

Currency Inflation in Germany

Tremendous Expansion of Note Circulation Since Before the War

The German Embassy, apparently embarking upon a new propaganda, has begun the issue of a "commercial bulletin," of which issue No. 1 has just been distributed. The New York Journal of Commerce discusses this bulletin in a recent issue, saying that it is remarked by way of preface that "the mail censorship and the confiscation of German newspapers have lately prevented American business men from keeping in touch with German business life." The new bulletin is intended to "obviate this difficulty," and undertakes to present "the essential facts and figures about German business life as transmitted from reliable Government and business sources." Those presented in the first issue are evidently designed to show that prices are high and business active in most lines and particularly in iron and steel, that the Reichsbank is in a strong and satisfactory position with an adequate stock of gold, above legal reserve requirements, and that financial conditions are quite as encouraging as can reasonably be expected.

This commercial bulletin brings to light some facts not previously realized by the public at large, although known to a considerable circle, while some of the information afforded will probably be new to most people. Taken as a whole, it furnishes a very significant analysis, when discriminately read, of the general commercial and financial situation within the German Empire. It appears from an analysis of the data submitted that the outstanding notes of the Reichsbank, which now amount to \$1,652,271,000, are nearly four times the amount in circulation just before the opening of the war. In addition to these issues, however, a new kind of currency, the "war loan bank certificates," have been put out to the extent of \$603,000,000, besides minor issues of other notes. If the careful reader combines the two main issues with the others he finds that the aggregate is now nearly \$2,300,000,000, or between five and six times the notes of the Reichsbank before the war

although the bulletin figures the increase as only fourfold. As the other issuing banks circulated but few notes, and have made but little change in their circulation since the opening of the struggle, the relative position is as indicated by the figures already given—an increase of from four to six times. An unprejudiced observer must conclude that the note circulation of Germany is inflated almost beyond precedent. The real nature of the situation is the more apparent when it is observed that the gold stock of the Reichsbank has advanced only from \$23,000,000 to \$59,000,000—a withdrawal of only about \$275,000,000 from actual circulation. There has unquestionably been a net addition to the circulation of much more than a billion and a half of dollars. The inflation thus admitted is the more remarkable when we recall that Germany's external trade has been entirely cut off, and that the drawing off of a large part of the population for military operations has necessarily and enormously reduced the volume of current local trade and hence the amount of actual money currently required for exchanges.

It is easy with such a currency expansion as a basis to account for the high prices prevailing in Germany. Goods paid for in an inflated currency, already depreciated in foreign markets, would naturally command a high price regardless of any question of the actual scarcity of necessities. Trade under these conditions would quite likely be brisk in many lines; and profits, despite governmental regulation of prices, large in somewhat like proportion. Another phase of the financial situation is likewise easily understood. Subscriptions to German war loans are reported in this bulletin as having been both abundant and widely distributed. There is no reason to doubt either statement. The loans, however, are of course paid in the inflated currency already described and their proceeds are expended for goods purchased on a price basis

determined by the situation which grows out of this inflation. This is a condition which existed during our own civil war, and which had its consequences after the close of the contest in excessive accumulations of debt ultimately liquidated in gold or its equivalent, notwithstanding the funds originally received by the Government had been paid to it in depreciated currency. The fall from an inflated price level and condition of brisk business to a state of depression and normal prices was very painful, and was endured only through the wonderful development of new natural resources and undeveloped lands which occurred after the close of the war and which produced immense quantities of new wealth and tax-paying power.

The German bulletin makes the argument that there has been an enormous increase of note currency in the countries opposed to her, while a part of her own new notes has been used in Belgium and other occupied territory. Both points are well taken but do not go to the root of the situation. Germany and her allies are the only countries absolutely cut off from the outside world and unable to communicate with neutral financial markets in an effective way. This means that, whereas the innate ability of the Allies to maintain the redemption of their obligations and the soundness and solvency of their economic system generally is being subjected to constant test, the capacity of Germany along similar lines is not. There would, therefore, be unavoidable doubt in the minds of many observers as to whether Germany is in fact on as sound a currency basis as her opponents even if figures indicated a corresponding currency expansion on their part. As tested by rates of exchange she certainly is not so, and this must be taken as the prevailing verdict of the civilized world. The figures as officially put forward from German sources by way of defense are not such as to inspire confidence, but they rather seem to provide a basis for the most serious anxiety regarding the economic situation in the territory of the "Central Powers" after the end of the war. Currency inflation may be masked or explained in a variety of ways, but its effects are likely to be permanent, and, in a multitude of directions, injurious.

The World's Gold Production

World's Production of Gold Doubled in Past Twenty Years, While Silver Production Decreased One Half

The world's gold production in the last quarter of a century equals that of the preceding four hundred years, and the silver output since 1878 equals that of the preceding four hundred years. The gold money of the world has doubled in the last twenty years and the silver money of the world has decreased one-half in the same period. These facts are shown in a compilation by the Foreign Trade Department of the National City Bank of New York, suggested by the exceptionally high price of silver, of which the United States is now the world's largest producer, and the large inflow of gold of which we have imported over \$600,000,000 since the beginning of the current year 1916.

The total world production of gold from the discovery of America to the present time according to this compilation, \$16,500,000,000 in value, and that of silver \$15,500,000,000 in coining value. The gold money of all countries of the world for which statistics were available in 1896 aggregated \$4,144,000,000 and on January 1, 1916, \$8,258,000,000; silver money of the same countries was in 1896, \$4,237,000,000, and in 1916, \$2,441,000,000. The "uncovered paper" money of the countries in question was stated in 1896 at \$2,558,000,000 and in 1916 at \$8,583,000,000, all of these above statements being made upon the authority of the director of the United States Mint.

The production of over \$8,000,000,000 worth of gold in the last quarter of a century, as against another \$8,000,000,000 in the preceding 400 years, has occurred chiefly within the last decade. Down to 1885 the world's gold output never reached as much as \$100,000,000 annually, in 1896 it crossed the \$200,000,000 line, in 1903 the \$300,000,000 line and in 1906 for the first time exceeded \$400,000,000, and has steadily advanced until it reached \$470,000,000 in 1915. Silver production first crossed the \$100,000,000 line in 1880, and in 1893 exceeded for the first time \$200,000,000, making its highest record in 1911, \$292,000,000, and slowly declining to \$232,000,000 in 1915.

The chief gold-producing countries of the world are South Africa, the United States, Australia, Russia and Canada, and the chief silver-producing countries

are the United States, Mexico, Canada and Peru. In 1915 the gold production of South Africa, including Rhodesia, was \$207,000,000; the United States, \$101,000,000; Australia, \$50,000,000; Russia, \$29,000,000, and Canada, \$19,000,000. Of silver, the 1915 product was: United States, \$39,000,000; Mexico, \$21,000,000; Canada, \$15,000,000, and Peru, \$5,000,000.

Of the \$4,144,000 of gold money recorded in 1896, the distribution by principal countries was stated as follows: France, \$772,000,000; Germany, \$675,000,000; United States, \$672,000,000; United Kingdom, \$584,000,000; Russia, \$489,000,000; Austria-Hungary, \$167,000,000; Australia, \$130,000,000; Italy, \$100,000,000. For 1916 the stated distribution is: United States, \$2,230,000,000; France, \$1,384,000,000; Russia, \$1,058,000,000; Germany, \$714,000,000; United Kingdom, \$662,000,000; Italy, \$336,000,000; Austria-Hungary, \$296,000,000; Turkey, \$291,000,000; Australia, \$250,000,000; Argentina, \$229,000,000; Netherlands, \$173,000,000; Canada, \$170,000,000; Spain, \$167,000,000, and Japan, \$143,000,000. The United States shows an increase in the 1896-1916 period of 231.7 per cent. Russia, 116.6 per cent; France, 79.3 per cent; Germany, 5.8 per cent, and the United Kingdom, 13.3 per cent.

The world's consumption of gold and silver in manufactures and the arts is large and rapidly increasing, that of gold exceeding \$100,000,000 per annum, and of silver over \$50,000,000 annually. In the United States alone the gold used in manufacturing and the fine arts in 1915, was over \$38,000,000, of which, however, about \$8,000,000 was old jewelry, plate, etc., making our net consumption for this purpose about \$30,000,000 of gold, while that of silver was about \$12,000,000 in value.

The amount of gold imported into the United States since the beginning of the war is in round terms \$1,100,000,000, and the exports in the same period about \$275,000,000, making the net imports in that period over \$800,000,000, while the product of our own mines in that same period has exceeded \$200,000,000, thus making the additions to our gold stock since the beginning of the war approximately one billion dollars.

Of the \$16,500,000,000 gold produced in the world

since the discovery of America, \$3,830,000,000 was produced in the United States; of the \$15,500,000,000 of silver \$1,800,000,000 was produced in the United States. The amount of gold in the United States on December 1, 1916, was \$2,741,669,000, against \$1,877,271,000 at the beginning of the war August 1, 1914.

COST OF CANNING 1916.

In view of the abnormally high prices quoted by Canadian firms on this year's stock of canned tomatoes, the following estimate, submitted by an American canner from Indiana, will be of interest:

Tomatoes used, tons	815.5
Packed, cases	17,500
No. 3 tomatoes, cans	17,500
Average yield to the ton	515
Buckets peeled	14 qts.

Summary—

Cans	\$0.48
Cases .. . . .	.11
Seed and plants .. . . .	.01
Labels .. . . .	.02
Coal, electricity .. . . .	.0175
Leaks, swells and rusties .. . . .	.0075
Insurance .. . . .	.011
Interest .. . . .	.017
General expense .. . . .	.02
Brokerage, commission, discount, etc. . . . .	.06
Labeling, loading .. . . .	.01
Unloading .. . . .	.012
Season men .. . . .	.06
Peeling .. . . .	.095
Factory day labor .. . . .	.14
Tomatoes .. . . .	.42
Depreciation of plant and crates .. . . .	.07

Per case	\$1.56
Per dozen .. . . .	.78

HEAVY SUGAR CROP IN CUBA.

Cuba's sugar yield for 1916-1917 will be a record-breaking one, according to cable advices received by the Federal Sugar Refining Company of New York. The current crop will amount to 3,466,000 tons, as compared with 3,006,000 tons last year and 2,582,245 in the previous season, according to the messages. The large output is attributed largely to favorable weather.