/II	3,669.55	29.71	3,597.26	26.37	3,445.12	23.80	3,153.54	19.55
50 III	2,447.41	19.82	3,106.60	22.77	3,608.43	24.93	4,506.21	27.92
20 I/III	2,414.93	19.56	2,512.49	18.42	2,528.65	17.47	2,575.89	15.97
20 II	1.32	0.01	1.31	0.01	1.30	0.01	1.28	0.01
10 I/II	872.45	7.07	950.27	6.97	1,003.37	6.93	1,041.91	6.46
5 I	3.39	0.03	3.36	0.02	3.33	0.02	3.31	0.02
5 II	106.78	0.87	111.55	0.82	125.45	0.87	128.78	0.80
2	7.80	0.06	9.33	0.07	6.37	0.04	2.61	0.02
1	10.01	0.08	13.81	0.10	8.01	0.06	3.58	0.02
0.50	1.78	0.01	1.78	0.01	1.78	0.01	1.78	0.01
0.10	5.29	0.04	5.29	0.04	5.29	0.04	5.29	0.03
0.05	2.69	0.02	2.69	0.02	2.69	0.02	2.69	0.02
Total	12,349.81	100.00	13,641.—	100.00	14,473.47	100.00	16,132.92	100.00

Coin in Circulation

Coins at DM	1954		1955		1956		1957	
	DM million	per cent	DM million	per cent	DM million	per cent	DM million	per cent
5.—	372.25	39.34	384.78	38.42	396.98	36.82	409.33	35.89
2.—	138.12	14.60	141.15	14.10	141.15	13.09	137.84	12.09
1.—	234.68	24.81	256.89	25.65	296.31	27.49	323.25	28.35
— .50	85.75	9.06	90.25	9.01	102.12	9.47	113.33	9.94
— .10	76.82	8.12	84.38	8.43	93.23	8.65	102.71	9.01
— .05	24.24	2.56	27.23	2.72	29.64	2.75	32.92	2.89
— .02	2.01	0.21	2.01	0.20	2.02	0.19	2.02	0.18
— .01	12.33	1.30	14.70	1.47	16.58	1.54	18.90	1.65
Total	946.20	100.00	1,001.39	100.00	1,078.03	100.00	1,140.30	100.00

Branch Establishments of the Deutsche Bundesbank

German Abbreviations: BW = Baden-Württemberg HB = Bremen H = Hesse NW = North Rhine-Westphalia
 BY = Bavaria HH = Hamburg N = Lower Saxony R = Rhineland-Palatinate
 B = Berlin S = Schleswig-Holstein

Serial number	Bank place*)	Appropriate Main Branch	Land Central Bank	Serial number	Bank place*)	Appropriate Main Branch	Land Central Bank
39	Aachen	Aachen	NW	336	Essen-Werden	Essen	NW
563	Aalen (Württ)	Ulm	BW	554	Eßlingen (Neckar)	Stuttgart	BW
319	Ahlen (Westf)	Hamm	NW	397	Euskirchen	Bonn	NW
282	Alfeld (Leine)	Hildesheim	N				
431	Alsfeld (Oberhess)	Fulda	H	232	Flensburg	Flensburg	S
415	Altena (Westf)	Hagen	NW	512	Frankenthal (Pfalz)	Ludwigshafen	R
655	Amberg (Oberpf)	Regensburg	BY	4	Frankfurt (Main)	Frankfurt	H
447	Andernach	Koblenz	R	57	Freiburg (Breisgau)	Freiburg	BW
646	Ansbach (Mittelfr)	Nürnberg	BY	435	Friedberg (Hess)	Gießen	H
416	Arnsberg (Westf)	Lippstadt	NW	599	Friedrichshafen	Konstanz	BW
614	Aschaffenburg	Würzburg	BY	644	Fürth (Bay)	Nürnberg	BY
68	Augsburg	Augsburg	BY	433	Fulda	Fulda	H
536	Baden-Baden	Karlsruhe	BW	689	Garm.-Partenkirchen	München	BY
429	Bad Hersfeld	Fulda	H	438	Gelnhausen	Fulda	H
469	Bad Kreuznach	Bad Kreuznach	R	341	Gelsenkirchen	Gelsenkirchen	NW
699	Bad Reichenhall	München	BY	317	Gelsenkirchen-Buer	Gelsenkirchen	NW
62	Bamberg	Nürnberg	BY	385	Gevelsberg	Hagen	NW
63	Bayreuth	Hof	BY	43	Gießen	Gießen	H
352	Beckum (Bz Münster, Westf)	Hamm	NW	316	Gladbeck (Westf)	Gelsenkirchen	NW
				323	Goch	Krefeld	NW
496	Bensheim	Darmstadt	H	565	Göppingen	Stuttgart	BW
1	Berlin (West)	Berlin	B	288	Göttingen	Göttingen	N
444	Betzdorf (Sieg)	Koblenz	R	296	Goslar	Braunschweig	N
597	Biberach (Riß)	Ulm	BW	353	Gütersloh	Bielefeld	NW
424	Biedenkopf	Gießen	H	441	Gummersbach	Bonn	NW
26	Bielefeld	Bielefeld	NW				
481	Bingen (Rhein)	Mainz	R	41	Hagen	Hagen	NW
462	Bitburg (Eifel)	Trier	R	2	Hamburg	Hamburg	HH
313	Bocholt	Münster	NW	22	Hamburg-Altona	Hamburg	HH
346	Bochum	Bochum	NW	226	Hamburg-Harburg	Hamburg	HH
442	Bonn	Bonn	NW	279	Hameln	Hannover	N
29	Braunschweig	Braunschweig	N	35	Hamm (Westf)	Hamm	NW
21	Bremen	Bremen	HB	439	Hanau	Frankfurt	H
215	Bremerhaven	Bremen	HB	27	Hannover	Hannover	N
531	Bruchsal	Karlsruhe	BW	381	Hattingen (Ruhr)	Bochum	NW
537	Bühl (Baden)	Karlsruhe	BW	236	Heide (Holst)	Husum	S
267	Bünde (Westf)	Minden	NW	523	Heidelberg	Mannheim	BW
				567	Heidenheim (Brenz)	Ulm	BW
				54	Heilbronn (Neckar)	Heilbronn	BW
272	Celle	Hannover	N	293	Helmstedt	Braunschweig	N
622	Coburg	Hof	BY	269	Herford	Bielefeld	NW
221	Cuxhaven	Lüneburg	N	343	Herne	Bochum	NW
				367	Hilden	Düsseldorf	NW
49	Darmstadt	Darmstadt	H	28	Hildesheim	Hildesheim	N
673	Deggendorf	Regensburg	BY	452	Höhr-Grenzhausen	Koblenz	R
278	Detmold	Bielefeld	NW	633	Hof (Saale)	Hof	BY
451	Dillenburg	Gießen	H	414	Hohenlimburg	Hagen	NW
34	Dortmund	Dortmund	NW	284	Holzminden	Göttingen	N
348	Dortmund-Hörde	Dortmund	NW	231	Husum	Husum	S
395	Düren	Aachen	NW				
36	Düsseldorf	Düsseldorf	NW	474	Idar-Oberstein	Bad Kreuznach	R
32	Duisburg	Duisburg	NW	66	Ingolstadt (Donau)	München	BY
331	Duisburg-Hamborn	Duisburg	NW	411	Iserlohn	Dortmund	NW
329	Duisburg-Ruhrort	Duisburg	NW	222	Itzehoe	Husum	S
592	Ebingen (Württ)	Reutlingen	BW	393	Jülich	Aachen	NW
235	Eckernförde	Kiel	S				
224	Elmshorn	Kiel	S	513	Kaiserslautern	Kaiserslautern	R
212	Emden	Emden	N	233	Kappeln (Schlei)	Flensburg	S
573	Emmendingen	Freiburg	BW	53	Karlsruhe	Karlsruhe	BW
322	Emmerich	Duisburg	NW	42	Kassel	Kassel	H
643	Erlangen	Nürnberg	BY	686	Kaufbeuren	Augsburg	BY
428	Eschwege	Kassel	H	685	Kempten (Allgäu)	Augsburg	BY
394	Eschweiler	Aachen	NW	23	Kiel	Kiel	S
33	Essen	Essen	NW	619	Kitzingen	Würzburg	BY

*) Bank places are places with Bundesbank branches.

Appendix 6 (cont'd) to the Report of the Deutsche Bundesbank for the Year 1957

Serial number	Bank place*)	Appropriate Main Branch	Land Central Bank	Serial number	Bank place*)	Appropriate Main Branch	Land Central Bank
321	Kleve	Krefeld	NW	534	Pforzheim	Pforzheim	BW
44	Koblenz	Koblenz	R	518	Pirmasens	Kaiserslautern	R
3	Köln	Köln	NW	418	Plettenberg	Hagen	NW
378	Köln-Mülheim	Köln	NW	535	Rastatt	Karlsruhe	BW
58	Konstanz	Konstanz	BW	59	Ravensburg	Ulm	BW
421	Korbach	Kassel	H	318	Recklinghausen	Gelsenkirchen	NW
363	Krefeld	Krefeld	NW	65	Regensburg	Regensburg	BY
364	Krefeld-Uerdingen	Krefeld	NW	446	Remagen	Koblenz	R
634	Kulmbach	Hof	BY	374	Remscheid	Remscheid	NW
571	Lahr (Schwarzwald)	Freiburg	BW	389	Remscheid-Lenep	Remscheid	NW
519	Landau (Pfalz)	Ludwigshafen	R	237	Rendsburg	Kiel	S
67	Landshut (Bay)	Regensburg	BY	55	Reutlingen	Reutlingen	BW
432	Lauterbach (Hessen)	Fulda	H	312	Rheine (Westf)	Münster	NW
216	Leer (Ostfriesl)	Emden	N	328	Rheinhausen	Duisburg	NW
277	Lemgo	Bielefeld	NW	368	Rheydt	M. Gladbach	NW
453	Limburg (Lahn)	Wiesbaden	H	697	Rosenheim	München	BY
688	Lindau (Bodensee)	Augsburg	BY	591	Rottweil	Reutlingen	BW
262	Lingen (Ems)	Osnabrück	N	457	Rüdesheim (Rhein)	Wiesbaden	H
356	Lippstadt	Lippstadt	NW	578	Säckingen	Freiburg	BW
577	Lörrach	Freiburg	BW	234	Schleswig	Flensburg	S
548	Ludwigsburg	Stuttgart	BW	647	Schwabach	Nürnberg	BY
51	Ludwigshafen (Rhein)	Ludwigshafen	R	562	Schwäbisch Gmünd	Stuttgart	BW
24	Lübeck	Lübeck	S	545	Schwäbisch Hall	Heilbronn	BW
417	Lüdenscheid	Hagen	NW	616	Schweinfurt	Würzburg	BY
227	Lüneburg	Lüneburg	N	384	Schweelm	Wuppertal-Elberfeld	NW
48	Mainz	Mainz	R	593	Schwenningen(Neckar)	Freiburg	BW
52	Mannheim	Mannheim	BW	295	Seesen	Braunschweig	N
425	Marburg (Lahn)	Gießen	H	443	Siegburg	Bonn	NW
638	Marktredwitz	Hof	BY	445	Siegen	Siegen	NW
449	Mayen	Koblenz	R	584	Singen (Hohentwiel)	Konstanz	BW
683	Memmingen	Augsburg	BY	355	Soest	Hamm	NW
412	Menden (Sauerland)	Dortmund	NW	373	Solingen	Remscheid	NW
371	Mettmann	Wuppertal-Elberfeld	NW	372	Solingen-Ohligs	Remscheid	NW
365	M. Gladbach	M. Gladbach	NW	515	Speyer	Ludwigshafen	R
617	Miltenberg	Würzburg	BY	273	Stadthagen	Hannover	N
268	Minden (Westf)	Minden	NW	396	Stolberg (Rheinl)	Aachen	NW
325	Moers	Duisburg	NW	672	Straubing	Regensburg	BY
526	Mosbach (Baden)	Heilbronn	BW	5	Stuttgart	Stuttgart	BW
335	Mülheim (Ruhr)	Mülheim (Ruhr)	NW	465	Traben-Trarbach	Trier	R
6	München	München	BY	46	Trier	Trier	R
31	Münster (Westf)	Münster	NW	557	Tübingen	Reutlingen	BW
413	Neheim-Hüsten	Lippstadt	NW	594	Tuttlingen	Konstanz	BW
238	Neumünster	Kiel	S	229	Uelzen	Lüneburg	N
366	Neuß	Köln	NW	56	Ulm (Donau)	Ulm	BW
239	Neustadt (Holst)	Lübeck	S	354	Unna	Hamm	NW
514	Neustadt (Weinstraße)	Ludwigshafen	R	338	Velbert (Rheinl)	Wuppertal-Elberfeld	NW
448	Neuwied	Koblenz	R	362	Viersen	M. Gladbach	NW
271	Nienburg (Weser)	Hannover	N	582	Villingen (Schwarzw)	Freiburg	BW
661	Nördlingen	Augsburg	BY	342	Wanne-Eickel	Bochum	NW
211	Norden	Emden	N	359	Warburg (Westf)	Lippstadt	NW
263	Nordhorn	Osnabrück	N	653	Weiden (Oberpf)	Regensburg	BY
286	Northeim (Han)	Göttingen	N	521	Weinheim (Bergstr)	Mannheim	BW
64	Nürnberg	Nürnberg	BY	528	Wertheim	Heilbronn	BW
333	Oberhausen (Rheinl)	Oberhausen	NW	324	Wesel	Duisburg	NW
332	Oberhausen (Rheinl)-Sterkrade	Oberhausen	NW	383	Wetter (Ruhr)	Hagen	NW
455	Oberlahnstein	Koblenz	R	454	Wetzlar	Gießen	H
491	Offenbach (Main)	Frankfurt	H	45	Wiesbaden	Wiesbaden	H
539	Offenburg (Baden)	Karlsruhe	BW	458	Wiesbaden-Biebrich	Wiesbaden	H
217	Oldenburg (Oldb)	Oldenburg	N	213	Wilhelmshaven	Oldenburg	N
419	Olpe	Siegen	NW	382	Witten	Dortmund	NW
376	Opladen	Remscheid	NW	489	Worms	Mainz	R
265	Osnabrück	Osnabrück	N	61	Würzburg	Würzburg	BY
298	Osterode (Harz)	Göttingen	N	38	Wuppertal-Barmen	Wuppertal-Elberfeld	NW
357	Paderborn	Lippstadt	NW	37	Wuppertal-Elberfeld	Wuppertal-Elberfeld	NW
677	Passau	Regensburg	BY	517	Zweibrücken	Kaiserslautern	R
275	Peine	Hildesheim	N				

*) Bank places are places with Bundesbank branches.

Law concerning the Deutsche Bundesbank*)

of 26 July 1957

The Bundestag has adopted the following Law:

SECTION ONE

Establishment, Legal Form and Functions

Article 1

Establishment of the Deutsche Bundesbank

The Land Central Banks and the Berlin Central Bank shall be merged with the Bank deutscher Länder. The Bank deutscher Länder shall become the Deutsche Bundesbank.

Article 2

Legal Form, Original Capital and Seat

The Deutsche Bundesbank shall be an autonomous Federal institution and a legal person under public law. Its original capital of two hundred and ninety million Deutsche Marks shall be the property of the Federation. The Bank shall have its seat at the seat of the Federal Government; so long as this is not in Berlin, the seat of the Bank shall be in Frankfurt am Main.

Article 3

Functions

The Deutsche Bundesbank, making use of the powers in the field of monetary policy conferred upon it under this Law, shall regulate the note and coin circulation and the supply of credit to the economy with the aim of safeguarding the currency and shall ensure the due execution by banks of payments within the country as well as to and from foreign countries.

Article 4

Participations

The Deutsche Bundesbank shall be authorised to participate in the Bank for International Settlements and, subject to the approval of the Federal Government, in other institutions serving the purposes of a supra-national currency policy or facilitating international payments and credit transactions or otherwise useful to the Bundesbank in discharging its functions.

SECTION TWO

Organisation

Article 5

Organs of the Deutsche Bundesbank

The organs of the Deutsche Bundesbank shall be the Central Bank Council ("Zentralbankrat") (Article 6), the Directorate ("Direktorium") (Article 7), and the Boards of Management ("Vorstände") of the Land Central Banks (Article 8).

Article 6

The Central Bank Council

(1) The Central Bank Council shall determine the monetary and credit policies of the Bank. It shall lay down general directives

for the conduct of business and administration and shall delimit the responsibilities of the Directorate and of the Boards of Management of the Land Central Banks in accordance with the provisions of this Law. The Council may also, in individual cases, issue instructions to the Directorate and to the Boards of Management of the Land Central Banks.

(2) The Central Bank Council shall consist of the President and the Vice-President of the Deutsche Bundesbank, the other members of the Directorate, and the Presidents of the Land Central Banks.

(3) The Central Bank Council shall meet under the chairmanship of the President or the Vice-President of the Deutsche Bundesbank. It shall take its decisions by a simple majority of the votes cast. The By-laws shall lay down any other conditions governing the taking of decisions. The By-laws may provide that members of the Central Bank Council who are prevented from attending meetings for a prolonged period shall be represented by deputies.

Article 7

The Directorate

(1) The Directorate shall be responsible for the implementation of the decisions taken by the Central Bank Council. It shall manage and administer the Bank, except in matters coming within the competence of the Boards of Management of the Land Central Banks. More particularly, the following business shall be reserved to the Directorate:

1. Transactions with the Federation and its Special Funds;
2. Transactions with credit institutions which have central functions for the whole of the Federal territory;
3. Foreign exchange transactions and transactions with foreign countries;
4. Open market transactions.

(2) The Directorate shall consist of the President and the Vice-President of the Deutsche Bundesbank and of not more than eight further members. The members of the Directorate must possess special professional qualifications.

(3) The President and the Vice-President as well as the other members of the Directorate shall be appointed by the President of the Federal Republic on the proposal of the Federal Government. The Federal Government shall consult the Central Bank Council before making its proposals. The members shall be appointed for eight years, or in exceptional cases for a shorter period, but not less than two years. All appointments and retirements shall be published in the Federal Advertiser ("Bundesanzeiger").

(4) The members of the Directorate shall hold office under public law. Their status in relation to the Bank, in particular regarding salaries, pensions, and surviving dependents' allowances, shall be regulated by contracts concluded with the Central Bank Council. Such contracts shall be subject to the approval of the Federal Government.

(5) The Directorate shall meet under the chairmanship of the President or the Vice-President of the Deutsche Bundesbank. It

*) Translation of the German text as contained in the Federal Law Gazette, Part I 1957 No. 33, of 30 July 1957, page 745 et seq.

shall take its decisions by a simple majority of the votes cast. In the event of a tie, the chairman shall have the casting vote. The By-laws shall lay down any other conditions governing the taking of decisions. The By-laws may provide that specific decisions require a unanimous vote or some other majority of votes.

Article 8

Land Central Banks

(1) The Deutsche Bundesbank shall maintain a Main Office in each Land. The Main Offices shall be designated as the "Landeszentralbank in Baden-Württemberg, in Bayern, in Berlin, in Bremen, in der Freien und Hansestadt Hamburg, in Hessen, in Niedersachsen, in Nordrhein-Westfalen, in Rheinland-Pfalz, in Schleswig-Holstein", respectively.

(2) The Board of Management of each Land Central Bank shall conduct all transactions and administrative business within the area for which the Main Office concerned is competent. More particularly, the following business shall be reserved to the Land Central Banks:

1. Transactions with the Land and with public administrations in the Land;
2. Transactions with credit institutions within their area of competence, except such transactions as are reserved to the Directorate under Article 7 paragraph (1) item 2.

(3) The Board of Management of each Land Central Bank shall consist of the President and the Vice-President. The By-laws may permit the appointment of one or two additional members of the Board of Management and may lay down regulations governing the taking of decisions by Boards of Management. The members of the Boards of Management must possess special professional qualifications.

(4) The Presidents of the Land Central Banks shall be appointed by the President of the Federal Republic on the proposal of the Bundesrat. The Bundesrat shall make its proposals on the basis of a recommendation of the authority competent under Land legislation, and after consulting the Central Bank Council. The Vice-Presidents and the other members of the Boards of Management shall be appointed by the President of the Deutsche Bundesbank on the proposal of the Central Bank Council. The members of the Boards of Management shall be appointed for eight years, or in exceptional cases for a shorter period, but not less than two years. All appointments and retirements shall be published in the Federal Advertiser.

(5) The members of the Board of Management shall hold office under public law. Their status in relation to the Bank, in particular regarding salaries, pensions and surviving dependents' allowances, shall be regulated by contracts concluded with the Central Bank Council. Such contracts shall be subject to the approval of the Federal Government.

Article 9

Advisory Boards at the Land Central Banks

(1) At each Land Central Bank there shall be an Advisory Board which shall consult with the President of the Land Central Bank on questions of monetary and credit policies, and with the Board of Management of the Land Central Bank on the execution of the tasks incumbent on the latter within its area.

(2) The Advisory Board shall consist of not more than ten members who should be specially conversant with credit matters.

Not more than half of the members should be chosen from the various branches of the credit business, and the other members from industry, commerce and agriculture and from among wage-earners and salaried employees.

(3) The members of the Advisory Board shall be appointed for a period of three years by the President of the Deutsche Bundesbank on the proposal of the respective Land Government and after consulting the Board of Management of the Land Central Bank concerned.

(4) The President of the Land Central Bank or his deputy shall act as chairman at meetings of the Advisory Board. The appropriate Land Ministers shall be afforded the opportunity of attending meetings of the Advisory Board. They may require a meeting of the Advisory Board to be convened. In all other respects the proceedings of the Advisory Board shall be regulated by the By-laws.

Article 10

Branch Establishments

The Deutsche Bundesbank shall be authorised to maintain branch establishments (Main Branches and Branches). Each Main Branch shall be directed by two managers who shall be responsible to the appropriate Land Central Bank. Each Branch shall be directed by one manager who shall be responsible to the appropriate Main Branch.

Article 11

Representation

(1) The Deutsche Bundesbank shall be represented in and out of court by the Directorate; in the area of competence of a Land Central Bank, it shall also be represented by the latter's Board of Management, and within the area of a Main Branch, also by the managers thereof. Article 31 paragraph (2) and Article 41 paragraph (4) shall not be affected hereby.

(2) Declarations of intent shall commit the Deutsche Bundesbank if made by two members of the Directorate or of the Board of Management of a Land Central Bank or by two managers of a Main Branch. Such declarations may also be made by authorised representatives appointed by the Directorate or, in the area of competence of a Land Central Bank, by the latter's Board of Management. A declaration of intent to be made to the Bank shall be legally effective if made to any one person authorised to represent the Bank.

(3) Authority to represent the Bank may be proved by a certification signed by a notarial official of the Deutsche Bundesbank.

(4) Actions against the Deutsche Bundesbank, which relate to the business of a Land Central Bank or of a Main Branch, may also be brought at the Court having jurisdiction in respect of the seat of the Land Central Bank or the Main Branch concerned.

SECTION THREE

Federal Government and Bundesbank

Article 12

The Bank's Relationship to the Federal Government

The Deutsche Bundesbank shall be bound, in so far as is consistent with its functions, to support the general economic policy of the Federal Government. In the exercise of the powers conferred

on it under this Law it shall be independent of instructions of the Federal Government.

Article 13

Co-operation

(1) The Deutsche Bundesbank shall advise the Federal Government on matters of primary importance in the field of monetary policy and shall upon request furnish information to the Federal Government.

(2) The members of the Federal Government shall be entitled to take part in the deliberations of the Central Bank Council. They shall have no vote, but may bring motions. At their request the taking of a decision shall be deferred, but for not more than two weeks.

(3) The Federal Government will invite the President of the Deutsche Bundesbank to participate in its deliberations on matters of importance in the field of monetary policy.

SECTION FOUR

Powers in the Field of Monetary Policy

Article 14

Note Issue

(1) The Deutsche Bundesbank shall have the exclusive right to issue bank notes in the area to which this Law applies. Its notes shall be expressed in Deutsche Marks. They shall be the sole unrestricted legal tender. Notes for amounts of less than ten Deutsche Marks may only be issued in agreement with the Federal Government. The Deutsche Bundesbank shall give public notice of the denominations and distinguishing characteristics of the notes which it issues.

(2) The Deutsche Bundesbank may call in notes for withdrawal. Notes called in shall cease to be legal tender upon expiry of the period for exchange fixed in the notice of call.

(3) The Deutsche Bundesbank shall not be under any obligation to replace notes destroyed, lost, forged or falsified, or having ceased to be legal tender. The Bank shall replace mutilated notes if the holder either presents fragments of a note which taken together are larger than half the note or submits proof that the remainder of the note of which he presents only one half or a smaller portion has been destroyed.

Article 15

Discount, Credit, and Open Market Policies

For the purpose of influencing the circulation of money and the supply of credit, the Deutsche Bundesbank shall from time to time fix the interest and discount rates to be applied to its transactions and shall determine the principles governing its credit and open market operations.

Article 16

Minimum Reserve Policy

(1) For the purpose of influencing the circulation of money and the supply of credit, the Deutsche Bundesbank may require the credit institutions to maintain with it, on giro account, balances (minimum reserve) equal to a specified percentage of their liabilities

arising from sight, time and savings deposits and from short and medium-term borrowings, with the exception of liabilities to other credit institutions required to maintain minimum reserves. The rates fixed by the Bank shall not exceed thirty per cent for sight liabilities, twenty per cent for time liabilities, and ten per cent for savings deposits. Within these limits the Bank may fix the rates at various levels in accordance with general principles, in particular for individual groups of institutions, and may exclude certain liabilities from the computation.

(2) The average monthly balance of a credit institution with the Deutsche Bundesbank (actual reserve) must not be less than the percentages, fixed in accordance with paragraph (1), of the monthly average of that institution's liabilities subject to the reserve requirement (required reserve). The Bank shall issue detailed regulations concerning the computation and establishment of the actual reserve and of the required reserve.

(3) On the amount by which the actual reserve falls short of the required reserve the Deutsche Bundesbank may charge a special interest rate of up to three per cent above the current rate for advances against securities. The special interest rate will not be charged where the short-falling was due to unforeseeable circumstances and thus unavoidable, or where the credit institution concerned has gone into liquidation. The Deutsche Bundesbank shall report any substantial or repeated short-falling to the Bank Supervisory Authority.

(4) Agricultural credit co-operatives which are members of a regional central institution and maintain no giro account with the Deutsche Bundesbank may keep their minimum reserves with their central institution; the latter shall maintain balances in an equal amount at the Deutsche Bundesbank.

(5) The minimum reserves to be maintained under this Law shall be counted towards the liquidity reserves to be maintained under other laws.

Article 17

Directive governing Deposits

The Federation, the Equalisation of Burdens Fund, the E.R.P. Special Fund and the Länder shall deposit their liquid funds, including cash resources earmarked for special purposes in the budget, with the Deutsche Bundesbank on giro account. Deposit or investment in any other manner shall require the approval of the Bundesbank which shall, however, give due consideration to the interest which the Länder have in maintaining their State and Land Banks.

Article 18

Statistics

For the purpose of discharging its functions, the Deutsche Bundesbank shall be authorised to instruct all credit institutions to prepare statistics on banking and monetary matters for collection by the Bundesbank. Articles 7, 10 and 12 paragraph (1) of the Law on Statistics for Federal Purposes shall be applicable as appropriate. The Deutsche Bundesbank may publish the results of the statistics for general purposes. Such publications must not contain any individual data. Persons entitled under Article 13 paragraph (1) to receive information may be given individual data only if and in so far as this is provided for in the instructions regarding statistics.

SECTION FIVE

Sphere of Operations

Article 19

Transactions with Credit Institutions

(1) The Deutsche Bundesbank may engage in the following transactions with credit institutions in the area to which this Law applies:

1. Purchase and sell bills of exchange and cheques backed by three parties known to be solvent; the third signature may be dispensed with if the security of the bill or cheque is guaranteed in some other way; the bills must be payable within three months from the date of purchase; they should be good commercial bills;
2. Purchase and sell Treasury bills issued by the Federation, by one of the Federal Special Funds specified in Article 20 paragraph (1) item 1 or by a Land, and payable within three months from the date of purchase;
3. Grant interest-bearing loans against collateral (advances on securities) for a period not exceeding three months; such loans may be granted against:
 - (a) bills of exchange meeting the requirements stated in item 1, up to a maximum of nine-tenths of their nominal value,
 - (b) Treasury bills meeting the requirements stated in item 2, up to a maximum of nine-tenths of their nominal value,
 - (c) non-interest-bearing Treasury bonds maturing within one year from the date of the loans, up to a maximum of three-quarters of their nominal value,
 - (d) fixed-interest-bearing bonds and claims on the Debt Register (Schuldbuchforderungen) issued or payable by the Federation, by any of the Federal Special Funds or by a Land, up to a maximum of three-quarters of their quoted value.
 - (e) other fixed-interest-bearing bonds and claims on the Debt Register specified by the Bank, up to a maximum of three-quarters of their quoted value.
 - (f) equalisation claims (Ausgleichsforderungen) entered in the Debt Register in accordance with Article 1 of the Law on the Redemption of Equalisation Claims, up to a maximum of three-quarters of their nominal value.

If there is no stock exchange quotation for any one of the securities referred to under (d) and (e), the Bank shall value that security according to the possibilities of realisation. In the event of default of a debtor under an advance on securities, the Bank shall be authorised to put the pledge up to auction through one of its own officials or through an official authorised to hold auctions, or, if the object pledged has a stock exchange or market price, to sell it at the current price through one of these officials or through a broker and to reimburse itself out of the proceeds for costs, interest and principal; the Bank shall retain this right even against other creditors and against the estate of a debtor in bankruptcy;

4. Accept non-interest-bearing giro deposits;

5. Accept objects of value, in particular securities, for safe custody and administration; the Bank may not exercise any voting rights attaching to the securities held in safe custody or administered by it;
6. Receive cheques, bills of exchange, payment orders, securities and interest coupons for collection, and after collection effect payment of the proceeds, unless the Bank should rule otherwise regarding the crediting of the proceeds in the case of cheques and payment orders;
7. Transact other banking operations in accordance with instructions received, subject to cover being provided;
8. Purchase and sell media of payment expressed in foreign currency, including bills of exchange and cheques, claims and securities, as well as gold, silver and platinum;
9. Transact any banking business with foreign countries.

(2) As regards the transactions specified in paragraph (1) items 1 to 3, the Bundesbank shall apply its discount rates and its rates for advances on securities.

Article 20

Transactions with Public Administrations

(1) The Deutsche Bundesbank may engage in the following transactions with public administrations:

1. Grant short-term credits in the form of book and Treasury bill credits (cash advances) to the Federation, to the Federal Special Funds as listed below, and to the Länder. The maximum limit of the cash advances including such Treasury bills as the Deutsche Bundesbank has purchased for its own account or to the purchase of which it has committed itself shall amount:
 - (a) in the case of the Federation, to three thousand million Deutsche Marks,
 - (b) in the case of the Federal Railways, to four hundred million Deutsche Marks,
 - (c) in the case of the Federal Postal Administration, to two hundred million Deutsche Marks,
 - (d) in the case of the Equalisation of Burdens Fund, to two hundred million Deutsche Marks,
 - (e) in the case of the E.R.P. Special Fund, to fifty million Deutsche Marks,
 - (f) in the case of the Länder, to twenty Deutsche Marks per inhabitant according to the latest official census; for Land Berlin and for the Free and Hanseatic Cities of Bremen and Hamburg, an amount of forty Deutsche Marks per inhabitant shall be used as the basis of computation;
2. Grant credits to the Federation for the meeting of its commitments as a member of the following institutions:
 - (a) the International Monetary Fund, up to one thousand five hundred million Deutsche Marks,
 - (b) the European Fund, up to one hundred and eighty million Deutsche Marks,
 - (c) the International Bank for Reconstruction and Development, up to thirty-five million Deutsche Marks;

3. Effect the transactions described in Article 19 paragraph (1) items 4 to 9 with the Federation, the Federal Special Funds, the Länder and other public administrations; for these transactions the Bank may not charge the public administrations listed in item 1 above any expenses or fees.

(2) The public administrations listed in paragraph (1) item 1 should issue loans, Treasury bonds and Treasury bills preferably through the Deutsche Bundesbank; failing this, such issues shall be effected in consultation with the Deutsche Bundesbank.

Article 21

Open Market Operations

The Deutsche Bundesbank may, for the purpose of regulating the money market, purchase and sell on the open market at market prices:

1. Bills of exchange meeting the requirements of Article 19 paragraph (1) item 1;
2. Treasury bills and Treasury bonds issued by the Federation, by one of the Federal Special Funds as listed in Article 20 paragraph (1) item 1, or by a Land;
3. Bonds and claims on the Debt Register (Schuldbuchforderungen), provided that the debtors are the institutions listed under item 2;
4. Other bonds admitted to official stock exchange dealings.

Article 22

Dealings with the Public

The Deutsche Bundesbank may effect the transactions specified in Article 19 paragraph (1) items 4 to 9 with both physical and legal persons within the country and abroad.

Article 23

Certification of Cheques

(1) The Deutsche Bundesbank may certify cheques drawn on it only after cover has been provided. By the certification the Bank assumes an obligation to the holder to pay the cheque; it also becomes liable to the drawer and the endorsers for payment.

(2) Payment of a certified cheque may not be refused even if in the meantime bankruptcy proceedings have been instituted against the drawer.

(3) The liability arising out of the certification shall lapse if the cheque is not presented for payment within eight days after issue. As regards proof of presentation Article 40 of the Cheque Law shall apply.

(4) The claim arising out of the certification shall lapse two years after expiry of the period for presentation.

(5) The regulations regarding jurisdiction and procedure in the matter of bills of exchange shall apply mutatis mutandis to the legal enforcement of claims arising out of certification.

Article 24

Lending against and Purchase of Equalisation Claims

(1) Notwithstanding the limitations set out in Article 19 paragraph (1) item 3, the Deutsche Bundesbank may grant loans to credit institutions, insurance companies and building and loan associations against the pledging of equalisation claims within the meaning of Article 1 of the Law on the Redemption of Equalisa-

tion Claims, in so far and so long as is necessary for maintaining the solvency of the pledger.

(2) The Deutsche Bundesbank may purchase equalisation claims of the type specified in paragraph (1), subject to the provisions of Article 9 paragraph (1) of the Law on the Redemption of Equalisation Claims, in so far and so long as the resources of the Purchase Fund are not sufficient for this purpose.

Article 25

Other Transactions

The Deutsche Bundesbank should effect transactions other than those authorised in Articles 19 to 24 only for the purpose of carrying out and winding up authorised transactions, or for internal operational purposes, or for its staff.

SECTION SIX

Annual Statement, Distribution of Profits and Return

Article 26

Annual Statement

(1) The business year of the Deutsche Bundesbank shall be the calendar year.

(2) The accounting system of the Deutsche Bundesbank shall conform to the principles of regular book-keeping. The provisions of Company Law shall be applicable mutatis mutandis to the valuations in the annual balance sheet.

(3) The Directorate shall prepare the annual statement as early as possible. This statement shall be audited by one or more certified auditors appointed by the Central Bank Council in agreement with the Federal Audit Office. The Central Bank Council shall approve the annual statement, which shall then be published by the Directorate.

(4) The auditor's report shall serve as a basis for the audit to be carried out by the Federal Audit Office. The auditor's report as well as the findings of the Federal Audit Office thereon shall be communicated to the Federal Minister of Economics and the Federal Minister of Finance.

Article 27

Distribution of Profits

The net profit shall be applied in the following order:

1. Twenty per cent of the profit or twenty million Deutsche Marks, whichever is the higher, shall be transferred to a legal reserve until the latter amounts to five per cent of the note circulation; the legal reserve may only be used to offset depreciation and to cover other losses; the fact that other reserves may be available for such purposes shall not preclude the use of the legal reserve;
2. Up to ten per cent of the then remaining part of the net profit may be used to constitute other reserves; the total of these reserves must not exceed the amount of the original capital;
3. Forty million Deutsche Marks, or thirty million Deutsche Marks from the business year 1980 onwards, shall be transferred to the fund constituted under the Law on the Redemption of Equalisation Claims for the purpose of purchasing equalisation claims until that fund is wound up;
4. The remaining balance shall be transferred to the Federation.

Article 28

Return

The Deutsche Bundesbank shall publish a return showing the financial position on the 7th, 15th, 23rd and last day of each month and containing the following particulars:

I. Assets

Gold

Balances at foreign banks and money-market investments abroad

Foreign notes and coin, foreign bills and foreign cheques

Domestic bills of exchange

Advances against securities

Cash advances to

(a) the Federation and the Federal Special Funds

(b) the Länder

Treasury bills and non-interest-bearing Treasury bonds

(a) of the Federation and of the Federal Special Funds

(b) of the Länder

Securities

Divisional coin

Postal cheque account balances

Equalisation claims

Other assets

II. Liabilities

Bank notes in circulation

Deposits of

1. Credit institutions

2. Public depositors

(a) Federation and Federal Special Funds

(b) Länder

(c) other public depositors

3. Other domestic depositors

4. Foreign depositors

Liabilities in respect of foreign business

Reserves for specific purposes

Original capital

Reserves

Other liabilities

SECTION SEVEN

General Provisions

Article 29

Special Status of the Deutsche Bundesbank

(1) The Central Bank Council and the Directorate of the Deutsche Bundesbank shall have the status of Federal highest authorities. The Land Central Banks and Main Branches shall have the status of Federal authorities.

(2) The Deutsche Bundesbank and its employees shall enjoy the privileges accorded to the Federation and its employees in building, housing and rent matters.

(3) The provisions of the Commercial Code regarding entries in the Trade Register as well as the provisions relating to membership in the Chambers of Industry and Commerce shall not apply to the Deutsche Bundesbank.

Article 30

Notarial Officials

The President of the Deutsche Bundesbank may appoint notarial officials for the purposes of Article 11 paragraph (3). They must be qualified to hold the office of judge.

Article 31

Status of the Officials, Salaried Employees and Wage-Earners of the Deutsche Bundesbank

(1) The Deutsche Bundesbank shall employ officials, salaried employees and wage-earners.

(2) The President of the Deutsche Bundesbank shall appoint the officials of the Bank, those of the administrative class, however, on the proposal of the Central Bank Council. He may delegate this authority, as regards officials of the executive, clerical and sub-clerical classes, to the Presidents of the Land Central Banks. The President of the Deutsche Bundesbank shall be the supreme service authority and in that capacity shall represent the Bank both in and out of court. He shall impose any disciplinary penalties, except where disciplinary courts are competent, and shall be the authority instituting formal disciplinary proceedings (Article 29 of the Federal Disciplinary Code).

(3) The officials of the Deutsche Bundesbank shall be mediate Federal civil servants. Unless otherwise provided in this Law, the regulations generally applicable to Federal civil servants shall apply to the said officials. The entry into force of this Law shall, in respect of such officials, be substituted for the entry into force of the Federal Civil Service Law.

(4) Subject to the approval of the Federal Government the Central Bank Council shall be authorised to regulate the status of the officials and salaried employees of the Deutsche Bundesbank in Staff Regulations to the extent that is necessary for the orderly and efficient conduct of the Bank's business. The Staff Regulations may only provide that:

1. the following provisions of Federal civil service law be modified in respect of officials of the Bank:

(a) Articles 21, 2nd sentence; 24, 3rd sentence; 26, paragraph (1); 30, paragraph (2); 66, paragraph (1) items 2 and 5; 116, paragraph (1) item 3, of the Federal Civil Service Law;

(b) Article 15 of the Salary Law of 16 December 1927 (Reich Law Gazette I, page 349) in the text valid for the Federal Republic, to the extent that the Bundesbank grants revocable, non-pensionable allowances not exceeding thirty per cent of the basic salary, refunds expenditure incurred for official purposes, and pays bonuses for special services;

(c) the provisions relating to the granting of subsistence allowances for civil servants in preparatory service;

2. the officials and salaried employees of the Bank shall be required to notify the Bank of any business or professional activities carried on by their spouses;

3. the salaried employees of the Bank

(a) shall, in the same manner as the officials of the Bank, require prior approval before they can engage in one of the subsidiary activities specified in Article 66 paragraph (1) items 2 and 5 of the Federal Civil Service Law,

(b) shall receive the emoluments specified in item 1 (b) above.

(5) The bonuses for special services and the refunds of expenditure incurred for official purposes, referred to in paragraph (4) item 1 (b), shall not exceed in the aggregate one twentieth of total expenditure on salaries of officials and salaried employees of the Deutsche Bundesbank.

(6) The Central Bank Council shall, with the approval of the Federal Government, issue regulations relating to qualifying training and careers of the officials of the Deutsche Bundesbank. In so doing it may deviate from the provisions of Federal civil service law regarding the length of the preparatory service and probationary periods and regarding the length of the trial period for promotion within the executive class and for admission to the administrative class.

Article 32

Duty of Secrecy

All persons in the service of the Deutsche Bundesbank shall be pledged to secrecy regarding the affairs, organisation and transactions of the Bank. Even after they have left the service of the Bank they may not, without permission, make depositions or statements in or out of court regarding such of the matters mentioned above as have come to their knowledge during their service with the Bank. Such permission shall, so far as the interests of the Bank are involved, be given to members of the Central Bank Council by that Council and to other employees of the Bank by the President; for purposes of taking evidence in a court of law such permission shall only be withheld when the good of the Federation or the general interest so requires.

Article 33

Public Announcements

The Deutsche Bundesbank shall publish in the Federal Advertiser its announcements intended for the public, in particular those relating to the calling in of notes, the fixing of interest, discount and minimum reserve rates, as well as instructions regarding statistics.

Article 34

By-laws

The By-laws of the Deutsche Bundesbank shall be adopted by the Central Bank Council. They shall require the approval of the Federal Government and shall be published in the Federal Advertiser. This shall also apply to amendments of the By-laws.

SECTION EIGHT

**Penal and Other Provisions
concerning the Seizure of False Money**

Article 35

Unauthorised Uttering and Use of Monetary Tokens

(1) Imprisonment or a fine of unlimited amount, or both, shall be imposed as a penalty on:

1. any person who without authority utters monetary tokens (stamps, coins, notes or other documents that are capable of being used as means of payment instead of the legally authorised coins or bank notes) or non-interest-bearing bearer bonds, even if the value of such tokens or bonds is not expressed in Deutsche Marks;

2. any person who tenders in payment objects of the kind mentioned in item 1 which have been uttered without authority.

(2) The attempt shall be punishable.

(3) If the act described in paragraph (1) item 2 is committed through negligence, a fine shall be imposed.

Article 36

**Seizure of False Money and of Monetary Tokens
or Bonds Issued without Authority**

(1) The Deutsche Bundesbank and all credit institutions shall seize any counterfeit or falsified bank notes or coins (false money), any bank notes or coins suspected of being false money, as well as any objects of the kind mentioned in Article 35 and issued without authority. A receipt shall be given to the party concerned.

(2) False money and objects of the kind mentioned in Article 35 shall, together with a report, be sent to the police. Credit institutions shall notify any such action to the Deutsche Bundesbank.

(3) Bank notes or coins suspected of being false money shall be submitted to the Deutsche Bundesbank for examination. If the Bundesbank establishes that the bank notes or coins are false, it shall send the false money, together with a report, to the police and shall notify the credit institution that seized it.

Article 37

Confiscation

(1) Objects of the kind mentioned in Article 35 and issued without authority may be confiscated. If it is impossible to prosecute or convict any definite person, confiscation may be ordered independently, provided that all the other relevant conditions exist.

(2) Objects confiscated in accordance with paragraph (1), and false money confiscated by virtue of Article 152 of the Penal Code, shall be held by the Deutsche Bundesbank. They may be destroyed after a period of ten years from the date when the judgment ordering confiscation becomes final if the perpetrator has been discovered, or after a period of twenty years from such date if the perpetrator has not been discovered.

SECTION NINE

Transitional and Final Provisions

Article 38

Reorganisation of the Central Banking System

(1) The assets of the Land Central Banks and the Berlin Central Bank, together with their liabilities, shall be transferred in their entirety to the Bank deutscher Länder upon the entry into force of this Law. No charge shall be made for the amendment of the Land Register. The Land Central Banks and the Berlin Central Bank shall cease to exist without going into liquidation.

(2) With effect from 1 January 1957 the liabilities of the Länder in respect of equalisation claims held by the Land Central Banks in accordance with the provisions concerning the Monetary Reform shall be transferred to the Federation, and the liability of Land Berlin in respect of the bonds held by the Federation in accordance with Article 23 paragraph (2), 2nd sentence, of the First Law concerning the Transfer of Budgetary Liabilities and Covering Funds to the Federation in the text of 21 August 1951 (Federal Law Gazette I, page 779) shall lapse: in the event of the conversion account of a Land Central Bank being adjusted after the entry into force of this Law, the Federation shall take over all the obligations and rights resulting therefrom. The Bank shall pay fifteen million Deutsche Marks to Land North Rhine-Westphalia and five million Deutsche Marks to Land Berlin, together with six per cent interest thereon as from 1 January 1957, out of the balance of profit due to the Federation in accordance with Article 27 item 4. All claims of the Länder arising from the extinction of their participations in the Land Central Banks and the Berlin Central Bank shall thereupon be regarded as settled.

(3) The Bank shall refund to the Länder the interest paid by them on equalisation claims of the Land Central Banks for the period after 1 January 1957, out of such balance of profit due to the Federation in accordance with Article 27 item 4 as is left after the payments provided for in paragraph (2) have been effected.

(4) The consequences ensuing from Article 2, second sentence, in conjunction with Article 27 shall have effect as from 1 January 1957. The opening balance sheet of the Deutsche Bundesbank shall be drawn up as of that date, with due regard to the provisions of Article 26.

(5) The notes of the Bank deutscher Länder that are valid at the entry into force of this Law shall remain valid as notes of the Deutsche Bundesbank until they are called in by the Directorate. Unissued notes held in stock may be issued as heretofore.

Article 39

Transitional Regulations for the Organs of the Bundesbank

(1) Pending the appointment of the first President of the Deutsche Bundesbank, his duties shall, in so far as they are determined by Articles 6, 8, 9 and 13, be performed by the President of the former Board of Directors of the Bank deutscher Länder, and in all other respects by the President of the former Board of Managers of the Bank deutscher Länder. The President of the Board of Directors of the Bank deutscher Länder and the President of the Board of Managers of the Bank deutscher Länder shall relinquish their offices upon the appointment of the President of the Deutsche Bundesbank without prejudice to their contractual claims.

(2) Pending the appointment of the first Vice-President of the Deutsche Bundesbank, his duties shall be performed by the Vice-President of the Board of Managers of the Bank deutscher Länder. The Vice-President of the Board of Managers of the Bank deutscher Länder shall relinquish his office upon the appointment of the Vice-President of the Deutsche Bundesbank without prejudice to his contractual claims.

(3) The other members of the former Board of Managers of the Bank deutscher Länder shall remain in office as members of the Directorate of the Deutsche Bundesbank until their contracts expire.

(4) The members of the Boards of Managers of the former Land Central Banks shall remain in office as members of the Boards of Management of the Main Offices of the Deutsche Bundesbank until their contracts expire.

Article 40

Change in the Terms of Service

(1) Upon the entry into force of this Law the officials, salaried employees and wage-earners of the Bank deutscher Länder, of the former Land Central Banks and of the Berlin Central Bank shall become officials, salaried employees and wage-earners of the Deutsche Bundesbank. Officials for life or on probation shall be given the status of civil servants for life or on probation in accordance with the Federal Civil Service Law; officials on revocable appointment shall be given the status of civil servants on revocable appointment in accordance with the Federal Civil Service Law, except where, on satisfying the requirement laid down in Article 5 paragraph (1) item 2 of the Federal Civil Service Law, they are appointed officials on probation; any difference between a higher previous salary and the salary due after the entry into force of this Law shall be compensated by a non-pensionable adjustment allowance payable until compensation has been achieved by salary increases; increases as a result of a change in personal status or of a change in the locality grading, as well as general increases in salaries as a result of a change in economic conditions, shall not be taken into account.

(2) In all other respects the provisions of Chapter II, Section III, of the Skeleton Law concerning the Civil Service shall apply. The pension, however, of a temporarily retired official of the Deutsche Bundesbank may not, for a period of five years, be less than fifty per cent of his pensionable salary, calculated on the basis of the final grade in his salary group. This shall not apply to the calculation of surviving dependents' allowances.

(3) Upon the entry into force of this Law officials retired on pension, widows, orphans and other recipients of maintenance from the Bank deutscher Länder, the former Land Central Banks and the Berlin Central Bank shall become recipients of maintenance from the Deutsche Bundesbank. Article 180 of the Federal Civil Service Law shall be applied as appropriate, provided that the entry into force of the present Law shall be substituted for the entry into force of the Federal Civil Service Law. Article 180 paragraph (4) of the Federal Civil Service Law shall apply to former officials of the Bank deutscher Länder, of the former Land Central Banks and of the Berlin Central Bank, and to their surviving dependents.

(4) Paragraph (3) shall apply *mutatis mutandis* to officials of the Deutsche Reichsbank who after 8 May 1945 were re-employed at an office of the Deutsche Reichsbank in the territory of the Federal Republic in accordance with their former status and have retired without having first been taken into the service of the Bank deutscher Länder, a former Land Central Bank or the Berlin Central Bank, as well as to their surviving dependents.

(5) Claims under the terms of the Federal Laws concerning Indemnification of Public Servants for National Socialist Wrong and concerning Indemnification of Public Servants Living Abroad for National Socialist Wrong, if asserted by persons:

1. who have suffered damage within the sphere of the Deutsche Reichsbank, or

2. who, being members or former members of the Bank deutscher Länder, of the former Land Central Banks or of the Berlin Central Bank, satisfy the conditions laid down in Article 22 paragraph (3) of the Law concerning Indemnification of Public Servants for National Socialist Wrong.

shall be claims against the Deutsche Bundesbank. This shall not apply in cases under item 1 above if another employer is liable for indemnification in accordance with Article 22 paragraph (3) of the aforementioned Law.

(6) As regards persons who have, or could have, received maintenance under the Law to regulate the Status of Persons coming within the Provisions of Article 131 of the Basic Law, Article 41 of the present Law shall be applicable.

(7) Until the entry into force of the provisions of Article 31 paragraphs (4) and (6), or until the expiry of three years after the entry into force of this Law, whichever period is shorter, the regulations issued by the Board of Directors of the Bank deutscher Länder regarding qualifying training and careers of officials, including the rules relating to examinations, as well as Article 1 paragraph (3), 1st sentence, Articles 3, 4, 5, 8, 9 and Article 10 paragraph (2) of the Staff Regulations of the Bank deutscher Länder dated 19 November 1954 (Federal Advertiser No. 231 of 1 December 1954), shall continue to apply; Article 1 paragraph (3), 1st sentence, however, shall apply with the proviso that the President of the Deutsche Bundesbank shall have power of decision only in the cases specified in Article 21, 2nd sentence, and in Article 24, 3rd sentence, of the Federal Civil Service Law.

Article 41

Status of Persons coming within the Provisions of Article 131 of the Basic Law

(1) The Deutsche Bundesbank shall be the "appropriate institution", within the meaning of Article 61 of the Law regulating the Status of Persons coming within the Provisions of Article 131 of the Basic Law in the text of 1 September 1953 (Federal Law Gazette I, page 1287), in relation to the Deutsche Reichsbank, the Nationalbank für Böhmen und Mähren and foreign banks of issue (Item 19 of Annex A to Article 2 paragraph (1) of the aforementioned Law). The Bank shall be exempt from the general obligation to provide employment laid down in Article 11 of the said Law.

(2) Article 62 of the Law referred to in paragraph (1) shall apply mutatis mutandis to officials, salaried employees and wage-earners of the Deutsche Reichsbank who were employed in offices of the Deutsche Reichsbank within the territory of the Federal Republic or of Land Berlin on 8 May 1945, and

1. who lost their office or employment for reasons not covered by civil service law or by legislation regarding collective agreements and have not yet been given employment again in accordance with their former status, or
2. who before the entry into force of the Law referred to in paragraph (1) have completed their sixty-fifth year of life or have become incapable of work and who, for reasons not covered by civil service law or by legislation regarding collective agreements, receive no pension, or no appropriate pension.

(3) The assessment basis for retired officials of the Deutsche Reichsbank who retired before 1 September 1953 (Article 5 paragraph (1) item 1, Article 6 paragraph (2), Article 35 paragraph (1) and Article 48 of the Law referred to in paragraph (1)) shall continue to be the same as laid down in the German Civil Service Law valid in the Federal Republic (pensionable salaries, pension rates), subject to the modifications resulting from Articles 7 and 8, Article 29 paragraphs (2) and (3) and Article 35 paragraph (3) of the Law referred to in paragraph (1), as well as from Article 110 and Article 156 paragraph (1) of the Federal Civil Service Law. The pension shall not exceed seventy-five per cent of the pensionable salary. The same shall apply mutatis mutandis to surviving dependents. Article 129 of the Federal Civil Service Law shall apply if the maintenance claim has arisen after 1 July 1937.

(4) The President of the Deutsche Bundesbank shall be the supreme service authority for persons to whom the provisions of paragraphs (1) and (2) are applicable. In this respect he shall represent the Bank both in and out of court. Where in cases under paragraph (1) the concurrence of the Federal Minister of Finance is specified in the Law therein referred to and in the civil service legislation to be applied in accordance therewith, he shall act in lieu of the Minister.

Article 42

Mobilisation of the Equalisation Claim for Open Market Operations

(1) The Federation, as the debtor in respect of the equalisation claim which the Deutsche Bundesbank holds in accordance with the provisions concerning the Monetary Reform, shall hand over to the Bank, upon the latter's request, Treasury bills or non-interest-bearing Treasury bonds in denominations and on terms of the Bank's choice ("mobilisation paper") up to a maximum of four thousand million Deutsche Marks. On the request of the Bank, the Federal Government may increase the maximum to the nominal amount of the total equalisation claim.

(2) Such mobilisation paper shall be payable at the Deutsche Bundesbank. The Bank shall be under an obligation to the Federation to meet all liabilities arising from such mobilisation paper. The Federation shall continue to pay the interest on the entire equalisation claim.

(3) The Federal Minister of Finance shall be empowered to issue such mobilisation paper up to the maximum amount permissible under paragraph (1). Mobilisation paper shall not be counted towards the credit ceiling referred to in Article 20 paragraph (1) item 1 (a)

Article 43

Repeal and Amendment of Legal Provisions

(1) The following legal provisions shall be repealed:

1. the Law on the Establishment of a Bank deutscher Länder, with the exception of paragraph 15 (c) thereof,
2. the Law concerning the Land Central Banks,
3. the Issue Law,
4. Article 11 paragraph (3) and Article 24 paragraph (4) of the Conversion Law.

(2) The following legal provisions shall be amended:

1. Article 11 paragraph (3) of Regulation No. 2 under the Conversion Law and Article 11 paragraph (4) of Regulation No. 23 under the Conversion Law shall read as follows:

“The sale of an equalisation claim before its entry in the Debt Register shall not be permissible.”

2. Article 3 paragraph (4) of Regulation No. 33 under the Conversion Law shall read as follows:

“(4) Article 11 paragraph (4) of the Conversion Law and Article 11 of Regulation No. 2 under the Conversion Law shall be applicable mutatis mutandis to equalisation claims; financial institutions, insurance companies and building and loan associations may, under the same conditions, purchase equalisation claims or accept them as security for loans.”

3. Article 35 paragraph (3) of the Supplementary Conversion Law of 21 September 1953 (Federal Law Gazette I, page 1439) shall read as follows:

“(3) Article 11 paragraph (4) of the Conversion Law and Article 11 paragraph (3) of Regulation No. 2 under the Conversion Law shall be applicable to equalisation claims.”

4. In Article 7 paragraph (1) item 5 of the Law on the Reconstruction Loan Corporation in the text of 22 January 1952 (Federal Law Gazette I, page 65) the words “by the Board of Directors of the Bank deutscher Länder” shall be replaced by the words “by the Federal Government”.

Article 44

Liquidation

The Deutsche Bundesbank can only be liquidated by law. The liquidation law shall make provision for the disposal of the assets.

Article 45

Berlin Clause

In accordance with the provisions of Article 13 paragraph (1) of the Third Law on the Transfer of Financial Powers of 4 January 1952 (Federal Law Gazette I, page 1), the present Law shall also apply to Land Berlin. In applying this Law the Deutsche Bundesbank shall take into consideration the economic situation of Berlin, if necessary by means of special regulations.

Article 46

Saar Clause

This Law shall not apply in the Saarland.

Article 47

Entry into Force

(1) This Law shall enter into force on the first day of the month following its promulgation; Article 40 paragraph (5) and Article 41 paragraphs (1) and (2) shall, however, be effective as from 1 April 1951.

(2) In Land Berlin, Article 41 paragraphs (1) and (2) shall enter into force with effect from 1 October 1951, and Articles 35 and 37 not until the day following the publication, in the Gazette of Laws and Ordinances for Berlin, of the Law extending the validity of this Law to Berlin.

The constitutional rights of the Bundesrat have been observed.

The above Law is herewith promulgated.

Bonn, 26 July 1957.

The President of the Federal Republic
Theodor Heuss

The Federal Chancellor
Adenauer

The Federal Minister of Economics
Ludwig Erhard

The Federal Minister of Finance
Schäffer

Annex

Statistics on Money and Credit and the Balance of Payments

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**I. Extracts from the Consolidated Condition Statement for the Credit Institutions
including the Deutsche Bundesbank**

*1) Bank Lendings to Non-Banks, Net Foreign Exchange Surpluses,
and Principal Bank Liabilities towards Non-Banks*), in millions of DM*

Items	Position at end of year						Increase (+) or decrease (-) in the year ¹⁾					
	1952	1953	1954	1955	1956	1957	1952	1953	1954	1955	1956	1957
I. Bank Lendings to Non-Banks, total	39,209	49,632	62,386	76,248	85,964	95,581	+ 8,346	+ 10,387	+ 12,556	+ 13,562	+ 10,101	+ 10,004
1) Credit institutions, except Deutsche Bundesbank ²⁾ , total	38,459	49,010	61,651	75,237	85,189	94,942	+ 8,763	+ 10,515	+ 12,443	+ 13,286	+ 10,337	+ 10,140
Short-term lendings, total to business and private customers	20,896	23,648	27,137	29,479	31,280	34,024	+ 3,631	+ 2,716	+ 3,489	+ 2,332	+ 1,801	+ 2,744
to public authorities	19,466	22,166	25,716	28,669	30,184	31,716	+ 3,580	+ 2,664	+ 3,550	+ 2,943	+ 1,515	+ 1,532
Banks' holdings of Treasury bills and non-interest-bearing Treasury bonds (excluding "mobilisation paper") ³⁾	391	312	317	326	433	625	- 43	- 79	+ 5	+ 9	+ 107	+ 192
note: banks' holdings of "mobilisation paper" ⁴⁾	1,039	1,170	1,104	484	663	1,683	+ 94	+ 131	- 66	- 620	+ 179	+ 1,020
Medium and long-term lendings, total	(—)	(—)	(—)	(714 ¹²⁾	(1,126 ¹²⁾	(4,027 ¹²⁾	(—)	(—)	(—)	(+ 714 ¹²⁾	(+ 412 ¹²⁾	(+ 2,901 ¹²⁾
to business and private customers	16,553	23,650	31,919	42,357	50,546	57,481	+ 4,819	+ 7,097	+ 8,071	+ 10,148	+ 8,574	+ 7,234
to public authorities	14,005	19,792	26,382	34,614	41,100	46,666	+ 3,972	+ 5,787	+ 6,592	+ 8,192	+ 6,944	+ 5,611
Banks' holdings of securities and syndicate participations (excluding holdings of bank bonds) ⁵⁾	2,548	3,858	5,537	7,743	9,446	10,815	+ 847	+ 1,310	+ 1,479	+ 1,956	+ 1,630	+ 1,623
note: banks' holdings of bank bonds	1,010	1,712	2,595	3,401	3,363	3,437	+ 313	+ 702	+ 883	+ 806	- 38	+ 162
(322 ¹²⁾	(918 ¹²⁾	(2,170 ¹²⁾	(3,154 ¹²⁾	(3,464 ¹²⁾	(4,785)	(+ 125 ¹²⁾	(+ 596 ¹²⁾	(+ 1,252 ¹²⁾	(+ 984 ¹²⁾	(+ 310 ¹²⁾	(+ 1,285)	
2) Deutsche Bundesbank ²⁾ , total lendings to public authorities	750	622	735	1,011	775	639	- 417	- 128	+ 113	+ 276	- 236	- 136
Holdings of Treasury bills and non-interest-bearing Treasury bonds ⁶⁾	234	225	473	630	541	475	+ 65	- 9	+ 248	+ 157	- 89	- 66
Lendings to business and private customers	370	253	133	261	136	158	- 498	- 117	- 120	+ 128	- 125	+ 22
146	144	129	120	98	6	+ 16	- 2	- 15	- 9	- 22	- 92	
II. Net Balance of Claims and Liabilities in respect of Foreign Business⁷⁾	+ 4,554	+ 8,040	+ 10,744	+ 12,654	+ 17,254	+ 22,617	+ 2,951	+ 3,486	+ 2,704	+ 1,910	+ 4,654	+ 5,363
+ = surplus or favourable movement												
III. Note and Coin Circulation, total	11,270	12,435	13,296	14,642	15,590	17,273	+ 1,557	+ 1,165	+ 861	+ 1,346	+ 948	+ 1,683
thereof: Banks' cash holdings	466	480	534	584	695	792	+ 62	+ 14	+ 54	+ 50	+ 111	+ 97
IV. Deposits of Non-Banks and other Bank Liabilities towards Non-Banks												
1) Credit institutions, except Deutsche Bundesbank												
Sight deposits of business and private customers	10,612	11,668	13,845	15,357	16,670	18,985	+ 718	+ 1,056	+ 2,177	+ 1,512	+ 1,313	+ 2,315
public authorities	1,835	1,853	2,147	2,412	2,708	2,810	+ 127	+ 18	+ 294	+ 205	+ 296	+ 102
Time deposits ⁸⁾ of business and private customers	4,759	5,762	5,146	5,622	7,159	9,370	+ 1,303	+ 1,003	- 616	+ 476	+ 1,537	+ 2,211
public authorities	3,299	4,506	4,971	4,533	4,866	6,215	+ 911	+ 1,207	+ 465	- 451	+ 333	+ 1,391
Savings deposits	7,581	11,547	17,225	21,374	24,276	29,388	+ 2,493	+ 3,966	+ 5,678	+ 4,149	+ 2,902	+ 5,112
note: Accrual of funds in savings business ⁹⁾	+ 2,456	+ 3,678	+ 4,919	+ 4,116	+ 2,913	+ 5,100
Bank bonds in circulation	3,028	4,932	8,574	11,575	13,218	15,414	+ 544	+ 1,904	+ 3,442	+ 2,751	+ 1,606	+ 2,264
note: Accrual of funds from sale of bank bonds to non-banks ¹⁰⁾	(+ 419 ¹²⁾	(- 1,308 ¹²⁾	(+ 2,064 ¹²⁾	(+ 1,550 ¹²⁾	(+ 1,206 ¹²⁾	(+ 970 ¹²⁾
Monies and loans taken from non-banks	9,316	12,158	15,966	20,320	24,524	26,836	+ 3,391	+ 2,842	+ 3,809	+ 4,334	+ 4,445	+ 3,071
thereof: at notice of, or fixed for, six months and over	(9,000)	(11,853)	(15,825)	(20,049)	(24,152)	(26,558)	(+ 3,343)	(+ 2,853)	(+ 3,974)	(+ 4,204)	(+ 4,344)	(+ 3,184)
Capital and reserves under Art. 11, German Banking Law	2,414	3,068	3,555	4,367	5,181	6,422	+ 600	+ 654	+ 487	+ 812	+ 814	+ 845
2) Deutsche Bundesbank												
Sight deposits of business and private customers	265	245	305	242	294	340	- 7	- 20	+ 60	- 63	+ 52	+ 46
public authorities ¹¹⁾	2,821	4,194	5,608	6,489	7,196	4,590	+ 433	+ 1,373	+ 1,307	+ 881	+ 1,055	- 2,606

¹⁾ The figures in this table relate to the banking system in the area of the Federal Republic and in Berlin (West); hence the figures are not fully comparable with similar data published in previous Annual Reports. — ²⁾ The changes in the items recorded in the text column are here taken into account only in so far as they are relevant to the money supply of non-banks. They can therefore not immediately be computed from the end-of-year figures. — ³⁾ Formerly Bank deutscher Länder, Land Central Banks and Berlin Central Bank. — ⁴⁾ Only bonds of German issuers; foreign bonds in the banks' portfolios are included in foreign assets. — ⁵⁾ "Mobilisation paper" has been eliminated (partly on the basis of estimates) since the taking over of such paper does not represent any granting of credit to public authorities. — ⁶⁾ Bank bonds have been eliminated (partly on the basis of estimates) since their acquisition does not represent any direct granting of credit to non-banks. — ⁷⁾ Excluding "mobilisation paper" which the Bundesbank does not keep in portfolio. — ⁸⁾ Accounts for settlement of foreign business at Deutsche Bundesbank and other banks, but excluding the other banks' DM liabilities towards non-residents on DM accounts of free and of limited convertibility and on liberalised capital accounts. — ⁹⁾ Deposits at notice of, or fixed for, at least one month. — ¹⁰⁾ In order to show the genuine accrual of funds from savings business, the amounts credited as compensation for expelled persons and "old" savers are here taken into account only in so far as covering claims on the Equalisation of Burdens Fund (Art. 5 Equalisation of Burdens Law) have been redeemed. — ¹¹⁾ In order to show the genuine accrual of funds from non-banks, here on the one hand the acquisition of bank bonds by credit institutions was deducted, while on the other hand the bonds issued under the compensation scheme for "old" savers were left out of account. — ¹²⁾ Including deposits of agencies of the former occupying powers. — ¹³⁾ Partly estimated.

2) Note and Coin Circulation and Sight Deposits*)

in millions of DM

End of month	Note and coin circulation, and sight deposits, total including amounts temporarily employed in equalisation claims ¹⁾		Note and coin circulation excluding credit institutions' cash holdings	Sight deposits of business and private customers			Sight deposits of public authorities					Deposits of agencies of former occupying powers with Deutsche Bundesbank	
				Total	with credit institutions (except Deutsche Bundesbank)	with Deutsche Bundesbank	Total		with Deutsche Bundesbank		on giro account		temporarily employed in equalisation claims ¹⁾
							including	excluding	including	excluding			
1950 December	20,491	20,244	8,105	8,898	8,069	829	2,580	2,333	1,589	744	247	908	
1951 "	23,571	22,635	9,309	10,166	9,894	272	3,099	2,163	1,708	455	936	997	
1952 "	26,337	24,657	10,804	10,877	10,612	265	3,903	2,223	1,835	388	1,680	753	
1953 "	29,915	26,785	11,955	11,913	11,668	245	5,408	2,278	1,853	425	3,130	639	
1954 "	34,667	29,931	12,762	14,150	13,845	305	7,232	2,496	2,147	349	4,736	523	
1955 "	38,558	34,977	14,058	15,599	15,357	242	8,636	5,055	2,412	2,643	3,581	265	
1956 "	41,763	38,542	14,895	16,964	16,670	294	9,760	6,539	2,708	3,831	3,221	144	
1957 "	43,206		16,481	19,325	18,985	340	7,259		2,810	4,449	—	141	
1956 March	38,409	35,193	14,535	14,127	13,869	258	9,503	6,287	2,331	3,956	3,216	244	
June	39,472	36,107	14,600	14,810	14,570	240	9,885	6,520	2,232	4,288	3,365	177	
September	40,254	36,982	14,822	15,099	14,872	227	10,167	6,895	2,239	4,656	3,272	166	
December	41,763	38,542	14,895	16,964	16,670	294	9,760	6,539	2,708	3,831	3,221	144	
1957 March	40,082	37,927	15,093	15,412	15,184	228	9,360	7,205	2,448	4,757	2,155	217	
June	41,339	39,891	15,861	16,322	16,110	212	8,797	7,349	2,441	4,908	1,448	359	
September	42,179		16,323	17,732	17,421	311	7,623		2,396	5,227	—	501	
December	43,206		16,481	19,325	18,985	340	7,259		2,810	4,449	—	141	
1958 March	41,970		16,982	18,236	17,877	359	6,638		2,741	3,897	—	114	

*) Deposits of non-banks only. — The figures in this table relate to the banking system in the area of the Federal Republic and in Berlin (West); hence the figures are not fully comparable with similar data published in previous Annual Reports. — ¹⁾ Since the entry into force, on 1 August 1957, of the Law concerning the Deutsche Bundesbank it has no longer been possible for public monies to be employed in equalisation claims.

3) Savings Deposits*)

in millions of DM

Period	Total	thereof: carrying tax privileges	Total savings deposits comprise those at:				
			Savings banks	Credit co-operatives	Commercial banks	Postal Savings Bank	Other credit institutions
End-of-month figures							
1956 June	23,158	2,527	14,684	3,211	3,721	1,412	130
September	23,280	2,262	14,938	3,288	3,507	1,436	111
December	24,276	2,917	15,506	3,418	3,782	1,457	113
1957 March	25,755	3,416	16,316	3,619	4,105	1,584	131
June	26,570	3,535	16,835	3,716	4,234	1,650	135
September	27,404	3,189	17,454	3,865	4,226	1,722	137
December	29,388	3,785	18,665	4,140	4,615	1,822	146
1958 March	31,309	3,927	19,836	4,405	4,920	1,993	155
Change during quarter							
1956 3rd Qtr	+ 122	— 265	+ 254	+ 77	— 214	+ 24	— 19
4th Qtr	+ 996	+ 655	+ 568	+ 130	+ 275	+ 21	+ 2
1957 1st Qtr	+ 1,479	+ 499	+ 810	+ 201	+ 323	+ 127	+ 18
2nd Qtr	+ 815	+ 119	+ 519	+ 97	+ 129	+ 66	+ 4
3rd Qtr	+ 834	— 346	+ 619	+ 149	— 8	+ 72	+ 2
4th Qtr	+ 1,984	+ 596	+ 1,211	+ 275	+ 389	+ 100	+ 9
1958 1st Qtr	+ 1,921	+ 142	+ 1,171	+ 265	+ 305	+ 171	+ 9

*) The figures in this table relate to the banking system in the area of the Federal Republic and in Berlin (West); hence the figures are not fully comparable with similar data published in previous Annual Reports.

II. Interim Statements of the Credit Institutions in the Area of the Federal Republic and in Berlin (West)* 1)

in millions of DM

		Assets														
End of year or month	Total of balance sheet	Cash reserve ²⁾		Credit balances with credit institutions ³⁾ and on Postal Cheque account	Bills of exchange	Treasury bills and non-interest-bearing Treasury bonds of Federal Government and Länder ⁴⁾	Securities and syndicate participations	Bonds of own issues	Equalisation claims ⁵⁾ and covering claims according to Currency Conversion Compensation and "Old Savings" Laws ⁶⁾	Debtors		Long-term lendings		Transitory credits		Other assets ⁷⁾
		Total	thereof: balances with Deutsche Bundesbank							Non-banks	Banks	Non-banks	Banks	Non-banks	Banks	
1949		1,645.9	1,371.1	2,089.9	1,695.3	275.9		5,531.1	7,357.8	744.9	1,776.7			360.7		
1950	35,515.4	2,171.6	1,862.5	2,410.1	2,676.3	528.7	52.7	5,991.6	9,722.1	871.6	5,886.2	2,146.2		595.2	133.5	1,803.0
1951	45,377.2	3,210.3	2,806.5	3,537.8	3,777.0	945.1	53.9	6,074.0	10,565.5	965.1	9,048.2	2,909.0		1,132.7	158.9	2,285.4
1952	59,010.7	3,581.0	3,114.9	4,787.4	6,231.0	1,039.4	134.3	6,299.7	12,876.0	1,186.6	12,744.3	3,601.6		1,681.4	646.5	2,869.5
1953	74,701.0	3,916.4	3,436.6	6,197.8	7,485.6	1,169.8	69.7	6,807.2	15,928.4	1,584.8	17,826.6	4,439.7		2,328.8	1,001.0	3,315.4
1954	95,760.3	4,682.1	4,137.2	8,599.8	8,948.4	1,103.7	112.7	8,070.3	18,547.2	1,786.0	23,370.8	5,183.3		4,391.4	2,265.4	3,929.8
1955	113,791.0	5,191.6	4,590.1	8,886.1	9,793.6	1,198.0	174.7	8,150.3	20,495.6	2,010.7	30,909.6	6,103.3		6,392.6	3,357.1	4,568.5
1956	130,289.7 ⁸⁾	6,404.8	5,689.8	9,932.6	11,535.3	1,789.0	267.6	8,314.8	22,505.0	2,020.2	36,668.4	6,614.6		7,854.3 ⁹⁾	4,440.3 ⁹⁾	5,106.0
1957	154,714.8	8,551.1	7,739.3	14,592.4	12,985.0	5,710.3	214.3	8,266.9	24,240.4	2,085.7	42,207.6	7,643.5		8,691.3	5,073.6	6,225.2
1957 Jan.	130,629.7 ⁸⁾	4,380.6	3,635.3	10,894.8	11,691.1	2,892.7	6,987.4	265.0	8,333.5	22,868.0	1,894.2	36,882.7	6,560.1	7,809.6 ¹⁰⁾	4,512.0 ¹⁰⁾	4,658.0
1957 Feb.	132,667.6	4,474.1	3,751.8	11,520.2	11,827.5	2,863.6	7,042.5	268.6	8,335.9	23,091.7	1,922.4	37,339.0	6,630.0	7,896.2	4,692.7	4,763.2
1957 March	133,921.4	4,790.0	4,121.7	11,569.1	11,763.9	2,923.3	7,104.3	271.7	8,329.6	23,159.4	1,972.1	37,641.5	6,731.2	8,002.9	4,729.0	4,933.4
1957 April	134,703.3 ¹¹⁾	5,008.1	4,256.7	11,429.9	11,787.6	3,427.1	7,239.0	277.8	8,312.9	22,801.5	1,935.4	38,107.4 ¹¹⁾	6,892.6	7,980.9 ¹¹⁾	4,664.7	4,838.4
1957 May	136,723.8	5,293.5	4,598.1	11,726.3	11,701.8	3,956.4	7,379.2	285.8	8,332.1	22,905.0	2,054.1	38,494.0	6,879.6	8,109.6	4,720.2	4,886.2
1957 June	138,321.9	6,121.0	5,418.1	11,698.7	10,796.5	3,796.1	7,509.1	294.7	8,312.1	23,913.1	2,167.9	38,585.7	6,937.0	8,190.8	4,823.2	5,176.0
1957 July	140,243.0 ¹²⁾	9,933.1	5,097.9	12,253.2	11,722.0	4,803.9	7,604.3	289.3	8,280.6	23,386.9	1,928.5	39,037.6	6,995.3	8,326.7	4,771.9 ¹²⁾	4,909.7
1957 Aug.	145,046.6	6,564.6	4,966.5	14,139.2	12,206.6	6,272.5	7,822.8	267.7	8,277.1	23,431.3	1,845.1	39,773.0 ¹³⁾	6,995.3	8,246.3 ¹³⁾	4,746.0 ¹³⁾	5,162.5
1957 Sep.	147,150.1	6,412.2	5,675.7	13,840.2	11,973.6	6,074.7	7,971.4	260.3	8,274.7	24,234.4	1,907.3	40,276.1	7,365.8	8,350.3	4,804.9	5,404.2
1957 Oct.	149,217.9	6,269.4	5,540.7	14,488.2	12,335.4	6,564.2	8,081.5	259.1	8,285.9	24,120.9	1,890.9	40,822.1	7,468.0	8,467.7	4,883.6	5,281.0
1957 Nov.	151,893.6	6,354.7	5,620.9	14,984.9	12,279.4	6,759.9	8,314.9	240.1	8,293.4	24,467.0	2,002.7	41,356.2	7,497.0	8,620.9	4,946.0	5,776.5
1957 Dec.	154,714.8	8,551.1	7,739.3	14,592.4	12,985.0	5,710.3	8,227.5	214.3	8,269.6	24,240.4	2,085.7	42,207.6	7,643.5	8,691.3	5,073.6	6,225.2
1958 Jan.	155,265.4	6,289.2	5,559.6	15,450.1	12,670.8	7,057.9	8,622.9	225.5	8,269.6	24,599.3	2,045.2	42,715.7	7,659.0	8,777.1	5,155.0	5,728.1
1958 Feb.	158,344.3	6,169.6	5,455.6	16,596.9	12,642.4	7,075.4	9,043.6	216.0	8,269.4	24,936.9	2,078.8	43,384.0	7,780.5	8,899.6	5,188.9	6,062.3
1958 March	159,592.9	6,648.3	5,815.3	16,506.3	12,293.4	7,222.7	9,334.9	215.2	8,260.6	25,003.1	2,107.5	43,836.4	7,914.7	8,932.4	5,255.2	6,062.2

		Liabilities																	
End of year or month	Total	Deposits				Borrowed funds				Own acceptances in circulation	Bonds in circulation	Long-term borrowings (4 years and over)		Transitory credits		Capital funds including reserves (Art. 11 German Banking Law)	Other liabilities ⁷⁾	Endorsement liabilities on rediscounted bills ⁸⁾	
		Deposits by non-banks				Deposits of credit institutions	Non-banks	Banks	Non-banks			Banks	Non-banks	Banks	Non-banks				Banks
		Total	Sight deposits	Time deposits	Savings deposits														
1949 ¹⁷⁾	13,759.1	8,573.9	2,108.8	3,076.4	1,493.1	1,492.3	1,864.6	1,230.1			711.5			394.3	830.7		2,327.5		
1950 ¹⁷⁾	17,981.6	9,657.6	4,213.3	4,110.7	1,915.9	302.0	1,858.2	1,851.7	1,809.9	2,651.0	2,501.7	554.9	173.8	1,148.4	2,766.3	3,635.8			
1951	22,533.0	11,601.4	5,843.9	5,087.7	2,917.2	583.2	1,679.1	1,174.6	2,537.6	4,324.1	3,419.2	1,017.1	274.5	1,509.1	3,408.5	5,345.6			
1952	28,084.7	12,446.0	8,057.5	7,581.2	4,871.9	832.0	1,896.6	715.8	3,361.8	6,821.8	4,047.9	1,662.2	665.7	2,049.4	4,000.9	5,379.5			
1953	35,336.4	13,521.4	10,268.4	11,546.6	6,532.3	1,094.9	2,170.3	542.9	5,024.7	8,663.8	4,906.7	2,399.4	930.4	2,623.5	4,475.7	4,351.2			
1954	43,333.5	15,991.7	10,117.2	17,224.6	9,067.9	934.7	2,401.5	478.8	8,698.3	10,042.0	5,725.1	4,988.8	1,668.0	3,055.3	5,366.4	4,655.8			
1955	49,297.8	17,769.0	10,155.3	21,373.5	9,695.5	1,074.7	2,741.2	582.3	11,755.5	11,998.1	6,585.8	7,247.0	2,502.7	3,806.0	6,504.4	6,200.4			
1956	55,679.3	19,378.4	12,025.3	24,275.6	11,166.9	1,586.6	3,090.6	453.4	13,498.0	13,803.9	6,872.7	9,133.1 ⁹⁾	3,161.5	4,572.6	7,271.1	6,635.6			
1957	66,768.8	21,795.3	15,585.2	29,388.3	16,031.2	1,635.9	3,447.0	340.9	15,629.3	15,245.6	7,891.6	9,954.0	3,810.9	5,732.9	8,226.7	3,771.9			
1957 Jan.	55,613.2	17,517.0	13,191.4	24,904.8	11,901.2	1,525.8	3,094.3	375.2	13,638.1	13,751.9	6,903.3	9,130.5 ¹⁰⁾	3,191.1	4,638.0	6,867.1	3,657.5			
1957 Feb.	56,218.7	17,455.1	13,436.6	25,327.0	12,663.3	1,500.7	3,116.7	336.1	13,662.6 ¹⁰⁾	13,926.7 ¹⁰⁾	7,018.9 ¹⁰⁾	9,359.7	3,229.2	4,703.8	6,931.2	3,655.5			
1957 March	56,923.2	17,631.7	13,536.9	25,754.6	12,569.3	1,424.0	3,281.7	286.9	13,768.9	14,024.8	7,132.2	9,449.5	3,282.4	4,801.9	6,976.6	4,195.3			
1957 April	57,695.0 ¹¹⁾	18,453.1 ¹¹⁾	13,198.3	26,043.6	12,386.4	1,285.9	3,127.1	309.2	13,860.4	14,173.8	7,283.1	9,285.8 ¹¹⁾	3,359.8	5,059.3 ¹¹⁾	6,877.5	3,934.6			
1957 May	58,646.3 ¹²⁾	18,445.9	13,856.5 ¹²⁾	26,343.9	12,549.1	1,472.7 ¹²⁾	3,143.8	287.7	14,064.5	14,272.5	7,308.1	9,405.3	3,424.5	5,175.3	6,974.0	4,196.4			
1957 June	59,017.4	18,550.4	13,897.1	25,569.9	12,781.7	1,615.4 ¹³⁾	3,127.4	307.7	14,159.8	14,126.1 ¹³⁾	7,242.9	9,557.3	3,456.7	5,216.0	7,643.5	4,909.3			
1957 July	59,958.4	19,025.2	14,240.9	26,692.3	13,387.5	1,600.5	2,944.5	290.0	14,363.7	14,332.9	7,332.9	9,565.9 ¹⁴⁾	3,532.7	5,256.4	7,677.6	3,917.4			
1957 Aug.	61,571.0	19,448.5	15,076.2	27,046.3	15,670.2	1,634.4	3,025.0	228.3	14,600.0 ¹⁵⁾	14,563.8	7,469.8	9,391.3 ¹⁵⁾	3,601.0	5,557.5 ¹⁵⁾	7,734.3	3,108.9			
1957 Sep.	62,499.2	19,817.3	15,277.9	27,404.0	15,643.3	1,700.1 ¹⁶⁾	3,085.1 ¹⁶⁾	250.8	14,849.3 ¹⁶⁾	14,675.5	7,689.7	9,515.4	3,639.8	5,594.1	8,007.8	3,466.7			
1957 Oct.	63,145.8	19,664.1	15,622.1	27,859.6	15,862.4	1,750.8	3,247.8	242.2	15,046.4	14,884.5	7,788.1	9,648.5	3,702.8	5,632.1	8,266.5	3,247.9			
1957 Nov.	64,166.4	20,068.6	15,919.1	28,178.7	16,451.7	1,783.0	3,264.8	220.4	15,389.2	14,993.7	7,805.9	9,802.6	3,764.3	5,660.0	8,591.7	3,263.5			
1957 Dec.	66,768.8	21,795.3	15,585.2	29,388.3	16,031.2	1,635.9	3,447.0	340.9	15,629.3	15,245.6	7,891.6	9,954.0	3,810.9	5,732.9	8,226.7	3,771.9			
1958 Jan.	66,599.7	19,880.5	16,546.7	30,172.5	16,597.5	1,516.1	3,135.2	283.7	15,993.0	15,439.2	7,977.6	10,067.7	3,864.4	5,816.5	7,974.8	3,299.5			
1958 Feb.	67,563.1	19,986.5	16,787.5	30,789.1	17,722.0	1,527.1	3,129.8	238.4	16,428.1	15,562.7	8,093.0	10,183.8	3,904.7	5,939.5	8,052.1	3,250.3			
1958 March	68,399.4	20,617.7	16,473.2	31,308.5	17,679.3	1,548.0	3,025.4	196.3	16,817.3	15,457.5	8,162.9	10,219.9	3,967.7	6,071.3	8,047.				

III. Central Bank Lendings to Non-Banks and Central Bank Deposits of Non-Banks

1) Central Bank Lendings to Non-Banks*)

in millions of DM

End of month	Total lendings to non-banks including Treasury bills and securities		Public authorities											Business and private customers			
			Total including Treasury bills and securities		Federal Government and Federal Special Funds ¹⁾					Länder				Other public authorities	"Direct lendings" ²⁾	Credits granted to insurance companies and building and loan associations ³⁾	
					Total	Treasury bills and non-interest-bearing Treasury bonds	Cash advances	Credit in respect of I.M.F. and J.B.R.D.	Securities	Total	Treasury bills and non-interest-bearing Treasury bonds	Cash advances	Advances on securities				
1949 Dec.	802.1	568.4	756.1	522.4	504.2	101.1	403.1	—	—	—	250.6	132.6	97.2	20.8	1.3	27.7	18.3
1950 "	1,622.8	926.4	1,503.7	807.3	1,213.8	241.3	637.5	—	335.0	288.7	120.1	161.1	7.5	1.2	53.8	65.3	
1951 "	1,166.5	299.1	1,036.6	169.2	839.4	553.3	—	—	286.1	196.0	28.0	168.0	—	1.2	69.3	60.6	
1952 "	750.0	380.4	603.4	233.8	538.2	355.2	—	183.0	—	64.8	14.4	50.4	—	0.4	85.6	61.0	
1953 "	622.5	369.1	478.4	225.0	430.4	203.1	—	183.0	44.3	47.6	6.0	41.6	—	0.4	108.4	35.7	
1954 "	734.6	602.0	605.7	473.1	522.7	100.4	—	390.7	31.6	61.4	0.6	60.8	—	21.6	109.9	19.0	
1955 "	1,011.2	749.8	891.0	629.6	652.1	247.3	—	390.7	14.1	205.8	—	180.4	25.4	33.1	103.5	16.7	
1956 "	813.0	639.3	715.0	541.3	564.5	119.9	—	390.8	53.8	101.8	—	101.8	—	48.7	88.7	9.3	
1957 March	651.4	515.8	551.6	416.0	526.4	69.0	—	390.8	66.6	24.7	—	24.7	—	0.5	90.8	9.0	
June	709.8	528.4	615.8	434.4	572.2	98.1	—	390.8	83.3	34.5	—	34.5	—	9.1	84.7	9.3	
Sep.	608.1	492.9	567.5	452.3	506.0	6.0	—	390.8	109.2	61.5	—	61.5	—	—	32.5	8.1	
Dec.	808.6	480.4	802.8	474.6	719.0	153.7	—	390.8	174.5	83.8	—	83.8	—	—	2.2	3.6	
1958 Jan.	679.8	484.4	675.6	480.2	615.6	20.0	—	420.2	175.4	60.0	—	60.0	—	—	0.2	4.0	
Feb.	694.9	487.1	691.7	483.9	628.0	32.5	—	420.2	175.3	63.7	—	63.7	—	—	0.1	3.1	
March	807.7	532.2	804.7	529.2	758.7	93.4	—	483.2	182.1	46.0	—	46.0	—	—	0.1	2.9	

*) The figures of this table relate to credits granted by the Deutsche Bundesbank (formerly Bank deutscher Länder, Land Central Banks and Berlin Central Bank); owing to the inclusion of the results of the Berlin Central Bank the figures are not fully comparable with those published in previous Annual Reports. — ¹⁾ Including Federal Railways, Federal Postal Administration and Federal Equalisation of Burdens Office. — ²⁾ Discount credits and advances on securities granted by Land Central Bank branches in the former French zone of occupation. — ³⁾ Through temporary purchase of, or lending on, equalisation claims.

2) Central Bank Deposits of Non-Banks*)

in millions of DM

End of month	Total including amounts temporarily employed in equalisation claims ³⁾		Public authorities ¹⁾		Counterpart Funds ^{1) 2)}	Agencies of former occupying powers	Other depositors
			Federal Government (without Special Funds), Länder and Equalisation of Burdens Authorities	Other public authorities			
1949 Dec.	1,641.3	1,236.5	634.5	323.6	—	470.0	213.2
1950 "	3,693.3	3,446.0	594.3	396.6	965.0	907.7	829.7
1951 "	3,973.8	2,999.0	1,180.3	211.0	1,312.8	997.3	272.4
1952 "	3,913.3	2,194.1	1,890.6	178.2	825.9	753.4	265.2
1953 "	4,935.3	1,704.2	3,181.4	373.2	496.7	639.3	244.7
1954 "	6,266.5	1,529.9	4,684.7	400.6	352.8	523.4	305.0
1955 "	7,003.5	3,420.7	5,949.7	274.3	272.2	265.5	241.8
1956 March	7,921.8	4,703.6	7,055.6	116.6	247.3	244.4	257.9
June	8,330.2	4,963.3	7,599.7	53.1	260.6	176.7	240.1
Sep.	8,529.0	5,255.2	7,811.0	116.7	208.3	166.2	226.8
Dec.	7,682.3	4,459.3	6,711.8	339.8	192.5	143.8	294.4
1957 Jan.	7,772.9	5,527.2	7,181.1	27.3	217.4	132.6	214.5
Feb.	7,804.6	5,553.8	7,121.9	171.8	168.8	120.4	221.7
March	7,531.1	5,373.8	6,643.2	269.1	174.1	216.5	228.2
April	7,224.2	5,461.7	6,385.2	267.9	174.9	142.9	253.3
May	7,140.5	5,815.2	6,323.3	300.3	167.1	120.2	229.6
June	7,079.2	5,628.9	6,099.7	256.0	152.1	358.9	212.5
July	6,362.9	6,072.9	5,212.4	331.8	181.5	432.0	205.2
Aug.		5,539.7	4,614.2	73.1	172.1	370.4	309.9
Sep.		6,285.6	4,912.8	314.6	246.5	501.4	310.3
Oct.		5,901.4	4,739.9	302.9	177.5	199.3	481.8
Nov.		4,956.7	4,104.3	164.9	161.0	132.0	394.5
Dec.		5,097.3	4,017.1	431.4	167.8	140.6	340.4
1958 Jan.		5,146.3	4,170.3	271.0	190.2	70.8	444.0
Feb.		4,671.3	3,702.2	205.8	218.1	146.3	398.9
March		4,669.5	3,660.8	235.9	299.2	114.4	359.2

*) The figures of this table relate to deposits with the Deutsche Bundesbank (formerly Bank deutscher Länder, Land Central Banks and Berlin Central Bank); owing to the inclusion of the results of the Berlin Central Bank the figures are not fully comparable with those published in previous Annual Reports. — ¹⁾ Including amounts temporarily employed in equalisation claims. — ²⁾ As from 2 August 1957 deposits of the E. R. P. Special Fund. — ³⁾ Since the entry into force, on 1 August 1957, of the Law concerning the Deutsche Bundesbank it has no longer been possible for public monies to be employed in equalisation claims.

IV. Bank Liquidity

1) Bank Liquidity and the Credit Institutions' Recourse to Central Bank Credit*)

in millions of DM

Items	1955	1956	1957	1957			
				1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
The plus and minus signs indicate whether the changes in the items recorded in the text column had the effect of an inflow (+) or an efflux (-) of funds at the banking system ^{c)}							
A. Influx or Efflux of Funds at the Credit Institutions as a result of Changes in the following Items							
I. Note and coin circulation	- 1,346	- 948	- 1,682	- 145	- 792	- 509	- 237
II. Central Bank deposits of non-banks of which: (1) Federal Government (except Special Funds), Länder and Equalisation of Burdens Authorities (2) others	- 1,964	- 1,796	- 471	- 670	- 306	+ 139	+ 367
III. Central Bank lendings to non-banks ¹⁾	(- 2,049)	(- 1,855)	(- 216)	(- 764)	(- 222)	(+ 549)	(+ 220)
IV. Net foreign exchange purchases or sales by the Deutsche Bundesbank	(+ 85)	(+ 59)	(- 255)	(+ 94)	(- 84)	(- 410)	(+ 147)
V. Other factors ²⁾	+ 92	- 203	- 175	- 138	+ 5	- 53	+ 11
Overall effect of the above-named factors on bank liquidity	+ 2,070	+ 5,625	+ 7,905	+ 1,634	+ 2,221	+ 3,942	+ 108
	+ 355	+ 61	+ 335	+ 434	- 135	+ 217	- 182
B. Influx or Efflux of Funds at the Credit Institutions as a result of Open Market Operations of the Deutsche Bundesbank, total	- 793	+ 2,739	+ 5,912	+ 1,115	+ 993	+ 3,736	+ 67
of which, by purchase or sale of							
(1) money market securities of the Federal Government acquired in exchange for Equalisation Claims	- 16	- 526	- 2,605	- 1,300	- 769	- 1,925	+ 1,388
(2) other titles	(- 125)	(- 381)	(- 2,814)	(- 1,208)	(- 811)	(- 1,800)	(+ 1,006)
C. Change in the Credit Institutions' Balances with the Deutsche Bundesbank, total	(+ 109)	(- 145)	(+ 209)	(- 92)	(+ 42)	(- 125)	(+ 382)
compare: Change in the monthly minimum reserve required	+ 498	+ 706	+ 1,883	- 1,037	+ 1,080	+ 352	+ 1,486
D. Change in Central Bank Lendings to Credit Institutions (recourse to Central Bank credit)	(+ 823)	(+ 432)	(+ 1,766)	(+ 143)	(+ 882)	(+ 647)	(+ 94)
	+ 1,307	- 1,507	- 1,424	- 852	+ 856	- 1,459	+ 31

^{a)} The amalgamation, in September 1957, of the Berlin Central Bank with the Deutsche Bundesbank necessitated some alterations in the procedure for compiling the above table: Whereas hitherto this survey only included, in respect of the Berlin Central Bank, the overall net balance of the latter's borrowings from the Deutsche Bundesbank (or previously Bank deutscher Länder) and its deposits maintained there (under "Other factors", cf. A V), its assets and liabilities have now to be taken into account separately in the respective items of the above survey (A I to III, V, and C and D) since they have become integral parts of the corresponding items of the Bundesbank Return. The figures for 1957 (or for the 3rd and 4th quarters of 1957) are no longer entirely comparable with those for previous periods; deviations are, however, only insignificant.

^{b)} The changes in the items recorded in the text column under A and B are taken into account only in so far as they entailed an inflow or efflux of funds at the credit institutions. They are therefore not necessarily identical with the changes in the corresponding items of the Return of the Deutsche Bundesbank (or, for previous periods, of the Bank deutscher Länder and Land Central Banks). Further explanations regarding these differences will be found in the Monthly Report of the Bank deutscher Länder for January 1957, pages 7 and 8.

^{c)} Including cash advances to the Reconstruction Loan Corporation (under a fixed credit line granted for the purpose of providing anticipatory finance for work creation, housing and investment programmes), which cannot be considered "recourse to Central Bank credit" in the accepted sense of the term, viz., rediscounts and advances on securities. Excluding the purchases and sales of money market securities (listed under B) effected on the open market for the regulation of the money market. — ^{d)} Mainly pending settlements in respect of credit institutions' Central Bank items, which cannot be allocated explicitly to any of the other items.

2) Central Bank Lendings to Credit Institutions and Central Bank Deposits of Credit Institutions*)

in millions of DM

End of month	Lendings ¹⁾				De- posits ²⁾
	Total	Discount credits	Advances on securities	Equalisa- tion claims purchased	
1949 Dec.	3,804.2	3,226.2	338.2	239.8	1,277.1
1950 "	5,201.9	4,235.4	360.6	605.9	1,887.7
1951 "	5,694.0	4,757.2	290.8	646.0	2,675.0
1952 "	4,083.9	3,389.0	253.5	441.4	2,992.6
1953 "	3,351.1	2,739.1	245.2	366.8	3,286.9
1954 "	3,339.0	2,837.7	265.1	236.2	4,005.9
1955 "	4,683.0	4,130.9	340.5	211.6	4,502.2
1956 March	5,231.9	4,871.8	160.9	199.2	3,509.8
June	4,290.6	3,975.5	120.8	194.3	3,682.8
Sep.	3,192.7	2,867.4	137.0	188.3	3,929.7
Dec.	3,127.1	2,723.7	220.7	182.7	5,258.5
1957 March	2,278.7	2,037.4	62.0	179.3	4,167.2
June	3,115.9	2,844.4	96.8	174.7	5,278.6
Sep.	1,645.6	1,438.2	43.4	164.0	5,622.6
Dec.	1,676.6	1,463.0	52.8	160.8	7,108.9
1958 Jan.	1,328.3	1,139.6	28.9	159.8	5,453.4
Feb.	1,257.9	1,016.1	82.2	159.6	5,438.4
March	1,509.2	1,324.7	30.0	154.5	5,814.7

^{a)} The data in this table relate to the corresponding items of the Deutsche Bundesbank (formerly Bank deutscher Länder, Land Central Banks and Berlin Central Bank); owing to the inclusion of the results of the Berlin Central Bank the figures are not fully comparable with those published in previous Annual Reports. — ¹⁾ Excluding cash advances to Reconstruction Loan Corporation; including foreign bills and export drafts purchased, but excluding money-market paper purchased in the open market. — ²⁾ Including Central Bank deposits of Postal Cheque and Postal Savings Bank offices.

3) Borrowing by Main Banking Groups from Deutsche Bundesbank*)

Banking groups	30 June 1956	31 March 1957	30 Sep. 1957	31 March 1958
millions of DM				
Commercial banks	3,088	1,690	1,330	1,288
of which:				
Large banks ¹⁾	(1,624)	(788)	(551)	(467)
State, regional and local banks	(875)	(408)	(382)	(403)
Private bankers	(486)	(421)	(324)	(335)
Specialised commercial banks	(103)	(73)	(73)	(83)
Savings institutions	290	132	121	159
of which:				
Savings banks	(145)	(105)	(78)	(67)
Central giro institutions	(145)	(27)	(43)	(92)
Cooperative credit institutions	489	324	173	166
of which:				
Industrial credit cooperatives	(282)	(199)	(117)	(105)
Agricultural credit cooperatives	(207)	(125)	(56)	(61)
All other credit institutions	535	378	154	92
thereof:				
Credit institutions with special functions	(504)	(357)	(135)	(79)
All banking groups ²⁾	4,402	2,524	1,778	1,705

^{a)} The figures in this table relate to the banking system in the area of the Federal Republic and in Berlin (West); hence the figures are not fully comparable with similar data published in previous Annual Reports. — ¹⁾ Deutsche Bank A.G., Dresdner Bank A.G., Commerzbank group, and their Berlin subsidiaries. — ²⁾ Deviations of these figures, which are reported for the monthly banking statistics, from the corresponding data resulting from the Central Bank statistics as shown in Table IV 2) are partly due to the time-lag between the booking of Central Bank credits at the credit institutions and at the Central Bank, and partly to the fact that the Storage Agency bills purchased by the Central Bank under its open-market policy are not comprised in the latter figures.

V. Interest Rates

1) Selling Rates of the Deutsche Bundesbank¹⁾ applying to the Sale of Money Market Paper in the Open Market % per annum

Applicable as from:	Treasury Bills of Federal Government and Federal Railways running for		Non-interest-bearing Treasury Bonds of Federal Government, Federal Railways and Federal Postal Administration running for				Storage Agency Bills running for	
	30 to 59 days	60 to 90 days	6 months	12 months	18 months	24 months	30 to 59 days	60 to 90 days
	1955 Jan. 4	2 1/4	2 3/8	3	3 1/4	3 1/2	3 3/4	2 3/8
Jan. 12	2 1/8	2 1/4	2 3/8	3 1/8	3 1/2	3 3/4	2 1/4	2 3/8
Feb. 24	2 1/4	2 3/8	3	3 1/4	3 1/2	3 3/4	2 3/8	2 1/2
Mar. 4	2 3/8	2 1/2	3	3 1/4	3 1/2	3 3/4	2 1/2	2 3/8
Mar. 7	2 1/2	2 3/8	3 1/8	3 3/8	3 3/8	3 3/8	2 3/8	2 3/4
Apr. 25	2 3/8	2 1/2	3	3 1/4	3 1/2	3 3/4	2 1/2	2 3/8
June 3	2 1/2	2 3/8	3	3 1/4	3 1/2	3 3/4	2 3/8	2 3/4
July 14	2 1/2	2 3/8	3	3 1/4	3 3/8	3 7/8	2 3/8	2 3/4
July 20	2 3/8	2 3/4	3 1/8	3 3/8	3 3/4	4	2 3/4	2 7/8
Aug. 4	2 7/8	3	3 3/8	3 3/8	4	4 1/4	3	3 1/8
Sep. 2	3	3 1/8	3 1/2	3 3/4	4	4 1/4	3 1/4	3 3/8
Sep. 7	3 1/8	3 1/4	3 3/8	3 7/8	4 1/8	4 3/8	3 3/8	3 1/2
Oct. 10	3 1/4	3 3/8	3 7/8	4 1/8	4 3/8	4 5/8	3 1/2	3 5/8
Nov. 4	3 1/4	3 3/8	4 1/4	4 1/4	4 3/4	5	3 1/2	3 5/8
1956 Jan. 20	3 1/4	3 3/8	4 1/2	4 3/4	5	5 1/4	3 1/2	3 5/8
Jan. 24	3 1/4	3 3/8	4 3/4	5	5 1/4	5 1/2	3 1/2	3 5/8
Mar. 8	4	4 1/8	5 1/4	5 1/2	5 3/4	6	4 1/4	4 3/8
Mar. 26	3 7/8	4	5	5 1/4	5 1/2	5 3/4	4 1/8	4 1/4
Apr. 27	4 1/8	4 1/4	5	5 1/4	5 1/2	5 3/4	4 3/8	4 1/2
May 22	5 1/8	5 1/4	5 3/4	6	6 1/4	6 1/2	5 3/8	5 1/2
June 5	5 1/4	5 3/8	6	6 1/4	6 1/2	6 3/4	5 1/2	5 5/8
Sep. 6	4 3/4	4 7/8	5 3/4	6	6 1/4	6 1/2	4 7/8	5
Nov. 23	4 5/8	4 3/4	5 3/4	6	6 1/4	6 1/2	4 3/4	4 7/8
Nov. 28	4 1/2	4 3/8	5 3/4	6	6 1/4	6 1/2	4 3/4	4 7/8
Dec. 4	4 3/8	4 3/4	5 3/4	6	6 1/4	6 1/2	4 3/4	4 7/8
1957 Jan. 3	4 1/2	4 3/8	5 1/2	5 3/4	6	6 1/4	4 3/8	4 3/4
Jan. 4	4 3/8	4 1/2	5 3/8	5 3/8	5 7/8	6 1/8	4 1/2	4 5/8
Jan. 11	4 1/8	4 1/4	5 1/8	5 3/8	5 7/8	6 1/8	4 1/4	4 3/8
Jan. 30	4 1/8	4 1/4	5	5 1/4	5 1/2	5 3/4	4 1/4	4 3/8
Mar. 4	4 1/4	4 3/8	5	5 1/4	5 1/2	5 3/4	4 3/8	4 1/2
Mar. 7	4 3/8	4 1/2	5 1/4	5 1/2	5 3/4	6	4 1/2	4 3/8
Mar. 18	4 1/4	4 3/8	5	5 1/4	5 1/2	5 3/4	4 3/8	4 1/2
Apr. 15	4 1/4	4 3/8	5 1/4	5 1/2	5 3/4	6	4 1/2	4 5/8
July 5	4 1/8	4 1/4	5	5 1/4	5 1/2	5 3/4	4 1/4	4 3/8
Aug. 12	4	4 1/8	4 3/4	5	5 1/4	5 1/2	4 1/8	4 1/4
Aug. 22	3 7/8	4	4 3/8	4 3/4	5	5 1/4	4	4 1/8
Aug. 24	3 3/4	3 7/8	4 1/2	4 3/8	4 7/8	5 1/8	3 7/8	4
Aug. 27	3 3/8	3 3/4	4 1/8	4 3/8	4 3/8	4 7/8	3 3/4	3 7/8
Sep. 2	3 7/8	4	4 3/8	4 3/8	4 7/8	5 1/8	4	4 1/8
Sep. 6	4	4 1/8	4 1/2	4 3/4	5	5 1/4	4 1/8	4 1/4
Sep. 19	3 3/8	3 3/4	4 1/8	4 3/8	4 3/8	4 7/8	3 3/4	3 7/8
Sep. 27	3 3/4	3 7/8	4 1/4	4 1/2	4 3/4	5	3 7/8	4
Oct. 3	3 3/8	3 3/4	4 1/8	4 3/8	4 3/8	4 7/8	3 3/4	3 7/8
Oct. 18	3 1/2	3 3/8	4	4 1/4	4 1/2	4 3/4	3 1/2	3 5/8
Oct. 24	3 3/8	3 1/2	3 7/8	4 1/8	4 1/2	4 3/4	3 3/8	3 1/2
Nov. 9	3 1/4	3 3/8	3 3/4	4 1/8	4 1/2	4 3/4	3 1/4	3 3/8
Nov. 29	3 3/8	3 1/2	3 7/8	4 1/8	4 1/2	4 3/4	3 1/2	3 5/8
Dec. 4	3 1/2	3 3/8	4	4 1/4	4 1/2	4 3/4	3 5/8	3 3/4
Dec. 27	3 3/8	3 3/4	4 1/8	4 1/4	4 1/2	4 3/4	3 3/4	3 7/8
1958 Jan. 2	3 3/8	3 1/2	3 3/4	4	4 1/4	4 1/2	3 1/2	3 5/8
Jan. 6	3 1/4	3 3/8	3 3/8	3 7/8	4 1/8	4 3/8	3 3/8	3 1/2
Jan. 17	3 1/8	3 1/4	3 1/2	3 3/4	4 1/8	4 3/8	3 1/4	3 3/8
Apr. 15	3 1/8	3 1/4	3 1/2	3 3/8	3 7/8	4 1/8	3 1/4	3 3/8

¹⁾ Or, prior to 1 August 1957, of Bank deutscher Länder.

2) Money Market Rates¹⁾ in Frankfurt (Main), by Months

% per annum

Month	Central Bank Discount Rate	Day-to-day money ²⁾	One-month loans ³⁾	Three-month loans ³⁾
1956 March	3 1/2 ³⁾	3 3/4 — 5 1/4	4 3/4 — 5 1/4	4 3/4 — 5 1/2
April	4 1/2	4 3/8 — 5 1/4	5 — 5 1/2	5 3/8 — 5 3/4
May	4 1/2 ⁴⁾	3 1/2 — 5	5 1/4 — 6 1/8	5 3/8 — 6 3/4
June	5 1/2	5 — 5 3/4	6 — 6 1/2	6 3/8 — 7
July	5 1/2	5 — 5 7/8	6 1/4 — 6 1/2	6 3/4 — 7
Aug. 5	5 1/2	4 7/8 — 6	6 — 6 1/4	6 3/8 — 6 7/8
Sep. 5 1/2 ⁵⁾	4 7/8 — 6	6 — 6 3/8	6 3/8 — 6 5/8	6 3/8 — 6 5/8
Oct. 5	4 1/4 — 5 1/2	5 3/4 — 6 1/4	7 — 7 3/4	7 — 7 3/4
Nov. 5	4 1/4 — 5	5 3/8 — 5 3/8	7 — 7 1/4	7 — 7 1/4
Dec. 5	4 3/8 — 5	6 — 7 1/2	6 1/2 — 7 1/8	6 1/2 — 7 1/8
1957 Jan. 5 ⁶⁾	3 — 4 3/4	4 1/4 — 4 3/8	4 1/2 — 4 3/8	4 1/2 — 4 3/4
Feb. 4 1/2	3 1/2 — 4 1/2	4 3/8 — 4 3/8	4 3/8 — 4 7/8	4 3/8 — 4 7/8
March 4 1/2	3 3/4 — 4 3/4	4 1/2 — 4 7/8	4 3/4 — 5 1/4	4 3/4 — 5 1/4
April 4 1/2	3 3/4 — 4 1/2	4 1/2 — 4 3/4	4 3/4 — 5 1/2	4 3/4 — 5 1/2
May 4 1/2	3 3/4 — 4 3/8	4 3/8 — 4 3/4	4 3/8 — 5 1/2	4 3/8 — 5 1/2
June 4 1/2	4 3/8 — 4 3/4	4 5/8 — 5	5 — 5 3/8	5 — 5 3/8
July 4 1/2	4 1/8 — 4 3/4	4 1/4 — 4 3/4	4 1/8 — 4 3/4	4 1/8 — 4 3/4
Aug. 4 1/2	2 1/2 — 4 5/8	4 1/8 — 4 1/2	.	.
Sep. 4 1/2 ⁷⁾	3 7/8 — 4 3/8	4 1/4 — 4 3/8	4 3/8 — 4 5/8	4 3/8 — 4 5/8
Oct. 4	3 — 4	3 3/4 — 4 1/4	.	.
Nov. 4	3 1/2 — 3 3/4	3 1/2 — 3 3/4	.	.
Dec. 4	2 1/2 — 4	4 3/4 — 5	4 1/2	4 1/2
1958 Jan. 4 ⁸⁾	2 3/4 — 3 1/2	3 1/2	3 3/4 — 3 7/8	3 3/4 — 3 7/8
Feb. 3 1/2	3 1/4 — 4	3 3/8 — 3 3/8	3 3/8 — 3 7/8	3 3/8 — 3 7/8
March 3 1/2	3 1/8 — 3 3/4	3 3/8 — 3 3/4	3 7/8 — 4	3 7/8 — 4
April 3 1/2	3 — 4 1/8	3 3/8 — 3 3/8	3 3/8 — 4	3 3/8 — 4

¹⁾ Money-market rates are not fixed or quoted officially. The rates here published have been ascertained from Frankfurt banks. They may be considered to be representative. — ²⁾ Lowest and highest rate quoted during month. — ³⁾ Bank rate as from 8 March 1956 = 4 1/2%. — ⁴⁾ As from 19 May 1956 = 5 1/2%. — ⁵⁾ As from 6 September 1956 = 5%. — ⁶⁾ As from 11 Jan. 1957 = 4 1/2%. — ⁷⁾ As from 19 Sep. 1957 = 4%. — ⁸⁾ As from 17 January 1958 = 3 1/2%.

3) Rates for Day-to-Day Money¹⁾ in Frankfurt (Main), by Bank Return Weeks (% per annum)

Week	Lowest rate	Highest rate
1957 Oct. 1 — 7	3 7/8	4
8 — 15	3 3/8	3 3/8
16 — 23	3 1/2	3 3/4
24 — 31	3	3 3/4
Nov. 1 — 7	3 5/8	3 3/4
8 — 15	3 1/2	3 3/8
16 — 23	3 1/2	3 5/8
24 — 30	3 1/2	3 5/8
Dec. 1 — 7	3 1/4	4
8 — 15	3 5/8	4
16 — 23	2 1/2	3 3/4
24 — 31	2 1/2	3 3/4
1958 Jan. 1 — 7	3 1/8	3 1/2
8 — 15	3	3 1/4
16 — 23	3 1/4	3 3/8
24 — 31	2 3/4	3 1/2
Feb. 1 — 7	3 1/4	3 3/8
8 — 15	3 1/4	3 3/8
16 — 23	3 1/4	3 3/8
24 — 28	3 3/8	4
Mar. 1 — 7	3 1/2	3 3/4
8 — 15	3 1/2	3 3/4
16 — 23	3 1/2	3 3/8
24 — 31	3 3/8	3 3/8
Apr. 1 — 7	3 1/2	3 1/2
8 — 15	3 1/8	3 1/4
16 — 23	3	3 1/8
24 — 30	3	4 1/8

¹⁾ Rates for day-to-day loans are not fixed or quoted officially. The rates here published have been ascertained from Frankfurt banks. They may be considered to be representative.

4) Debtor and Creditor Interest Rates since the Currency Reform

a) Maximum Debtor Interest Rates *)

% per annum

Applicable as from:	Central Bank Discount Rate	Central Bank Rate for advances on securities	Charges for credits in current account ¹⁾		Charges for acceptance credits	Charges for discount credits ²⁾ , items amounting to			
			Approved credits	Overdrafts		DM 20,000 or above	DM 5,000 to under DM 20,000	DM 1,000 to under DM 5,000	under DM 1,000
1948 July 1	5	6	9	10 1/2	8	6 1/2	7	7 1/2	8
1948 Sep. 1			9 1/2	11	8 1/2—9 1/2	7	7 1/2	8	8 1/2
1948 Dec. 15			9	10 1/2	8 — 9	6 1/2	7	7 1/2	8
1949 May 27	4 1/2	5 1/2	9	10 1/2	7 1/2—8 1/2 ³⁾	6	6 1/2	7	7 1/2 ⁴⁾
1949 July 14	4	5	8 1/2	10		8	8 1/2	9	9
1950 Oct. 27	6	7	10 1/2	12		9 1/2	10	11	12
1952 May 29	5	6	9 1/2	11		8 1/2	9	10	11
1952 Aug. 21	4 1/2	5 1/2	9	10 1/2		7	7 1/2	8	8 1/2
1953 Jan. 8	4	5	8 1/2	10		7 1/2	8	9	10
1953 June 11	3 1/2	4 1/2	8	9 1/2		6 1/2	7	8	9
1954 May 20	3	4	8	9 1/2		5 1/2	6	7	8
1954 July 1			7 3/4	9 1/4		5	6	7	8
1955 Aug. 4	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	6 1/2
1956 Mar. 8	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	7 1/2
1956 May 19	5 1/2	6 1/2	10	11 1/2	9	7 1/2	8	8 1/2	8 1/2
1956 Sep. 6	5	6	9 1/2	11	8 1/2	7	7 1/2	8	8
1957 Jan. 11	4 1/2	5 1/2	9	10 1/2	8	6 1/2	7	7 1/2	7 1/2
1957 Sep. 19	4	5	8 1/2	10	7 1/2	6	6 1/2	7	7
1958 Jan. 17	3 1/2	4 1/2	8	9 1/2	7	5 1/2	6	6 1/2	6 1/2

*) Official rates for credits to non-banks, which may only be exceeded in exceptional cases. The interest rates here quoted were compiled on the basis of announcements by the Hessian Bank Supervisory Authority; in most of the other Federal Länder equal rates apply. They are to be understood as including credit, acceptance, or discount commissions, but excluding turnover commission. — ¹⁾ According to Art. 2 of the Debtor Interest Agreement, interest may only be charged for credits actually taken. Credit commission may however be computed in advance from credits firmly approved or, in the case of tacitly granted credit, from the highest balance. Hence, in individual cases total charges for credits may deviate from total charges as quoted above. — ²⁾ Not including domicile commission. — ³⁾ From 1 Sep. 1949 to 26 Oct. 1950 = 7 1/2%. — ⁴⁾ From 1 Sep. 1949 to 26 Oct. 1950 = 7%. —

b) Maximum Creditor Interest Rates *)

% per annum

Applicable as from:	Monies payable on demand		Savings deposits		Monies at notice ¹⁾ of				Monies placed for fixed periods ¹⁾ of				Postal savings deposits	
	on accounts free of commission	on accounts subject to commission	with legal period of notice	with agreed period of notice of	1 to less than 3 months	3 to less than 6 months	6 to less than 12 months ²⁾	12 months and over ²⁾	30 to 89 days	90 to 179 days	180 to 359 days	360 days and over		
1948 Sep. 1	1	2	2 1/2	3	4	2 1/4	2 3/4	3	3 3/4	2 1/4	2 3/4	3	3 3/4	2 ³⁾
1949 Sep. 1	1	1 1/2	2 1/2	3	4	2 1/4	2 1/2	2 7/8	3 3/4	2 1/4	2 1/2	2 3/4	3 1/2	2 1/4
1950 July 1	1	1 1/2	2 1/2	3	4	2 1/4	2 1/2	2 7/8	3 3/4	2 1/4	2 1/2	2 3/4	3 1/2	2 1/4
1950 Dec. 1	1	1 1/2	3	3 1/2	4 1/2	3 1/2	3 3/8	4 3/8	4 3/4	3 1/2	3 3/8	4 1/4	4 5/8	2 1/4 ⁴⁾
1952 Sep. 1	1	1 1/2	3	3 1/2	4 1/2	3	3 3/8	3 7/8	4 1/4	3	3 3/8	3 3/4	4 1/8	2 3/4
1953 Feb. 1	1	1 1/2	3	3 1/2	4 1/2	2 1/2	2 7/8	3 3/8	3 3/4	2 1/2	2 7/8	3 1/4	3 3/8	2 3/4
1953 July 1	3/4	1 1/4	3	3 1/2	4 1/4	2 1/4	2 3/8	3 1/8	3 1/2	2 1/4	2 3/8	3	3 3/8	2 3/4
1954 July 1	1/2	1	3	3 1/4	4	2	2 3/8	2 7/8	3 1/4	2	2 3/8	2 3/4	3 1/8	2 3/4
1955 Aug. 4	3/4	1 1/4	3	3 1/2	4	2 3/8	2 3/4	3 1/4	3 3/4	2 3/8	2 3/4	3 1/8	3 3/8	2 3/4
1956 Mar. 16	1	1 1/2	3	4	5	3 3/8	3 3/4	4 1/4	4 5/8	3 3/8	3 3/4	4 1/8	4 3/8	2 3/4
1956 May 19	1 1/2	2	3 1/2	4 1/2	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	2 3/4 ⁵⁾
1956 Oct. 1	1 1/4	1 3/4	3 1/2	4 1/2	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	4 1/4	4 3/4	5 1/4	5 1/2	3 1/4
1957 Feb. 1	1	1 1/2	3 1/2	4 1/2	5 1/2	3 3/4	4 1/4	4 3/4	5 1/4	3 3/4	4 1/4	4 3/4	5 1/4	3 1/4 ⁶⁾
1957 Oct. 17	3/4	1 1/4	3 1/2	4 1/4	5 1/4	3 3/8	4 1/4	4 3/4	5 1/4	3 3/4	4 1/4	4 3/4	5 1/4	3 1/4 ⁶⁾
1958 Feb. 10	1/2	1	3 1/4	4	5	2 7/8	3	3 3/4	4 1/2	2 7/8	3	3 3/4	4 1/2	3 1/4

*) Official rates for deposits of non-banks, which may only be exceeded in exceptional cases. The rates here quoted were compiled on the basis of announcements by the Hessian Bank Supervisory Authority; in most of the other Federal Länder equal rates apply. — ¹⁾ For larger amounts deposited (DM 50,000.— or more and DM 1 million or more, respectively) higher rates of interest are paid. — ²⁾ In so far as monies at notice of 6 months and over carry higher rates of interest than monies placed for corresponding fixed periods, the rates quoted may be granted only where the customer does not take advantage of the right to demand repayment, in the case of monies at notice of 6 to less than 12 months for at least three months, and in the case of monies at notice of 12 months and over for at least six months, in each case from the date of the agreement. Otherwise only the rates for monies placed for fixed periods may be granted. — ³⁾ As from 1 July 1949 = 2 1/4%. — ⁴⁾ As from 1 Jan. 1951 = 2 3/4%. — ⁵⁾ As from 1 July 1956 = 3 1/4%. — ⁶⁾ As from 1 May 1957 = 3 1/2%. —

5) Average Prices and Yields*) of Fixed-interest-bearing Securities

Securities issued after Currency Reform; area of the Federal Republic including Berlin (West)

P = weighted average price; Y = average yield

Period	Mortgage bonds				Communal bonds				Industrial bonds				Public loans									
	tax-free		fully taxed		tax-free		fully taxed		30 ^{0/0} C.Y.T. ¹⁾		fully taxed		tax-free		fully taxed							
	5 ^{0/0}	5 1/2 ^{0/0}	7 1/2 ^{0/0}	7 1/2 ^{0/0}	5 ^{0/0}	5 1/2 ^{0/0}	7 1/2 ^{0/0}	7 1/2 ^{0/0}	7 1/2 ^{0/0}	8 ^{0/0}	8 ^{0/0}	8 ^{0/0}	8 ^{0/0}	5 ^{0/0}	5 1/2 ^{0/0}	5 ^{0/0}	5 1/2 ^{0/0}					
	P	Y ²⁾	P	Y ²⁾	P	Y ²⁾	P	Y ²⁾	P	Y ²⁾	P	Y ²⁾	P	Y ²⁾	P	Y ²⁾	P	Y ²⁾				
1956 January	100.3	5.0	101.8	5.4	•	•	100.6	5.0	101.2	5.4	•	•	98.0	5.7	102.2	5.5	•	•	99.4	5.2	100.1	5.5
1956 February	100.1	5.0	101.6	5.4	•	•	100.2	5.0	101.1	5.4	•	•	97.5	5.8	101.8	5.6	•	•	99.4	5.2	99.8	5.5
1956 March	100.0	5.0	101.5	5.4	•	•	99.8	5.0	100.9	5.4	•	•	96.7	5.9	101.5	5.6	•	•	99.2	5.2	99.7	5.5
1956 April	99.8	5.0	101.4	5.4	•	•	99.6	5.0	100.9	5.4	•	•	96.9	5.9	101.9	5.6	•	•	99.5	5.2	99.6	5.5
1956 May	98.7	5.1	100.8	5.4	•	•	98.9	5.1	100.4	5.5	•	•	95.2	6.2	100.4	5.8	•	•	99.3	5.2	98.5	5.7
1956 June	96.2	5.2	99.3	5.5	•	•	97.0	5.2	99.3	5.6	•	•	94.6	6.2	99.5	6.0	•	•	98.3	5.6	96.5	5.9
1956 July	95.6	5.3	98.9	5.6	•	•	96.5	5.2	98.8	5.6	•	•	95.4	6.1	99.9	5.9	•	•	98.2	5.6	96.5	5.9
1956 August	94.7	5.3	98.0	5.6	•	•	95.7	5.3	98.1	5.6	•	•	93.4	6.5	98.2	6.2	98.1	8.3	98.2	5.7	95.6	6.0
1956 September	94.0	5.4	97.6	5.7	•	•	94.6	5.3	97.5	5.7	•	•	93.7	6.4	97.6	6.3	98.9	8.1	98.1	5.7	95.6	6.0
1956 October	94.0	5.4	97.8	5.6	•	•	94.5	5.3	97.3	5.7	•	•	94.3	6.3	99.0	6.0	101.0	7.9	98.5	5.5	95.7	6.0
1956 November	93.5	5.4	97.6	5.7	•	•	94.3	5.4	97.0	5.7	•	•	92.7	6.6	97.6	6.3	99.6	8.1	98.5	5.5	95.1	6.1
1956 December	92.8	5.4	96.6	5.7	•	•	93.8	5.4	96.3	5.8	•	•	90.6	6.9	96.6	6.4	99.6	8.1	98.4	5.7	94.2	6.2
1957 January	92.0	5.5	95.5	5.8	•	•	92.8	5.5	95.7	5.8	•	•	91.5	6.9	97.8	6.3	99.4	8.1	98.8	5.5	94.9	6.1
1957 February	90.5	5.6	93.8	5.9	•	•	91.4	5.5	94.2	5.9	•	•	90.3	7.1	97.1	6.4	99.1	8.1	98.2	5.8	93.9	6.2
1957 March	90.0	5.6	92.9	6.0	•	•	90.9	5.6	93.6	6.0	•	•	90.5	7.1	97.3	6.4	99.0	8.1	98.1	5.8	94.1	6.2
1957 April	89.0	5.7	92.0	6.0	•	•	90.0	5.6	92.1	6.1	•	•	90.9	7.0	97.8	6.3	99.3	8.1	98.3	5.8	94.1	6.2
1957 May	89.1	5.7	92.3	6.0	•	•	89.9	5.7	92.4	6.1	•	•	92.4	6.7	98.4	6.2	100.0	8.0	98.6	5.6	94.8	6.1
1957 June	89.3	5.7	92.7	6.0	•	•	89.9	5.7	92.7	6.1	•	•	93.0	6.6	98.6	6.2	99.9	8.0	98.9	5.6	96.5	5.9
1957 July	89.0	5.7	92.6	6.0	•	•	89.9	5.7	92.7	6.1	•	•	93.9	6.5	99.5	6.0	100.9	7.9	99.2	5.4	97.6	5.8
1957 August	90.0	5.6	94.2	5.9	95.0	8.0	90.4	5.6	94.1	6.0	•	•	95.8	6.2	100.6	5.8	101.9	7.8	99.4	5.3	98.9	5.6
1957 September	91.2	5.5	95.5	5.8	95.3	8.0	92.0	5.5	95.5	5.8	95.0	8.0	96.1	6.1	100.6	5.8	102.3	7.7	99.7	5.2	99.0	5.6
1957 October	92.7	5.4	96.7	5.7	95.8	7.9	92.8	5.4	96.7	5.8	96.1	8.0	96.8	6.0	101.1	5.7	101.4	7.8	99.8	5.1	99.8	5.5
1957 November	93.1	5.4	97.2	5.7	96.1	7.9	93.1	5.4	97.2	5.7	96.8	7.9	97.3	5.9	101.4	5.7	101.8	7.8	99.9	5.0	100.3	5.5
1957 December	93.2	5.4	97.5	5.7	96.5	7.8	93.4	5.4	97.4	5.7	96.9	7.9	97.6	5.8	101.4	5.7	101.3	7.8	99.0	5.4	100.3	5.5
1958 January	95.0	5.3	98.9	5.6	97.8	7.7	94.7	5.3	99.3	5.6	97.7	7.7	99.8	5.5	102.7	5.5	102.8	7.6	100.3	4.9	100.7	5.4
1958 February	96.2	5.2	99.9	5.5	99.1	7.6	96.1	5.2	99.7	5.5	98.9	7.6	101.0	5.3	103.2	5.4	103.3	7.6	100.5	4.8	101.3	5.3
1958 March	97.4	5.1	100.4	5.5	99.7	7.5	97.4	5.2	100.1	5.5	99.5	7.5	101.4	5.2	103.3	5.4	103.1	7.6	100.6	4.8	101.4	5.3

*) On computation the period to maturity was taken into account. — ¹⁾ Before computing the yield, the capital yield tax was deducted from nominal interest. — ²⁾ Tax-free. — ³⁾ Before tax. —

VI. Placings of Securities

1) Placings of Securities since Currency Reform*)

in millions of DM

Period	Fixed-interest-bearing securities							Shares	Total of fixed-interest-bearing securities and shares
	Mortgage bonds (including ship mortgage bonds)	Communal bonds	Bonds of specialised credit institutions	Industrial bonds	Other bonds	Public loans	Total		
Annual Placings									
1948 2nd half	6.3	2.3	—	10.0	—	—	18.6	0.5	19.1
1949	201.1	33.0	19.9	95.7	—	420.4 ¹⁾	770.1	41.3	811.4
1950	210.7	99.2	96.2 ²⁾	53.2	0.1	217.1 ¹⁾	676.5	51.2	727.7
1951	468.0	158.9	1.9	61.7	—	56.9	747.4	164.7	912.1
1952	628.1	161.3	219.8 ³⁾	130.3	—	418.2	1,557.7	259.3	1,817.0
1953	1,043.4	429.4	224.6	396.2	33.8	774.5	2,901.9	268.7	3,170.6
1954 ³⁾	2,238.8	1,001.4	64.9	791.5	4.2	590.2	4,691.0	453.0	5,144.0
1955	1,381.7	1,026.1	257.7	432.0	0.0	583.2	3,680.7	1,554.8	5,235.5
1956	1,038.2	616.1	14.2	563.7	0.0	332.0 ²⁾	2,564.2	1,837.5	4,401.7
1957	1,161.1	1,125.2	265.2	931.1	10.0	690.9	4,183.5	1,631.7	5,815.2
2nd half of 1948 to end of 1957	8,377.4	4,652.9	1,164.4	3,465.4	48.1	4,083.4	21,791.6	6,262.7	28,054.3
thereof: allocation to creditors under the Investment Assistance scheme									
1953	—	37.6	13.1	98.1	—	51.0	199.8	. . .	. . .
1954	—	3.7	—	385.1	—	—	388.8	. . .	. . .
1955	8.2	122.7	171.8	285.2	—	—	587.9	. . .	. . .
1956	—	—	1.2	—	—	—	1.2	. . .	. . .
Monthly Placings									
1957 January	117.4	21.8	30.7	86.1	—	143.4	399.4	168.3	567.7
February	59.1	28.4	11.1	45.4	—	33.7	177.7	56.7	234.4
March	61.0	81.4	2.6	99.3	0.0	15.6	259.9	130.1	390.0
April	80.1	67.9	2.5	25.9	—	19.6	196.0	31.9	227.9
May	75.9	72.2	31.7	67.4	—	20.7	267.9	46.5	314.4
June	40.5	60.0	5.2	86.6	—	52.7	245.0	271.8	516.8
July	98.3	80.0	41.9	119.1	—	72.1	411.4	347.7	759.1
August	82.0	109.0	46.2	94.6	0.0	27.7	359.5	249.6	609.1
September	150.6	159.7	3.6	104.7	—	25.0	443.6	76.4	520.0
October	154.8	161.9	10.0	94.0	—	99.5	520.2	98.0	618.2
November	129.1	157.4	57.0	55.5	0.0	96.8	495.8	76.0	571.8
December	112.3	125.5	22.7	52.5	10.0	84.1	407.1	78.7	485.8
1958 January	186.5	167.1	3.3	105.9	—	171.8	634.6	116.0	750.6
February	158.1	294.8	6.3	202.0	—	86.8	748.0	149.5	897.5
March	135.8	247.6	22.5	193.9	—	72.5	672.3	12.2	684.5
April	110.0	254.3	148.1	60.9	—	251.4	824.7	177.7	1,002.4

*) Only initial placings of newly issued securities, no account being taken of amounts redeemed or repurchased; where securities are not fully paid by the buyer, only the portion paid is considered as having been placed.

¹⁾ Of these amounts, DM 250 million in 1949 and DM 160 million in 1950 of the Railways Loan, as well as DM 60 million in 1950 and DM 200 million in 1952 of the 5½% Loan of the Reconstruction Loan Corporation, were taken over by certain large-scale subscribers. — ²⁾ Including DM 130 million Bavarian (5½%) 7% Funding Loan of 1955 taken over in exchange for 8% Treasury Bonds called for redemption. — ³⁾ As from July 1954 including Berlin (West).

2) Direct Initial Placings¹⁾ of Fixed-interest-bearing Securities

by Categories of Buyers²⁾

Area of the Federal Republic³⁾ (in per cent of the placings for which distribution is known)

Period	Mortgage bonds ³⁾			Communal bonds			Industrial bonds			Total			Distribution known for . . . per cent of the total placings
	with public authorities	with credit institutions ⁴⁾	with other business enterprises	with private buyers	with public authorities	with credit institutions ⁴⁾	with other business enterprises	with private buyers	with public authorities	with credit institutions ⁴⁾	with other business enterprises	with private buyers	
1952	75	17	8	82	15	3	9	57	34	69	21	10	90
1953	46	43	11	51	45	4	16	69	15	40	50	10	94
1954	31	49	11	22	57	16	5	6	20	67	24	46	7
1955	24	64	6	6	24	12	2	9	21	70	0	21	57
1956	54	32	7	7	70	8	1	2	38	13	47	45	30
1957	21	69	4	6	27	64	5	4	3	32	16	49	17
1957 Jan.	12	71	4	13	20	66	3	11	2	31	18	49	9
Feb.	3	90	2	5	1	94	3	2	0	34	18	48	2
March	8	79	5	8	33	57	5	5	3	32	17	48	14
April	9	83	7	1	13	78	4	5	3	31	15	51	10
May	28	69	2	1	23	61	11	5	2	29	16	53	18
June	26	70	2	2	49	39	9	3	3	38	12	47	23
July	32	61	3	4	32	55	10	3	3	32	12	53	21
Aug.	37	59	2	2	35	57	5	3	3	39	14	44	25
Sep.	13	78	3	6	27	70	1	2	5	36	16	43	16
Oct.	23	66	3	8	18	75	5	2	2	28	15	55	16
Nov.	26	62	4	8	27	67	4	2	5	21	24	50	23
Dec.	25	56	8	11	27	57	9	7	5	29	25	41	22
1958 Jan.	22	68	2	8	15	78	5	2	5	33	25	37	16
Feb.	26	67	3	4	18	76	5	1	2	32	21	45	15
March	32	56	5	7	18	79	2	1	3	32	16	49	16
April p)	21	66	4	9	15	81	3	1	4	30	13	53	16

¹⁾ Indirect initial placings through credit institutions are not ascertained. — ²⁾ As far as ascertainable. — ³⁾ Including ship mortgage bonds. — ⁴⁾ Including indirect initial placings with private takers, business enterprises and public authorities. — ⁵⁾ As from July 1954, including Berlin (West). — p) Provisional.

VII. Foreign Trade and the Balance of Payments

1) Figures relating to the Exchange Position and the Balance of Payments^{p)} in millions of DM

Period	I. Movement of gold and exchange					II. Balance of transactions in goods, services, donations and capital								III. Errors and omissions (I. less II.)	
	Gold and foreign exchange accruals or losses at the Deutsche Bundesbank ¹⁾	Change in exchange position of the other banks			Net movement of gold and exchange (payments surpluses or deficits with foreign countries)	Net transactions in goods and services ²⁾				Net donations and capital transactions					
		Total	Change in credit balances with foreign banks (including money market investments)	Change in DM liabilities to foreign countries ²⁾		Total	Balance of trade ⁴⁾	Services		Total	Donations (mainly in-demnification)	Capital transactions			Net balance of transactions in goods, services, donations and capital
								Services excluding investment income ^{5) 6)}	Investment income ⁵⁾			Capital transactions excl. documentary and cash credits taken	Documentary and cash credits taken ⁷⁾		
1954	+2,781	- 58	+ 8	- 66	+2,723	+3,982	+2,698	+1,784	- 500	- 843	- 389	- 669	+ 215	+3,139	- 416
1955	+1,861	+ 60	+ 40	+ 20	+1,921	+2,945	+1,245	+2,308	- 608	-1,249	- 814	- 511	+ 76	+1,696	+ 225
1956	+5,095	- 425	+ 40	- 465	+4,670	+5,499	+2,897	+3,040	- 438	-1,462	-1,104	- 743	+ 385	+4,037	+ 633
1957	+5,126	+ 65	+ 413	- 348	-5,191	+7,705	+4,271	+3,802	- 368	-4,195	-1,650	-2,688	+ 143	+3,510	+1,681
1956 1st Qtr.	+ 606	+ 80	+ 1	+ 79	+ 686	+ 958	+ 413	+ 647	- 102	- 381	- 228	- 174	+ 21	+ 577	+ 109
2nd Qtr.	+1,547	- 272	+ 0	- 272	+1,275	+1,447	+ 992	+ 575	- 120	- 259	- 261	- 173	+ 175	+1,188	+ 87
3rd Qtr.	+1,709	- 159	+ 39	- 198	+1,550	+1,231	+ 532	+ 846	- 147	- 285	- 297	- 70	+ 82	+ 946	+ 604
4th Qtr.	+1,233	- 74	+ 0	- 74	+1,159	+1,863	+ 960	+ 972	- 69	- 537	- 318	- 326	+ 107	+1,326	+ 167
1957 1st Qtr.	+ 829	+ 84	- 68	+ 152	+ 913	+1,571	+ 718	+ 950	- 97	-1,053	- 344	- 855	+ 146	+ 518	- 395
2nd Qtr.	+1,459	+ 11	+ 34	- 23	+1,470	+2,046	+1,203	+ 958	- 115	-1,260	- 423	- 755	- 82	+ 786	+ 684
3rd Qtr.	+3,421	- 820	- 34	- 786	+2,601	+1,947	+1,093	+ 960	- 106	- 759	- 464	- 370	+ 75	+1,188	+1,413
4th Qtr.	- 583	+ 790	+ 481	+ 309	+ 207	+2,141	+1,257	+ 934	- 50	-1,123	- 419	- 708	+ 4	+1,018	- 811
1958 1st Qtr.	- 70	+ 482	+ 203	+ 279	+ 412	+1,741	+ 916	+ 922	- 97	-1,417	- 476	- 815	- 126	+ 324	+ 88
1957 July	+ 858	- 269	- 29	- 240	+ 589	+ 568	+ 344	+ 306	- 82	- 261	- 157	- 105	+ 1	+ 307	+ 282
Aug.	+1,459	- 449	- 12	- 437	+1,010	+ 807	+ 490	+ 333	- 16	- 224	- 185	- 51	+ 12	+ 583	+ 427
Sep.	+1,104	- 102	+ 7	- 109	+1,002	+ 572	+ 259	+ 321	- 8	- 274	- 122	- 214	+ 62	+ 298	+ 704
Oct.	+ 75	+ 259	+ 45	+ 214	+ 334	+ 634	+ 354	+ 292	- 12	- 145	- 116	- 126	+ 97	+ 489	- 155
Nov.	- 286	+ 502	+ 253	+ 249	+ 216	+ 723	+ 410	+ 331	- 18	- 409	- 158	- 231	- 20	+ 314	- 98
Dec.	- 372	+ 29	+ 183	- 154	- 343	+ 784	+ 493	+ 311	- 20	- 569	- 145	- 351	- 73	+ 215	- 558
1958 Jan.	- 75	+ 283	+ 79	+ 204	+ 208	+ 118	- 113	+ 272	- 41	- 358	- 161	- 90	- 107	- 240	+ 448
Feb.	- 207	+ 120	+ 76	+ 44	- 87	+ 840	+ 545	+ 308	- 13	- 648	- 153	- 495	+ 0	+ 192	+ 279
March	+ 212	+ 79	+ 48	+ 31	+ 291	+ 783	+ 484	+ 342	- 43	- 411	- 162	- 230	- 19	+ 372	- 81

¹⁾ Up to 31 July 1957: Bank deutscher Länder. — ²⁾ Increase in liabilities —, decrease +. — ³⁾ By contrast with our other balance of payments publications, exports of ships' and aircraft's fuel and other supplies are not shown here under services, whereas the net balance of merchanting trade and other additions concerning trade in goods are included under services. — ⁴⁾ Special trade according to official foreign trade statistics: imports c. i. f., exports f. o. b.; cf. footnote ³⁾. — ⁵⁾ Net. — ⁶⁾ Including receipts from goods delivered and services rendered to foreign troops. — ⁷⁾ Up to 1956 by banks only, from 1957 onwards by banks and other business enterprises. — ^{p)} 1957 and 1958 provisional.

2) Gold and Foreign Exchange Holdings of the Deutsche Bundesbank^{1) 2)} in millions of DM

Items	31 December						31 March 1958
	1952 ³⁾	1953 ³⁾	1954	1955	1956	1957	
Gold and foreign exchange holdings (net)	4,637	8,174	10,945	12,806	17,901	23,027	22,957
of which:							
Gold holdings	587	1,367	2,628	3,862	6,275	10,674	10,333
Credit balances (net) ⁴⁾ with:							
Non-Agreement Countries ⁵⁾	2,087	3,543	5,451	5,788	7,426	6,956	7,064
E.P.U. Area	1,177	2,369	2,330	2,605	3,888	5,167	5,277
thereof: credit balances with E.P.U. ⁶⁾	1,061	1,782	2,054	2,187	2,890	4,242	4,202 ⁷⁾
Agreement countries outside the E.P.U. Area	786	895	536	551	312	230	283

¹⁾ Up to 31 July 1957: Bank deutscher Länder. — ²⁾ Not fully comparable with the balance-sheet items in the return of the Deutsche Bundesbank, which refer to foreign business. — ³⁾ Including certain long-term claims and liabilities such as, e.g., consolidated clearing debts, changes in which were not attributed to net foreign exchange movements but to net capital movements. — ⁴⁾ Credit balances and liabilities on foreign exchange and DM agreement accounts, DM accounts of free and limited convertibility and on liberalised capital accounts. — ⁵⁾ Including U.S. dollar balances in other countries. — ⁶⁾ Not taking into account the latest E.P.U. settlement in each case. — ⁷⁾ Including special accommodation accorded to E.P.U. by the German Federal Republic in connection with the special E.P.U. credit granted to France.

3) DM Liabilities of Credit Institutions towards Non-Residents¹⁾ in millions of DM

Group of Accounts	31 Dec. 1954	31 Dec. 1955	31 Dec. 1956	31 March 1957	30 June 1957	30 Sep. 1957	31 Dec. 1957	31 March 1958
DM Agreement Accounts	361	376	531	382	365	851	649	389
Freely Convertible DM Accounts	22	50	74	92	190	226	180	576
DM Accounts of Limited Convertibility	219	294	506	467	422	671	518	117
Liberalised Capital Accounts and Blocked DM Accounts ²⁾	545	407	481	499	486	501	593	579
Total	1,147	1,127	1,592	1,440	1,463	2,249	1,940	1,661

¹⁾ After deduction of debit balances on foreigners' DM accounts. — ²⁾ As from 30 September 1954 only time deposits, and monies at notice, in blocked DM, which until the expiry of the periods provided continue to be conducted as blocked DM accounts.

4) Balance of Payments of the German Federal Republic*) and Berlin (West)
during the Years 1950 to 1957 p)

in millions of DM

Period	A. Balance of Transactions in Goods, Services, Donations and Capital ¹⁾															B. Net balance of transactions in goods, services, donations and capital	C. Net movement of gold and exchange (increase —, decrease +) ¹⁾	Errors and omissions (calculated as residue) ⁶⁾
	I. Goods and services								II. Donations (by foreigners +, by Germans —)				III. Capital transactions (foreigners' payments +, German payments —)					
	Trade in goods				Services				Foreign aid	In-demi-nification	Net total for other donations	Net total for all donations	Net total for medium and long-term capital transactions	Net total for short-term capital transactions	Net total for all capital transactions			
	Exports (f.o.b.) ²⁾	Imports (f.o.b.) ²⁾	Balance of sales and purchases in merchanting trade	Net total for goods	Receipts ³⁾	Expenditure ⁴⁾	Net total for services	Net total for goods and services										
All Countries ⁷⁾																		
1950	8,356	10,670	.	-2,314	937	1,119	- 182	-2,496	+2,062	.	+ 24	+2,086	+ 458	—	+ 458	+ 48	+ 304	- 352
1951	14,577	13,084	.	+1,493	1,739	2,467	- 728	+ 765	+1,798	.	- 7	+1,791	- 149	.	- 149	+2,407	-2,020	- 387
1952	16,894	14,732	.	+2,162	2,957	2,784	+ 173	+2,335	+ 481	- 14	- 15	+ 452	- 408	- 161	- 569	+2,218	-2,429	+ 211
1953	18,477	14,848	+ 23	+3,652	3,759	3,282	+ 477	+4,129	+ 265	- 193	- 125	- 53	- 414	+ 170	- 244	+3,832	-3,594	- 238
1954	21,938	18,046	+ 32	+3,924	4,721	4,663	+ 58	+3,982	+ 291	- 508	- 172	- 389	- 717	+ 263	- 454	+3,139	-2,723	- 416
1955	25,580	22,339	+ 61	+3,302	5,944	6,301	- 357	+2,945	+ 130	- 718	- 226	- 814	- 517	+ 82	- 435	+1,696	-1,921	+ 235
1956	30,712	25,075	+ 62	+5,699	7,411	7,611	- 200	+5,499	+ 130	-1,011	- 223	-1,104	- 540	+ 182	- 358	+4,037	-4,670	+ 633
1957	35,831	28,353	+ 97	+7,575	9,358	9,228	+ 130	+7,705	+ 70	-1,498	- 222	-1,650	- 710	-1,835	-2,545	+3,510	-5,191	+1,681
1955 1st Half	12,040	10,490	+ 25	+1,575	2,788	2,809	- 21	+1,554	+ 57	- 308	- 125	- 376	- 279	+ 21	- 258	+ 920	-1,123	+ 203
1955 2nd Half	13,540	11,849	+ 36	+1,727	3,156	3,492	- 336	+1,391	+ 73	- 410	- 101	- 438	- 238	+ 61	- 177	+ 776	- 798	+ 22
1956 1st Half	14,416	11,778	+ 19	+2,657	3,247	3,499	- 252	+2,405	+ 64	- 445	- 108	- 489	- 321	+ 170	- 151	+1,765	-1,961	+ 196
1956 2nd Half	16,296	13,297	+ 43	+3,042	4,164	4,112	+ 52	+3,094	+ 66	- 566	- 115	- 615	- 219	+ 12	- 207	+2,272	-2,709	+ 437
1957 1st Half	17,190	13,594	+ 44	+3,640	4,453	4,476	- 23	+3,617	+ 29	- 692	- 104	- 767	- 256	-1,290	-1,546	+1,304	-2,383	+1,079
1957 2nd Half	18,641	14,759	+ 53	+3,935	4,905	4,752	+ 153	+4,088	+ 41	- 806	- 118	- 883	- 454	- 545	- 999	+2,206	-2,808	+ 602
E. P. U. Area ⁷⁾																		
1950	6,335	7,746	.	-1,411	516	720	- 204	-1,615	+ 48	.	- 0	+ 48	+ 458	—	+ 458	-1,109	+1,230	- 121
1951	10,977	8,572	.	+2,405	1,036	1,345	- 309	+2,096	+ 0	.	+ 5	+ 5	- 149	.	- 149	+1,952	-1,673	- 279
1952	12,587	10,172	.	+2,415	1,503	2,064	- 561	+1,854	—	.	- 4	- 4	- 281	- 161	- 442	+1,408	-1,191	- 217
1953	13,598	10,751	- 37	+2,810	1,842	2,453	- 611	+2,199	—	.	- 96	- 96	- 194	+ 160	- 34	+2,069	-2,016	- 53
1954	16,150	12,680	+ 83	+3,553	2,431	3,238	- 807	+2,746	—	- 64	- 181	- 245	- 301	+ 139	- 162	+2,339	-1,966	- 373
1955	18,970	15,484	+ 80	+3,566	3,125	4,254	-1,129	+2,437	—	- 90	- 209	- 299	- 222	- 0	- 222	+1,916	-1,780	- 136
1956	22,601	16,414	+ 94	+6,281	3,814	5,202	-1,388	+4,893	—	- 176	- 208	- 384	- 197	+ 229	+ 32	+4,541	-4,816	+ 275
1957	25,991	17,874	+ 216	+8,333	4,726	6,298	-1,572	+6,761	—	- 349	- 207	- 556	+ 111	- 629	+ 518	+5,687	-7,164	+1,477
1955 1st Half	9,015	7,310	+ 41	+1,746	1,466	1,919	- 453	+1,293	—	- 32	- 105	- 137	- 40	- 20	- 60	+1,096	-1,109	+ 13
1955 2nd Half	9,955	8,174	+ 39	+1,820	1,659	2,335	- 676	+1,144	—	- 58	- 104	- 162	- 182	+ 20	- 162	+ 820	- 671	- 149
1956 1st Half	10,640	7,773	+ 25	+2,892	1,687	2,340	- 653	+2,239	—	- 58	- 100	- 158	- 89	+ 66	- 23	+2,058	-1,922	- 136
1956 2nd Half	11,961	8,641	+ 69	+3,389	2,127	2,862	- 735	+2,654	—	- 118	- 108	- 226	- 108	+ 163	+ 55	+2,483	-2,894	+ 411
1957 1st Half	12,672	8,373	+ 104	+4,403	2,238	2,995	- 757	+3,646	—	- 158	- 100	- 258	+ 173	- 600	- 427	+2,961	-3,629	+ 668
1957 2nd Half	13,319	9,501	+ 112	+3,930	2,488	3,303	- 815	+3,115	—	- 191	- 107	- 298	- 62	- 29	- 91	+2,726	-3,535	+ 809
Agreement Countries outside the E. P. U. Area ⁸⁾																		
1950	1,003	756	.	+ 247	50	88	- 38	+ 209	—	.	- 0	- 0	.	.	.	+ 209	- 59	- 150
1951	2,197	1,821	.	+ 376	145	261	- 116	+ 260	—	.	- 0	- 0	.	.	.	+ 260	+ 149	- 409
1952	2,696	2,021	.	+ 675	222	305	- 83	+ 592	—	.	- 0	- 0	- 10	.	- 10	+ 582	- 854	+ 272
1953	2,645	1,972	+ 34	+ 707	254	341	- 87	+ 620	—	.	- 0	- 0	- 15	- 0	- 15	+ 605	- 385	- 220
1954	2,756	2,605	- 132	+ 19	381	469	- 88	- 69	—	- 11	- 1	- 12	- 55	- 10	- 65	- 146	+ 224	- 78
1955	2,691	2,492	- 53	+ 146	472	592	- 120	+ 26	—	- 23	- 3	- 26	- 81	- 7	- 88	- 88	- 124	+ 212
1956	3,148	2,836	+ 1	+ 313	516	673	- 157	+ 156	—	- 41	- 8	- 49	- 100	- 24	- 124	- 17	+ 94	- 77
1957	3,726	2,795	+ 34	+ 915	622	718	- 96	+ 869	—	- 75	- 13	- 88	- 244	- 30	- 274	+ 507	- 5	- 502
1955 1st Half	1,268	1,272	- 37	- 41	217	287	- 70	- 111	—	- 9	- 1	- 10	- 40	- 11	- 51	- 172	+ 4	+ 168
1955 2nd Half	1,423	1,220	- 16	+ 187	255	305	- 50	+ 137	—	- 14	- 2	- 16	- 41	+ 4	- 37	+ 84	- 128	+ 44
1956 1st Half	1,476	1,335	- 2	+ 139	239	331	- 92	+ 47	—	- 15	- 2	- 17	- 57	- 25	- 82	- 52	+ 9	+ 43
1956 2nd Half	1,672	1,501	+ 3	+ 174	277	342	- 65	+ 109	—	- 26	- 6	- 32	- 43	+ 1	- 42	+ 35	+ 85	- 120
1957 1st Half	1,786	1,344	+ 4	+ 446	314	349	- 35	+ 411	—	- 34	- 7	- 41	- 137	- 23	- 160	+ 210	- 37	- 173
1957 2nd Half	1,940	1,451	+ 30	+ 519	308	369	- 61	+ 458	—	- 41	- 6	- 47	- 107	- 7	- 114	+ 297	+ 32	- 329
Non-Agreement Countries (including International Monetary Fund, World Bank, and International Finance Corporation ⁸⁾)																		
1950	1,018	2,168	.	-1,150	371	311	+ 60	-1,090	+2,014	.	+ 24	+2,038	.	.	.	+ 948	- 867	- 81
1951	1,403	2,691	.	-1,288	558	861	- 303	-1,591	+1,798	.	- 12	+1,786	.	.	.	+ 195	- 496	+ 301
1952	1,611	2,539	.	- 928	1,232	415	+ 817	- 111	+ 481	- 14	- 11	+ 456	- 117	+ 0	- 117	+ 228	- 384	+ 156
1953	2,234	2,125	+ 26	+ 135	1,663	488	+1,175	+1,310	+ 265	- 193	- 29	+ 43	- 205	+ 10	- 195	+1,158	-1,193	+ 35
1954	3,032	2,761	+ 81	+ 352	1,909	956	+ 953	+1,305	+ 291	- 433	+ 10	- 132	- 361	+ 134	- 227	+ 946	- 981	+ 35
1955	3,919	4,363	+ 34	- 410	2,347	1,455	+ 892	+ 482	+ 130	- 605	- 14	- 489	- 214	+ 89	- 125	- 132	- 17	+ 149
1956	4,963	5,825	- 33	- 895	3,081	1,736	+1,345	+ 450	+ 130	- 794	- 7	- 671	- 243	- 23	- 266	- 487	+ 52	+ 435
1957	6,114	7,684	- 153	-1,723	4,010	2,212	+1,798	+ 75	+ 70	-1,074	- 2	-1,006	- 577	-1,176	-1,753	-2,684	+1,978	+ 706
1955 1st Half	1,757	1,908	+ 21	- 130	1,105	603	+ 502	+ 372	+ 57	- 267	- 19	- 229	- 199	+ 52	- 147	- 4	- 18	+ 22
1955 2nd Half	2,162	2,455	+ 13	- 280	1,242	852	+ 390	+ 110	+ 73	- 338	+ 5	- 260	- 15	+ 37	+ 22	- 128	+ 1	+ 127
1956 1st Half	2,300	2,670	- 4	- 374	1,321	828	+ 493	+ 119	+ 64	- 372	- 6	- 314	- 175	+ 129	- 46	- 241	- 48	+ 289
1956 2nd Half	2,663	3,155	- 29	- 521	1,760	908	+ 852	+ 331	+ 66	- 422	- 1	- 357	- 68	- 152	- 220	- 246	+ 100	+ 146
1957 1st Half	2,732	3,877	- 64	-1,209	1,901	1,132	+ 769	- 440	+ 29	- 500	+ 3	- 468	- 292	- 667	- 959	-1,867	+1,283	+ 584
1957 2nd Half	3,382	3,807	- 89	- 514	2,109	1,080	+1,029	+ 515	+ 41	- 574	- 5	- 538	- 285	- 509	- 794	- 817	+ 695	+ 122

*) Not including Saarland. — 1) Balance of transactions in goods, services, donations, and capital: as from 1954 including payments made into and received out of blocked DM accounts and liberalised capital accounts. Up to 1953, on the other hand, the transfers from blocked DM accounts were included as far as such transfers were ascertainable. Net movement of gold and exchange: as from 1954 including changes in blocked DM accounts and liberalised capital accounts. — 2) Special trade: exports to purchasing countries (for 1950 to consuming countries); imports from selling countries. Including additions such as exports and imports of electric current, but excluding proceeds from exports of ships' and aircraft's fuel and other supplies which have been included in receipts in respect of services. — 3) Including receipts in respect of goods delivered and services rendered to foreign armed forces. — 4) For 1950 and 1951 the freight and insurance costs on imports, paid to foreign countries, have been allocated, as in the c.i.f. import values, to the currency areas from which the imports in question came. From 1952 onwards, they have been attributed to the various currency areas, by means of an estimate, according to the currencies actually paid. — 5) Including advance payments for defence imports. — 6) Chiefly changes in the terms of payment. — 7) Including Saarland. — 8) Membership of the countries in "Agreement Countries outside the E. P. U. Area" and in "Non-Agreement Countries" according to the position in each period indicated. — p) For 1957 provisional figures.

