saving was in most cases entirely consumed by those countries' own capital requirements, which, owing to the demands of both State finance and industry, were abnormally increased. It is a question whether these requirements had not already in themselves exceeded the amount of the current savings, so that by their means a certain degree of inflation had already developed. In the majority of neutral countries, this has probably been the case, at any rate during certain periods. It is quite evident that at those times no effective reserves were available for abroad. Only through the continual creation of fresh means of payment has it been possible for neutral countries to provide the belligerents with all the purchasing power that was actually placed at their disposal.

Under normal circumstances it is, indeed, possible for a wealthy country to grant annually large loans to abroad —*i.e.*, to provide foreign countries with purchasing power in that country's own market. Whether this is possible or not depends on the nation in question setting aside yearly savings to a corresponding amount—*i.e.*, reducing its consumption to such an extent that a certain quantity of the real commodities which the nation would have been able to buy with its income remains over, and may be set up against the purchasing power which the credits have placed in the hands of foreign countries. During the War the neutrals, generally speaking, had no such savings available, and the purchasing power which they provided abroad could not, therefore, be obtained in any other way than by continually creating fresh supplies of means of payment. With this purchasing power in their hands, the belligerent states were enabled to appropriate a considerable portion of the real commodities which represented the regular income of the neutral nations, and which the latter all too clearly needed for