1. Scrip.

\(a\) Issue, form.

The issue of scrip in Germany is based on the Act of 9 June 1933 (RGBI 1, p.349) concerning payments abroad. Pursuant to this Act, Germans are no longer entitled to make interest and amortisation payments directly to their foreign creditors: On the contrary, the payments have to be remitted to the Conversion Office in Berlin, an office established by the same Act as a subsidiary of the Reichsbank. Nor does it make any difference whether the debts contracted are in German or foreign currency, for the debtor has invariably to remit his payments, when due, to the Conversion Office in marks. Having done this, the debtor, so far as German law is concerned, has discharged his liabilities. Hence the creditor can only address any claims he may have to the Conversion Office.\(^{(1)}\)

On its part, the Conversion Office credits the foreign claimant for the corresponding amount. A portion of this credit - originally 50% and since 1 January 1934 30% - it transmits to the claimant in foreign exchange.\(^{(2)}\) For the remainder, the Office, at request, issues non-interest yielding bearer bonds. These constitute the so-called scrip. They are drawn in marks and bind the Conversion Office to pay the amount in German legal tender. But the date of payment is not fixed. According to the Act, this date is left to be determined by the German Reichsbank.

The scrip is issued in denominations of 5, 10, 30, 40, 50, 100, and in multiples of 100 marks, and is couched in approximately the following terms:

Front.

Series A No. ...................

Bond of the Conversion Office for German External Debts, at Berlin.

Issued pursuant to § 4 of its Statutes.

The Conversion Office for German External Debts owes the bearer of this bond

\textit{Hundred Reichsmark.}

Payment will be made according to § 4 of the Statutes of the Conversion Office.

Berlin, 28 August 1933.

Conversion Office for German External Debts.

Back.

Series A No. ...................

(For originals, see A. and B.)

The future alone will be in a position to write the history of the, present trade depression. It will have to examine, among other things, which of the recently introduced means of payment in different countries failed in their purpose and which contained the germ of a new monetary system. To achieve that end, it is essential, to begin with, to prepare the ground by collecting some of the relevant data, and this is the primary object of these pages.

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\(^{(1)}\) The Conversion Office for German External Debts is established pursuant to § 2 of the Act concerning liabilities for payments abroad, of 9 June 1933. § 4 of its Statutes reads: "The Conversion Office may issue non-interest bearing bonds in Reichsmark for the amounts paid to it, The Reichsbank is responsible for the arrangements relating to the redemption of the bonds."

\(^{(2)}\) The Critical condition of the national and international money markets in recent years has led in diverse countries to the creation of various new means of payment. Thus the parish of Wörgl in Austria (as reported, in the \textit{Annals of Collective Economy}, December 1933) issued for a time the now well known "depreciating money" and in the Western States of America (as described in the \textit{Annals}, June - November 1933) an enormous barter movement has developed on the basis of payments in scrip. In Germany, too, the same trend has been noticeable. It is true that the decrees of 6 and 30 October 1931, promulgated by the Brüning Government, imposed penalties on the issue of any kind of emergency money (tokens, coins, exchange vouchers, standardised cheques, and the like); but in this connection the Reich itself has since introduced some novelties which are of special interest both from a practical and a theoretical viewpoint. These are the scrip of the Conversion Office, the Reich tax remission certificates (\textit{Steuergutscheine}), and the requirements certificates (\textit{Bedarfsdeckungsscheine}).
b) **Scrip is not legal tender within Germany.**

Scrip cannot be offered as legal tender in Germany. No one is obliged to accept it in payment. The acquisition of scrip requires, moreover, the permission of the authorities and this permission, according to the circular order of the Reich Minister of Economy of 29 September 1933, is in general to be refused.

(1) It is, however, reported that an American creditor successfully sued the Norddeutscher Lloyd before the court of the State of New York for the payment of 30 dollars interest and obtained security on the threat that he would seize the German liner “Europa” which was then in port. (See Spiegel der Wirtschaft, Vaduz-Liechtenstein, of 21 January 1934, part 4, p. 8.)

(2) The interest payments on the Dawns and Young loans are excepted, and are integrally remitted. Special arrangements have been made with certain States.

Its foreign owner is therefore not in a position to spend it in Germany. Furthermore, he can neither use it for travelling to Germany (1) nor tender it in payment for German goods.

c) **Utilisation abroad is dependent on utilisability in Germany.**

Since scrip cannot be used for payments in Germany, it cannot be so employed abroad, for scrip can only be of value abroad so far as it may be eventually spent in Germany. Free trade in scrip, which is naturally allowed abroad, is therefore scarcely of any practical importance, inasmuch as the possibilities of making use of it are the same for the purchaser as for the vendor. Only he who takes a speculative interest in scrip and calculates that its redemption in Reichsmark will occur sooner than may be anticipated by its market rate, will be induced to acquire scrip. Besides, there are no facilities for utilising scrip in Germany.

d) **Acceptance of scrip by the German Gold Discount Bank.**

It is of primary consequence for the market rate of scrip that the German Gold Discount Bank undertakes to accept at a fixed: rate the scrip offered to it by foreign banks. Until February 1934, this rate stood at 52\(\frac{1}{2}\)%; since February 1934, it amounts to 67%. If, through his bank, the foreign creditor passes his scrip to the German Gold Discount Bank, the transaction is over and done for him. But having taken this step, he renounces his claim on the German Conversion Office and therefore on the German debtor, provided that he is entitled to do so by his country’s regulations. So far as he is concerned, the debt due to him is thereby cancelled. His loss amounts thus to the difference between the nominal amount of his claim and the amount which, allowing for his bank charges, he realises through his sale to the German Discount Bank.(2)

e) **Utilisation of scrip for stimulating German exports.**

On its part, the Gold Discount Bank uses the scrip for stimulating German exports. To that end, the Bank, on certain conditions and approximately at cost price, places at the disposal of German exporters the scrip taken over from foreign holders. Since the Conversion Office redeems the scrip at its face value, the exporter reaps the full difference between the nominal value and the amount paid therefore.

(1) In this respect the owner of scrip is worse off than the holders of stand-still claims, for the registered credits may, in order to aid the tourist traffic, be spent up to 100 marks a day in Germany.

(2) The interest payments on the Dawns and Young loans are excepted, and are integrally remitted. Special arrangements have been made with certain States.
However, as the German Government does not permit scrip dumping by the German exporter, the latter must prove, that without the use of scrip the contemplated export transaction would result in a loss for him. Hence the exporter has to show in detail the grounds for his contention, by precisely stating the cost of materials, expenditure incurred in productive and unproductive labour, proportion of general expenses, packing, freight, insurance, etc., as well as the market and competitive prices in the country of destination. We reproduce below two of the forms which the applying exporter has to fill in.

To the President of the State Finance Office
as controller of foreign exchange.

**Subsidy Export Proposal no** ............................................................ (1)
Application no. (2) .................................................. / 1933.
By scrip procedure / by bonds procedure (3).
(Large-scale proceeds proposal concerning over 10,000 marks export proceeds.)

1. Proponent ...............................................................................
   (Name and address of firm. - Producer or Merchant (4) ?)

2. Foreign buyer ........................................................................
   (Name, address, and country of destination)

3. Exported commodity ............................................................
   (Brief description)

4. Export proceeds ........................................................ marks.............
   (Counter-value in marks of the whole order: enclose proofs)

5. Losses..................................................................................... ........%
   (As a percentage of the export proceeds)

6. Date of conclusion of contract ...............................................
   (Enclose proofs)

7. Date of commencement and end of delivery .........................

8. Conditions of delivery .........................................................
   (At works, f.o.b., c.i.f., etc.)

9. Mode of payment:
   Estimated value.................................................................
   Payable value ..................................................................
   Date or term of payment ....................................................

10. Are there cartel or similar conditions for the exported commodity ?
    (If so, name; nature of conditions, e.g., conditions as to price or quantity)
    a) for foreign markets .....................................................
    b) for the home market..................................................

11. Are the export proceeds lower than the world market or competitive price for the exported commodity in the country of destination ? ..........................................................
    (Yes or No)

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**Declaration of proponent.**

The export operation referred to in the Proposal represents a single transaction and not a combination of several separate transactions. The commodity to be exported is of German manufacture.

All statements in the Proposal are made in good faith and to the best knowledge of the proponent. The explanations relating to the Proposal have been carefully read and no clandestine agreement has been concluded.

I/we declare that I/we am/are participating neither directly nor indirectly in the capital or the profits of the foreign buyer, and also that the foreign buyer neither directly nor indirectly participates in the capital or profit of my/our business. (5)

I/we undertake to permit at any time the verification of my/our statement. I/we am/are acquainted with the penalties attached to incorrect or incomplete statements, pursuant to the provisions of § 36, par. 1 no. 7, 37 nos. 3 and 4 of the Dev. VO, and the possibility that in such a case the granted permit would be revoked and further subsidies refused.

(Place and date) (Legally binding signature)

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1 Serial no. of the large-scale proceeds proposals as from 1 October 1933. (2) Serial No./monthly no. for the application to be filled in by the competent authority. (3) Strike out what is inapplicable. (4) For merchants, see Explanations to Main Sheet A under II. (9) If this declaration cannot be made, furnish particulars concerning participation in capital and profits.
A - MAIN SHEET

Computation of proceeds, costs, losses, and proportional costs abroad.

I - Computation of proceeds :-

<table>
<thead>
<tr>
<th>Serial number</th>
<th>Quantity ordered in .................... (1)</th>
<th>Exact description of commodity, according to kind and quantity</th>
<th>Comparative home proceeds per unit in marks</th>
<th>Proceeds in .................... (2) per unit</th>
<th>total in marks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total in (3)</td>
<td></td>
</tr>
</tbody>
</table>

Less, discount if any .................................................................................................................................
Proceeds ...........................................................................................................................................................
Conversion rate (average rate) on ................................ 1993 .................................................................
Counter-value of proceeds ............................................................................................................................

II - Computation of costs :-

1. Materials and productive wages

<table>
<thead>
<tr>
<th>Serial number</th>
<th>Quantity ordered in .................... (1)</th>
<th>Cost in marks per unit</th>
<th>Cost in marks for total quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>a materials</td>
<td>b productive wages</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total (Sp. c, d, total c + d), in marks, Total (2)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Apportioned joined costs (% on productive wages according to Supplementary Sheet B 1, total 1 to 7)............................................................................................................................ marks ............... 
Supplementary export costs, at works 
(total 1 + 2) (4) ............................................................................................................................................................... marks ............... 

3. Special selling costs (if any).

- Packing ........................................................ marks ................................................................
- Freight ........................................................ marks ................................................................
- Insurance .................................................. marks ..................................................
- Customs dues ........................................ marks ..................................................
- Brokerage ............................................... marks ..................................................
Total supplementary export costs, (total 1 to 3) .................................................................................. marks ............... 

III - Losses (II, less I) in marks .................................................................................................................. marks ............... 
Losses as a percentage of proceeds .......................................................................................................... %

IV - Portion of costs abroad in percentage of proceeds :-

1. For foreign raw and other materials ........................................................ %
2. For selling costs ........................................................................................................................ %
Total ........................................................................................................................................................ %

(1) Quantity exported. (2) Estimated value. (3) For export merchants costs to self. (4) For export merchants: total of costs to self and apportioned joint cost.
Should the competent authority, represented by the State Finance Departments, be convinced that without a grant of scrip the export transaction would entail a loss, it will issue a document to the exporter, on the basis of which the Gold Discount Bank will grant scrip. In practice this means that the Gold Discount Bank transmits the scrip to the Conversion Office and that the Conversion Office pays the exporter in cash the difference between the redemption value of 100 and the rate at which the scrip was accepted.

We may sum up by stating that scrip represents non-interest yielding mark bonds, issued by the German Conversion Office and made out to bearer, the date of redemption not being fixed. In Germany payments cannot be made in scrip nor can it be utilised by foreign creditors for payments to German suppliers. The German Gold Discount Bank accepts this scrip at a fixed rate and passes it on to the German exporters who use it for covering any losses incurred in export business.

f) Scrip and the purchasing certificates of the Milhaud Plan.

What is the resemblance between the scrip of the German Conversion Office and the purchasing certificates of the Milhaud Plan? (1)

The starting point appears to be similar in the two instances. Both paper tokens are intended for international payments. Both are issued in connection with notes of the inland Central Bank paid into an office competent to receive them. The German Conversion Office corresponds in a way to M. Milhaud’s National Compensation Office. Lastly, both tokens aim at relating a means of payment to an exchange of goods. The resemblance between the two is nevertheless more or less superficial. In the fundamental aspects there are profound contrasts. Thus the Milhaud purchasing certificates may be used as a means of payment in the country which issued them. Within that country they may be converted into legal tender. The holder of these purchasing certificates may therefore either travel in his debtor’s country in order to consume his claim or he can order goods from the debtor country. Hence the certificates freely pass to those who desire to make purchases in the debtor country and necessarily involve an export from that country. As they can only be utilised for the purchase of goods, it would serve no purpose whatever for the creditor to hoard his certificates. In contrast to the German scrip, they constitute therefore exclusively purchasing certificates and their relation to the exchange of goods is, accordingly, a basic one. Add to which, that in the case of the Milhaud purchasing certificates - since no provision is made for their acceptance by the National Compensation Offices, the market value is determined in a natural manner, that is by the law of supply and demand.

II. - Tax Remission Certificates.

a) Their form.

The tax remission certificates (Steuergutscheine) of the German Reich were created by a decree of 4 September 1932 of the Papen Government of the day. (RGB1. I., p. 425.) The distinctive feature of this paper token is that no provision is made for its conversion into cash and that it is in principle non-inconvertible. According to the text of the decree, the value of these certificates rests exclusively on the fact that the pay offices of the German Reich accept them in payment of taxes - with the exception of income and corporation tax - at a fixed rate regardless of their market value. They will be accepted from 1 April 1934 until 31 March 1939, and for each of these years to the extent of one-fifth. At the same time there will be credited for each year a supplement of 4% of their nominal value.

The tax payment certificates are issued in denominations of 50, 100, 200, 1,000, 10,000, and 20,000 marks. Also, to allow for odd amounts, 10 and 20 mark certificates have been put into circulation. All tax payment certificates are made out to holder. They may be freely acquired by any one and dealt in on every German stock exchange; Their acquisition does not involve payment of a stock exchange turnover tax nor of any State or municipal tax.

(For original of remission certificate, see C.)

b) Issue and use.

In conformity with the decree mentioned, the tax remission certificates are issued in two connections - first, in relation to certain taxes and then to the employment of workless people. As regards the former, it is provided that every one who during the period from 1 October 1932 to 30 September 1933 promptly pays his turnover tax, ground tax, and trade tax, is entitled to tax payment certificates to the value of 40% of the amount paid (1) As to the latter, certificates were allotted to employers who within the same period employ more workers during any given quarter than they did in the quarter June to August 1932. As a rule, this implied the granting of a tax certificate for 100 marks per additionally employed worker and per quarter.

In both instances, then, the granting of these certificates is equivalent to a tax reduction. Hence the widespread mistake that the object of the certificates is tax reduction and that they were named accordingly. This interpretation is wide of the mark. A tax reduction mainly ensues by reason of the certificates - in the stated conditions - being supplied gratis; that is, that they do not represent the economic counter-value for a service rendered by the recipient to the State. It is here really a matter of a peculiarity in the granting of the certificates, one which is quite unrelated to the nature of these certificates. Thus the name tax remission certificate (Steuergutschein) signifies only that the certificates may be

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(1) For the Milhaud Plan, see Annals of Collective Economy, January-May 1933.
used when paying taxes. What is of consequence is, therefore, not how they are issued, but the use to which they may be put. This would become manifest if we supposed that the certificates are not distributed gratis, but in payment for goods or as salaries to officials. In such case the question of tax reduction would not arise and the inherent principle of the tax payment certificates, which we shall discuss in the sequel, would become transparently clear.

Considering their high denominations, the certificates are not suited for circulation. For this reason they cannot be utilised for wage payments. However, in certain circumstances they may serve as security in raising loans. Since they may be freely sold, the holder can, at his discretion, realise them at the current market rate. At the time of writing (mid-February 1934), the market rate for certificates utilisable after 1 April 1934 stands at over 102%, whilst those due in 1938 stand at 92%.

Altogether about 1.200 million marks worth of tax remission certificates have probably been issued.

(1) Such certificates were also issued in respect of the conveyance tax. But comparatively trifling amounts are involved here.

III. - Requirements Certificates.

The requirements certificates (Bedarfsdeckungsscheine) were created by the Act concerning the reduction of unemployment of 1 June 1933. (RGBI. I, p. 323.) This Act, among other things, provides for the public execution of certain economically important works and states that so far as navvy labour is concerned, only unemployed persons should be engaged, if possible. These are to remain in receipt of the unemployment assistance they are legally entitled to and, in addition, receive a warm meal daily and an allowance of 25 marks for each full four weeks’ work. This allowance is not payable in cash, but in the form of a requirements certificate which the Reich supplies as a subsidy. The certificates entitle the holders to purchase clothing, linen, and household articles in shops that have agreed to accept them, certificates in payment and are authorised to do so.

(For original of requirements certificate, see D.)

The Act also contains provisions for encouraging marriages. It provides that German nationals desirous of marrying after the Act has come into force, shall receive from the Reich non-interest bearing marriage loans. These loans, too, are granted in the form of requirements certificates.

The requirements certificates for marriage loans are issued in denominations of 10 and 100 marks and those covering the allowances for navvies in such of 25 marks. In both instances the certificates are made out in claimant’s name and are not transferable. Their use as a substitute for money is prohibited and they cannot therefore serve as currency. However, they are means of payment leading to an exchange of given goods. Nobody is obliged to accept them, but probably all sale establishments concerned have agreed to this. Shops authorised to accept these certificates, advertise the fact.

(For original of marriage loan certificate, see E.)

The value of the requirements certificates resides in this that the vendors for the aforementioned goods can cash the certificates at the State pay offices.

IV. - Essential Meaning of the Tax Remission Certificates and Possibilities of further Development.

Among the paper tokens described above, the tax certificates contain an idea that may be fraught with significance for the future development of means of payment. These certificates probably represent the first paper token which is not based on the idea of convertibility. They have been consciously and expressly intended to be inconvertible. In this respect they contrast with the scrip of the Conversion Office and with the requirements certificates. These are both convertible into banknotes, the former through the Conversion Office and the latter through the treasury offices. Both are therefore based on the notes of the Central Bank, are covered by these notes, and can only be issued to the extent that the Central Bank disposes of notes. Thus the scrip is issued on the basis of the amounts paid into the Conversion Office, whilst the requirements certificates are based on the Reich’s labour treasury bills.

Not so as regards the Reich tax payment certificates, which are inconvertible as such. It is true that numerous paper tokens may be found in different countries which cannot be cashed. Indeed, one might say that the notes of most of the Central Banks are at present inconvertible. But in principle their convertibility is assumed, for their redemption is regarded as but postponed until better times. The suspension of their convertibility is therefore only conceived as an emergency measure. On the other hand, the value of the tax payment certificates rests on the return current, that is, exclusively on the fact that they are accepted by the Reich pay offices at a pre-determined figure regardless of their market rate at the time being. They constitute therefore a means of payment which is not looked upon as a substitute for legal tender. They express solely the idea of utility and
embody in this way the fundamental idea of the exchange certificate (Gutschein).

Herein reside important possibilities of development. Thus tax payment certificates might be issued which - also grounded on the idea of clearing - are broken up into such small denominations that they might circulate as State paper money. On the strength of contractual agreements these certificates might then be utilised in settlement of State orders and even for the partial remuneration of State functionaries. Thus they would become real exchange certificates mediating the exchange of goods between the State and the public. They might serve for the payment of wages, in trading generally as a form of money, and play an important part in combating unemployment.

These tax payment certificates, just like those of the German Reich, would naturally not be obligatory legal tender nor have a fixed market value. Their exchange rate must be free and governed, as in the case of the German tax payment certificates, by the law of supply and demand. They would represent therefore exclusively means of payment and would have to be strictly differentiated from the standard of value, i.e., from the legally fixed monetary unit. Finally, owing to their inconvertibility, they would be - again like the tax payment certificates of the German Reich - entirely independent of the gold cover of the Central Bank.

If we pursue this idea to its logical conclusion, the same right to the issue of tax payment certificates should be granted to all taxing authorities. Each component State, each province, and each municipality - in fact, each authority competent to collect imposts - could then issue inconvertible pay certificates utilisable for the payment of imposts. (1) The taxing authorities would thereby create the means of payment for meeting their impost liabilities and at the same time - to the extent that services are rendered them - receive a non-interest bearing loan.

There are reasons to suppose that after the experience of the last few years the world will turn away from the present system of the centralisation of the means of payment. The most diverse moneys will then circulate side by side, according to the quantity and the value of the goods exchanged which underlie their issue. All these moneys will have a free market rate, and their value will depend, not on their convertibility into gold, but on their serviceableness. They would thus realise an idea, the first intimation of which is probably to be found in the tax remission certificates of the German Reich.

(1) Compare the author’s articles on “Municipal Tax Remission Certificates as a means of Debt Conversion”, in the Deutsche Bergwerkszeitung (German Mining News), of 12 January 1933, no. 10; Kölnische Volkszeitung (Cologne People’s News), of 28 December 1932, no. 357; as well as “Clearing as a means of Voluntary Conversion”, in Rheinisch Westfälische Zeitung (Rhenish Westphalian News), of 18 March 1933, no. 142.

(2) Compare the author’s work Eisenbahngeld und Arbeitslosigkeit (Railway Money and Unemployment), Berlin, 1933, and also the article “Further Remarks on Railway Money, with special reference to the American Railways”, in the Annals of Collective Economy, December 1933.

The issue of exchange certificates need not, of course, be limited to taxing authorities only. Railways, the post office, electricity works, transport undertakings, etc., might similarly issue inconvertible scrip, the value of which would lie in that the pay offices of the parties issuing them would accept them in payment. (1)

Finally, private persons, merchants, artisans, and doctors might issue exchange certificates and thus set the wheels of trade moving once more. Even the international money market might be thus placed on new foundations by the issue of inconvertible exchange certificates.

( Translated by G. Spiller, London.)