

The *League of Nations* and the production of international statistics on central banking

Marc Flandreau – Clemens Jobst
University of Pennsylvania – University of Vienna and OeNB
IFC meeting 22-23 August 2024

Outline

- CB balance sheets provide key information on monetary and financial stability policies
- Two dimensions of data collection:
 - Data are proprietary: What do CBs publish? What do they consider confidential?
 - Definition of series (meta-data), international comparability and harmonization
- This paper:
 - Role and scope of international organizations in the production of international data
 - IOs with their own proper objectives and topics of interest
- Efforts of the League of Nations 1920–1945 as precursor of modern data collection at BIS and IMF

Statistics at the League of Nations

- League quickly involved in post-war financial reconstruction
- Preparation for Brussels conference in 1920
 - War- and post-war inflation, restoration of gold standard
 - “Memorandum on currency statistics”: rise in price levels and note circulation
 - Turned into an *annual publication* on currency and CBs
- Challenges
 - “a comparison of the balance sheets of the various banks presents considerable difficulties, partly on account of the difference in their functions, and more especially because of the different arrangement of their balance sheets.”
 - Same as faced by international compilations of CB data in the 19th century

Data collection at a new level

- Dealing with complex data
 - Rearrangement according to common definitions
 - When not possible, detailed comments
 - Foster harmonization in data production
- Significant resources available
 - LoN permanent secretariat, specialized staff
- New statistical departments at NCBs
- LoN as political actor
 - Information key instrument to influence international agenda in the face of powerful sovereign states

Standardized balance sheet used in 1924 Memorandum on CBs

| <i>Assets:</i> | <i>Liabilities:</i> |
|--|---|
| I. Metallic Reserve at home | IX. Capital |
| (a) Gold | |
| (b) Silver and Token Coins | X. Reserve Funds, etc. |
| II. Other items of a Reserve or Cash nature | |
| III. Assets in and Claims on Foreign Countries | XI. Profit and Loss and Dividends Accounts |
| (a) Gold Deposits abroad | |
| (b) Book Balances and Credits abroad | XII. Notes in Circulation |
| IV. Commercial Bills | XIII. Post Bills, Cheques, etc., in circulation |
| (a) Inland | |
| (b) Foreign | XIV. Current Accounts |
| V. Securities and Investments | (a) Government |
| (a) Government | (b) Other |
| (b) Other | XV. Other Deposits |
| VI. Loans and Advances | (a) Government |
| (a) to the Government | (b) Other |
| (b) on Government Securities | |
| (c) Other. | XVI. Sundries (including pensions funds). |
| VII. Sundries (including premises, etc.) | |
| VIII. Total Assets. | XVII. Total Liabilities. |

Checking available information in CB bulletins

Table 1

Monetary statistics; circulation and deposits.

2485

Name of Bank

State notes

Bank notes

Other notes

Gold in circulation

Total coin in circulation

Sight deposits less coin

Chequed deposits less office resources

Total deposits according to commercial banks

Time deposits less 1 month

Savings deposits

Deposits with Central Banks

Government

Other current a/c

Other deposit a/c

| Name of Bank | 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. | 13. | 14. | 15. | 16. |
|----------------------------------|----|----|----|----|----|----|----|----|----|-----|-----|-----|-----|-----|-----|-----|
| Bank of England | x | x | x | - | x | x | - | x | - | x | - | - | x | x | - | - |
| Bank of Estonia | x | x | - | - | x | - | - | x | - | - | - | - | x | x | x | - |
| Bank of Finland | - | x | - | - | - | x | - | x | - | x | x | - | x | x | x | - |
| Bank of Latvia | - | x | - | - | - | x | - | x | - | x | - | - | x | x | x | - |
| Banque Nationale de Belgique | - | x | - | - | - | - | - | - | - | - | - | - | x | x | - | - |
| Banque Nationale Suisse | - | x | - | - | - | - | - | - | - | - | - | - | - | x | - | - |
| Federal Reserve Board | x | x | x | x | x | - | - | x | - | x | - | - | x | x | - | - |
| Federal Reserve Bank of New York | - | - | - | - | - | - | - | - | - | - | - | - | x | x | x | - |
| Norges Bank | - | x | - | - | - | x | - | - | - | - | - | - | x | x | - | - |
| National Bank of Austria | - | x | - | - | x | - | - | x | - | x | x | - | x | x | - | - |
| National Bank of Hungary | - | x | - | - | - | - | - | - | - | x | x | - | x | x | - | - |
| State Bank of U.S.S.R. | x | x | - | - | x | - | - | x | - | x | x | - | x | - | - | - |
| National Bank of Czechoslovakia | - | x | - | - | x | - | - | x | - | x | x | - | - | x | x | - |

Information available for countries from which no central Bank Bulletin has been received
Renseignements accessibles pour les pays pour lesquels aucun Bulletin de Banque centrale n'a été reçu.

| | 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. | 13. | 14. | 15. | 16. |
|-------------|----|----|----|----|----|----|----|----|----|-----|-----|-----|-----|-----|-----|-----|
| France | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Netherlands | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Italy | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Germany | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Sweden | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Denmark | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Belgium | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Poland | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Switzerland | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |

Tableau I

Statistiques monétaires; circulation et dépôts.

| Billets en circulation | Or en circulation | Monnaie en circulation | Dépôts à vue | Dépôts postaux | Total des dépôts | Dépôts d'épargne | Dépôts d'épargne postaux | Dépôts auprès des Banques centrales |
|------------------------|-------------------|------------------------|-----------------|-----------------|------------------|------------------|--------------------------|-------------------------------------|
| Etat | Etat | Etat | Etat | Etat | Etat | Etat | Etat | Etat |
| Banque centrale | Banque centrale | Banque centrale | Banque centrale | Banque centrale | Banque centrale | Banque centrale | Banque centrale | Banque centrale |
| autres banques | autres banques | autres banques | autres banques | autres banques | autres banques | autres banques | autres banques | autres banques |

Soft power

- Obtain information by asking, nudging...
 - Operate through non-CB members of Financial Committee who know whom to contact at national CBs
 - Provide grids of references ('bilan type')
 - Iterative process: produce "not yet correct" data to *"inspire them to [...] give us more information about their actual accounts than they normally publish in their regular statements."* (Loveday to Layton 1924)
- ... and imposing
 - League sponsors stabilization loans for several CEE countries and advices on CB reforms
 - Disclosure requirements in charters are key element in all programs
 - Programs often include presence of LoN advisors at national CBs



Postcard by Martin Funke, director of the statistical office of the Free City of Danzig, that he had ordered the office to forward the required data on coins in circulation.

1928: First ever meeting of CB statisticians



- Limits of approach: LoN organization of states, not central banks
- “Go to fountainhead of information”
- Highly political and delicate balancing act
 - Keep at technical level of CB statistical officers
 - Invitation not by LoN, but BoF (Head of Research Quesnay formerly at LoN)
 - Loveday to Siepmann (BoE): “bank returns, monetary policy, statutes and central bank cooperation [...] entirely outside the scope of the discussions.”
- Success or failure?
 - 31 banks, country notes on gold, forex and money markets, notes on organization of statistical offices, but no follow-up meeting
- LoN ceases publication of *Memoranda* in 1927

In a relay race with the BIS

- 1930: BIS as new logical platform for international data collection
 - Central bank cooperation as “gather[ing] and exchang[ing] data and information of a monetary and economic character, domestic and foreign, thus helping to form a basis of judgment in guiding credit policy and deciding the proper course of conduct.” (5th Annual Report)
- First managing director Quesnay: Monetary and Economic Department
- Different logic than the League: BIS as “information safe house”
 - “The B.I.S. will, like other banking institutions, have to exercise discretion.” “Great care must [...] be exercised [...], for if the B.I.S. were to forward all the information it obtained, it would probably very soon find that everyone would be most cautious before entrusting it with any confidential information.” (1931 memo).
- Governance and proprietary data remain a challenge
 - But successful project on short-term debt
 - BIS continues to collect CB reports and to accumulate data

Conclusion and outlook

- League resumes publication of central bank statistics in 1935
 - “It covers therefore, to a considerable extent, the subjects dealt with in earlier years by the special Memoranda on Currency and Central Banks issued by the League ; but these currency problems are approached rather through the avenue of commercial banking than along the road which started from the Government printing press. This change in approach is justified by the change in circumstances.”
- Last volume of “Money and Banking” published by Princeton office of the LoN in 1942
- Story illustrates complex politics of data and the role of international organizations