

## AUSTRIA-HUNGARY

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The finances of the dual empire were probably in worse condition at the outbreak of the war than were those of the other belligerents. For ten years the government had been facing deficits, owing primarily to the cost of armament, and had met these by borrowing. Consequently the debt was large and the credit of the country impaired.

When the war began the bank act, requiring a 40 per cent reserve to be held by the Imperial Austro-Hungarian Bank against its notes, was suspended (which meant a suspension of specie payments), the publication of the bank reports was prohibited, and a general moratorium proclaimed.<sup>1</sup> The note issues have since been greatly increased as the suspension of specie payments removed the check on inflation. By the end of 1917 they were \$3,400,000,000.<sup>2</sup> To procure funds to meet its immediate needs the government entered into an arrangement with the banks by which they were to advance money in return for Treasury bills, which they agreed to sell to the public on commission. No statement has been published as to the amount of these issues.

In November the first funded loan was issued. As in Germany, so also in Austria-Hungary these loans have followed a prearranged plan and have been issued at half yearly intervals every November and May. In contradistinction from the German policy, however, the proceeds of the loan were not used to repay the advances of the banks and to fund the outstanding Treasury bills, but were applied to the payment of contractors and other future needs, while the floating debt was renewed.<sup>3</sup>

<sup>1</sup> N. Federn, *Oesterreich-Ungarns Geld und Kreditwesen im Kriege*, 1914. In *Archiv für sozialwissenschaftl.*, Bd. 40, Heft 2.

<sup>2</sup> *The Chronicle*, Jan. 5, 1918, p. 18.

<sup>3</sup> O. Schneider, *loc. cit.*, p. 272.