

GERMANY

The original policy adopted by Germany of financing the war was by loans and the issue of paper money. Taxes were not to be imposed during the period of the war, according to the plan announced by Dr. Karl Helfferich, the Imperial Minister of Finance.¹ They would not only be burdensome, but they would be unnecessary, for this financial policy was based upon the assumption of a speedy victory and the collection of an enormous indemnity from the conquered peoples.

When war broke out the government turned at once to the Reichsbank for its immediate needs. The relation of the Reichsbank to the Imperial government is very close, and from the beginning the resources of the bank were placed at the disposal of the government. The metallic reserve in the government war chest, amounting to \$60,000,000, was handed over to the bank, and against this bank notes were issued in exchange. For the first three months the war was conducted with money obtained from the Reichsbank,² but by September the floating debt had become uncomfortably large and it was funded by the issue of a loan.

This was evidently done in pursuance of a carefully thought-out policy of financing the war by means of advances from the Reichsbank and the sale of short term Treasury bills and then funding these at half yearly intervals into long-term bonds. Every six months since the war began, in September and March, the German Treasury has issued a popular loan. The direct costs of the war to the government may therefore be gauged fairly

¹ Budget speech of March, 1915, and again August 20, 1915.

² In the period Aug. 1-15 the bank advanced \$361,500,000 to the government. *Die Kriegsfinauzen der europäischen Grossmächte*, by O. Schneider, *Schmoller's Jahrbuch* (1915), 39 Jahrgang, 3 Heft, 266.