



# Downtown

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## Foreign Investments

**I**N his Memorial Day address at Gettysburg this year President Coolidge expressed a sentiment concerning international investments that is seldom heard in official circles. This is what he said: "The world-wide interests of the United States, aside from the dictates of humanity, make us view with particular disfavor not only any danger of being involved in war ourselves, but any danger of war among other nations. Our investments and trade relations are such that it is almost impossible to conceive of any conflict anywhere on earth which would not affect us injuriously. The one thing that we want above all else for ourselves and for other nations is a continuation of peace."

It is doubtful if any of those who have been buying foreign dollar bonds in the last few years have had in mind the strengthening of political relationships through the distribution of America's surplus funds into other parts of the world. On the other hand the main resistance to such purchases has come from those who have feared the effect of wars on this type of investment, even if they have not sensed the unfavorable reaction of war on the countries which have been large lenders to Europe, South America, Central America, and the Far East.

Negotiating foreign loans and distributing them to the American public is a comparatively new business. Although less than ten years old, it is to-day one of the most important branches of bond un-

derwriting and bond retailing in the United States. Not only does it command the attention of the largest bond buying and selling organizations in the country with respect to new loans, which are being brought out at the rate of between \$1,500,000,000 and \$1,750,000,000 annually, but it has to do with the buying, selling, and shifting from one issue to another of the total mass of foreign government, municipal, provincial, public utility, industrial, and mortgage bank bonds and stocks, representing in the aggregate from fourteen to fifteen billion dollars.

Some idea of the size of this branch of investment banking may be gained by giving a few comparative figures. For instance, the present amount of foreign loans held by American investors is about 80% of the total of all United States government obligations. At the present rate at which foreign securities are being brought out, and allowing for about the same amount of yearly decrease of the American debt as in the last few years, the total of the former will exceed the latter by the end of 1930.

Germany has been the largest single borrower in the United States. At the end of June the aggregate par value of all German securities listed in this country was approximately \$1,050,000,000, or nearly 10% more than the total United States debt prior to our entrance into the World War.

During the past six months the foreign borrowings in this country have been as follows — South America \$185,000,000, Germany \$145,000,000, Japan \$80,000,000,

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Central America \$85,000,000, Denmark and Norway \$115,000,000, Australia \$57,000,000, Poland \$20,000,000; and Italy, Finland, Greece, Great Britain, Austria, and Hungary together about \$70,000,000. This is quite typical of what has been going on over a period of years.

### BENEFICIAL EFFECTS

As these funds have poured into the shallow streams of capital abroad, they have given new life to governments, local communities, provinces, and to commercial enterprises that at home rank with the most important American industrial and public utility corporations. They have helped to reestablish the credit of foreign governments, have assisted in the rebuilding of cities and towns destroyed by war, and have permitted the expansion of industries and the rehabilitation of railroads until both have been able to contribute to a steady increase in government revenues and the gradual reduction of foreign debts. Obviously some of the capital that has been exported from the United States to Europe has returned in the form of foreign manufactured articles that come in direct competition with American goods. This has been used as an argument against foreign loans. It has a certain validity. The adverse effects of the employment of our surplus capital abroad are insignificant, however, compared with what has been accomplished through them in restoring a sick Europe to health and in creating markets in South and Central America in which the American exporter has a preferred position.

So far, nearly 450 separate loans with foreign origins have been floated in the United States. These loans have ranged in size from the \$100,000,000 issues of Germany, France, and Italy, to numerous \$50,000,000 borrowings by Belgium, and others of the same size or only a trifle smaller floated in behalf of Argentina, Chile, Brazil, Peru, and Cuba. Then there are city and provincial loans ranging all the way from \$10,000,000 to \$30,000,000, bonds of mortgage banks in Germany, Chile, and Columbia amounting to from \$5,000,000 to \$50,000,000, offerings from German public utilities and industrial issues that compare with the largest of American flotations, and a \$70,000,000 Japanese power and light bond issue com-

ing to New York early in June when the investment market was in a demoralized condition and finding a friendly reception there.

The American who wishes to spread his capital over the face of the earth can be accommodated and may find a daily quotation in all of the metropolitan newspapers on the bonds he has purchased. He can make a selection from about ninety German issues, seventy-five South American, thirty Central American, two dozen Italian, thirty-five Scandinavian, about the same number of Australian and Canadian, sixteen French, six Belgian, fifteen Japanese, and from two score or more loans to Poland, Greece, Czechoslovakia, Jugo-Slavia, Bulgaria, and Esthonia.

### DIVERSIFICATION OF LOANS

Foreign financing has stimulated as well as compelled a broader knowledge of geography. It has also led to a closer study of the currents of trade between the United States and its customers and competitors abroad, and of the political and economic conditions that surround the peoples of other lands. Looking over a list of foreign bonds, geographically arranged, one comes across the following names of places that the average person would find difficulty in locating quickly on the map: Free State of Anhalt, Department of Antioquia, City of Barranquia, Department of Caldas, Municipality of Cali, Department of Cauca Valley, Department of Cundinamarca, Republic of Esthonia, City of Graz, Province of Mendoza, City of Saarbruecken, Province of Styria, Department of Tolema, and the Province of Tucuman.

Then there are the very familiar cities and provinces to which every tourist goes and in whose development he will be more interested than ever, if he holds one of their bonds. In France these are the old municipalities of Lyons, Marseilles, Bordeaux, and Soissons. In Germany, Berlin, Cologne, Leipsig, Munich, Frankfurt, Dresden, Düsseldorf, Nuremburg, and Heidelberg. In Italy, Rome and Milan. In Denmark, Copenhagen and Oslo. Bergen and Trondhjem in Norway. The cities of Vienna and Graz have sold their bonds in the United States and so has Budapest. Prague and Carlsbad, Warsaw and Danzig represent some of the cities