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# Filling the Gap in Historical Statistics: Macroeconomic Indicators of the Debt Burden of the Kingdom of Yugoslavia During the Great Depression\*\*

## IZVLEČEK

### ZAPOLNITEV VRZELI V ZGODOVINSKI STATISTIKI – MAKROEKONOMSKI KAZALCI KREDITNEGA DOLGA KRALJEVINE JUGOSLAVIJE V ČASU VELIKE SVETOVNE GOSPODARSKE KRIZE

*Prispevek obravnava specifične vzroke za nezmožnost odplačevanja državnega dolga Kraljevine Jugoslavije leta 1932. Prvi del prispevka vsebuje časovne vrste za javni dolg s podkategorijama notranjega in zunanjega javnega dolga za obdobje od leta 1929 do 1939, ki temeljijo na podatkih iz statističnih letopisov Kraljevine Jugoslavije in Društva narodov. V drugem delu prispevka je izmerjena vzdržnost javnega dolga Kraljevine Jugoslavije na podlagi zadevnih makroekonomskih kazalnikov: razmerja med javnim dolgom in BDP ter razmerja med dolžniškimi obveznostmi in javnimi prihodki. Tretji del prispevka vsebuje razčlenitev podatkov o javnem dolgu v skladu z metodologijo, uporabljeno v statističnem letopisu Kraljevine Jugoslavije. Ta razčlenitev je pokazala, da kopičenje javnega dolga v glavnem ni bilo povezano z veliko gospodarsko krizo, vzrok zanj pa so bile predvsem politične, gospodarske in finančne posledice prve svetovne vojne.*

*Ključne besede: javni dolg, prva svetovna vojna, velika gospodarska kriza, nezmožnost odplačevanja državnega dolga, Kraljevina Jugoslavija*

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## ABSTRACT

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*The following paper focuses on the specific causes of the sovereign debt default of the Kingdom of Yugoslavia in 1932. In the first part of the paper, the time series of the public debt with the subcategories of domestic and foreign public debt for the period from 1929 to 1939 were constructed on the basis of data from the Statistical Yearbooks of the Kingdom of Yugoslavia and the League of Nations. In the second part of the paper, the sustainability of the Kingdom of Yugoslavia's public debt has been measured with help of relevant macroeconomic indicators: public debt-to-GDP ratio and debt service-to-public revenue ratio. In the third part of the paper, the decomposition of public debt data has been carried out in accordance with the methodology used in the Statistical Yearbook of the Kingdom of Yugoslavia. This decomposition has shown that public debt accumulation had to do little if anything with the Great Depression, and was to a large extent caused by the political, economic and financial consequences of the Great War.*

*Keywords: public debt, Great War, Great Depression, sovereign debt default, Kingdom of Yugoslavia*

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## Introduction

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Sovereign debt defaults are not rare historical economic phenomena. In particular, they remain widespread in the periods of global political and economic crises.<sup>1</sup> Among the European countries during the Great Depression (1929–1933), the following states were forced to temporarily suspend regular repayments of foreign debts: Hungary (1931), Austria (1932), Bulgaria (1932), Greece (1932), Germany (1932), Yugoslavia (1932) and Romania (1933).<sup>2</sup>

In the less developed agrarian countries in Europe, which also included the Kingdom of Yugoslavia, the shortage of foreign currency was the outcome of a drastic decline in the value of agricultural product exports and remittances from emigrants. Furthermore, these countries were obliged to transition to the clearing method of payments in trade with their major trading partners.<sup>3</sup>

The value of foreign trade of the Kingdom of Yugoslavia was hit hard by the crisis. From 1929 to 1932, the foreign exchange inflow on current account of the balance of payments decreased from 11.6 billion dinars to 3.9 billion dinars. Revenues from the

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1 Kim Oosterlinck, "Sovereign Debt Defaults: Insights from History," *Oxford Review of Economic Policy* 29 (4) (2013): 691–714.

2 Federico Sturzenegger and Jeromin Zettelmeyer, *Debt Defaults and Lessons from a Decade of Crises* (MIT Press, 2007), 7. George Chouliarakis and Sophia Lazaretou, "Déjà vu? The Greek Crisis Experience, the 2010s versus the 1930s. Lessons from History," *Bank of Greece Working Paper*, No. 176 (2014): 23.

3 Barry Eichengreen and Richard Portes, "Debt and Default in the 1930s, Causes and Consequences," *European Economic Review* 30 (1986): 599–640.

exports of goods dropped from 7.9 billion to 3.0 billion dinars, exports of services from 2.1 billion dinars to 612 million dinars, and the remittances of emigrants from 888 million dinars to 206 million dinars.<sup>4</sup> In addition, the central government budget for the fiscal year of 1931/32 was left without a regular foreign exchange inflow equivalent to 406 million dinars based on the reparations from Germany.<sup>5</sup> Bilateral clearing agreements had to be concluded with Austria, Czechoslovakia, Belgium and Luxembourg, Italy, France, Switzerland and Germany. They facilitated foreign trade of the country, but further contributed to the shortages of foreign exchange. However, the decline in foreign exchange earnings was only one of the reasons why the Kingdom of Yugoslavia faced the crisis of public debt and was forced to ask the creditors for debt restructuring. Another reason was the continued growth of both foreign and domestic public debt, mainly due to the successive increases in liabilities of the state that have been imposed by the Great War and its territorial, political and financial consequences.

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## Data Sources

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The time series of public debt with the subcategories of domestic and foreign public debt for the period from 1929 to 1939 were constructed on the basis of data from the *Statistical Yearbooks* of the Kingdom of Yugoslavia and the League of Nations.

For 1929, 1930, 1931, and 1932, the public debt was calculated by summing up disaggregated data on debt stock generated from each government domestic and foreign loan, published in the *Statistical Yearbook of the Kingdom of Yugoslavia*.<sup>6</sup> Given that for 1929, 1930, and 1931 the debt after each foreign loan was expressed in a currency of that particular loan, for aggregate data on the size of external debt for each of these years it was necessary to convert all of the individual data to dinars. For each respective year, the conversion was calculated using the average exchange rates of the French franc, Pound sterling, US dollar and the German mark at the Belgrade Stock Exchange.<sup>7</sup> For the year 1932, the data on the public debt for individual loans was presented in the *Statistical Yearbook of the Kingdom of Yugoslavia* both in the currency of the loan and in dinars.<sup>8</sup>

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4 Dragana Gnjatović, “Foreign Exchange Policy in the Kingdom of Yugoslavia during and after Great Depression,” *The Experience of Exchange Rate Regimes in South eastern Europe in a Historical and Comparative Perspective*, OENB Workshops No. 13 (2008): 330–48.

5 Privilegovana narodna banka Kraljevine Jugoslavije, *Godišnji izveštaj 1932* (Belgrade, 1933), XVII.

6 In 1932, the Kingdom of Yugoslavia started publishing the *Statistical Yearbook* in Serbian and French, whereas the first volume contained the data for 1929. That is the reason why the time series for public debt start from 1929. – Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1929* (Belgrade, 1932), 498, 499. Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1930* (Belgrade, 1933), 468, 469. Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1931* (Belgrade, 1934), 466, 467, 480, 481.

7 *South-Eastern European Monetary and Economic Statistics from the Nineteenth Century to the World War Two* (Athens, Sofia, Bucharest and Vienna: Bank of Greece, Bulgarian National Bank, National Bank of Romania and Oesterreichische Nationalbank, 2014), 350.

8 Opšta državna statistika, *Statistički godišnjak Kraljevine Jugoslavije 1932* (Belgrade, 1934), 480.

For the period between 1933 and 1939, the data on the public debt of the Kingdom of Yugoslavia could be found in the *Statistical Yearbook of the League of Nations*.<sup>9</sup> In fact, starting from 1933, the General Government Statistics of the Kingdom of Yugoslavia ceased to publish the disaggregated data on government debt in its *Statistical Yearbook*. Since then, the Yugoslav royal government provided the statistical service of the League of Nations with aggregated data on public debt, with the subcategories of domestic and foreign debt, for all years from 1933 to 1939. Since this information was expressed in dinars, the data could be downloaded directly from the *Statistical Yearbook of the League of Nations* in order to construct the time series of the public debt for the observed period.

The data on the nominal national income 1929–1939, calculated on the principle of material production, is from the study of Stevan Stajić: *National Income in Constant and Current Prices 1923–1939* (in Serbian).<sup>10</sup> This study has been accepted internationally as a relevant source of statistical data on the national accounts of the Kingdom of Yugoslavia.<sup>11</sup>

The data on public revenue and debt service (principal and interest) is from the statistical publication *South-Eastern European Monetary and Economic Statistics from the Nineteenth Century to the World War Two*.<sup>12</sup>

The data on foreign debt service for the individual loans in the period from 1923 to 1928 was taken from the *Annual Reports* of the Privileged National Bank of the Kingdom of SCS.<sup>13</sup>

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## Measuring the Sustainability of Public Debt of the Kingdom of Yugoslavia

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The generally accepted indicator of solvency of the state public finances is the state's public debt-to-GDP ratio. In the today's international economic and financial organisations no consensus exists regarding the benchmark for the sustainability of this relationship. During the preparation for the introduction of a single currency, in 1992 the European Union proclaimed that the public debt of a Member State must not exceed 60 % of its GDP if it wants to maintain macroeconomic stability, but the practice has brought this standard into question.<sup>14</sup> In a 2002 study by the

9 League of Nations, *Statistical Year-Book of the League of Nations 1936/37* (Geneva, 1937), 285. League of Nations (1941): *Statistical Year-Book of the League of Nations 1940/41* (Geneva), 288.

10 Stevan Stajić, *Nacionalni dohodak Jugoslavije 1923–1939 u stalnim i tekućim cenama* (Belgrade: Ekonomski institut, 1959).

11 *South-Eastern European Monetary and Economic Statistics*, 335.

12 *Ibid.*, 351.

13 Privilegovana narodna banka Kraljevine SHS, *Godišnji izveštaj 1923* (Belgrade, 1924), XIV. Privilegovana narodna banka Kraljevine SHS, *Godišnji izveštaj 1924* (Belgrade, 1925), XIV. Privilegovana narodna banka Kraljevine SHS, *Godišnji izveštaj 1925* (Belgrade, 1926), XIII. Privilegovana narodna banka Kraljevine SHS, *Godišnji izveštaj 1926* (Belgrade, 1927), XV. Privilegovana narodna banka Kraljevine SHS, *Godišnji izveštaj 1927* (Belgrade, 1928), XV. Privilegovana narodna banka Kraljevine SHS, *Godišnji izveštaj 1928* (Belgrade, 1929), XVII.

14 Most countries of the Euro Zone are not capable of meeting this criterion. – Dragana Gnjatović, "Fiscal Integration in the European Union," *Bankarstvo*, 42 (5) (2013): 14–29.

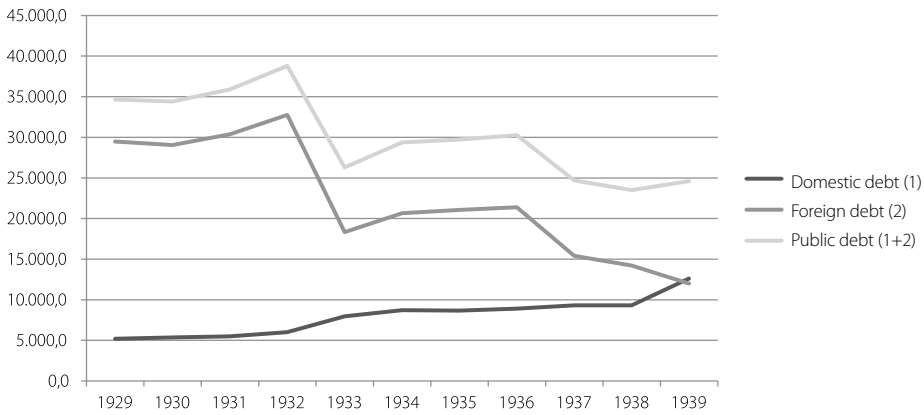
International Monetary Fund, however, it was concluded that the external debt-to-GDP ratio higher than 40 % is a sign of a high probability of debt crisis, but “at the same time, it bears emphasizing that a debt ratio above 40 percent of GDP by no means necessarily implies a crisis.”<sup>15</sup> Therefore, the limit for public debt sustainability is not viewed as a statically-defined benchmark. Rather, the public debt-to-national income dynamics is analysed on the basis of the theory of E. Domar, according to which the public debt of a given country could be considered sustainable as long as its national income recorded growth.<sup>16</sup> The growth of national income contributes to the growth of fiscal revenues from which the state can regularly service its financial obligations, even when they are increasing due to the growth of public debt. However, any long-term growth of public debt, swifter than that of the national income, brings the debtor country into an unsustainable position.

**Table 1:** The public debt of the Kingdom of Yugoslavia 1929-1939, millions of dinars  
 Source: Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1929* (Belgrade, 1932), 498, 499. Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1930* (Belgrade, 1933), 468, 469. Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1931* (Belgrade, 1934), 466, 467. League of Nations, *Statistical Year-Book of the League of Nations 1936/37* (Geneva, 1937), 285. League of Nations (1941): *Statistical Year-Book of the League of Nations 1940/41* (Geneva), 288.

Year	Domestic debt (1)	Foreign debt (2)	Public debt (1+2)
1929	5.193,9	29.466,9	34.660,8
1930	5.351,6	29.055,8	34.407,4
1931	5.500,6	30.384,0	35.884,6
1932	6.020,3	32.763,2	38.783,5
1933	7.972,0	18.326,0	26.298,0
1934	8.731,0	20.643,0	29.374,0
1935	8.662,0	21.049,0	29.711,0
1936	8.900,0	21.378,5	30.278,5
1937	9.300,0	15.400,0	24.359,0
1938	9.300,0	14.200,0	23.500,0
1939	12.620,0	12.000,0	24.620,0

<sup>15</sup> International Monetary Fund, *Assessing Sustainability* (Washington D.C., 2002), 25.

<sup>16</sup> Evsey D. Domar, “The ‘Burden of the Debt’ and the National Income,” *American Economic Review* 34 (4), (1944): 798–827.

**Chart 1:** The public debt of the Kingdom of Yugoslavia 1929–1939, millions of dinars

During the Great Depression, from 1929 to 1932, the decrease of the national income was itself a generator of the public debt crisis. Moreover, at the same time when the country faced a decreasing national income, decline in foreign exchange earnings on the current account, and a drop in budget revenues, the public debt of the Kingdom of Yugoslavia increased from 34.7 billion dinars to 38.8 billion dinars and thus the debt burden became untenable. The public debt accumulation in this period was the outcome of growth in both domestic and foreign public debt, resulting in their relatively stable share in the total public debt of 15 % and 85 % respectively. After 1932, however, the total public debt has, on several occasions, decreased due to the reduction of the foreign public debt. Conversely, the domestic public debt kept growing constantly: in 1939 the total public debt amounted to 24.6 billion dinars, of which the domestic debt accounted for as much as 12.6 billion dinars or 51.2 % and the foreign debt accounted for 12 billion dinars or 48.8 % (Table 1).

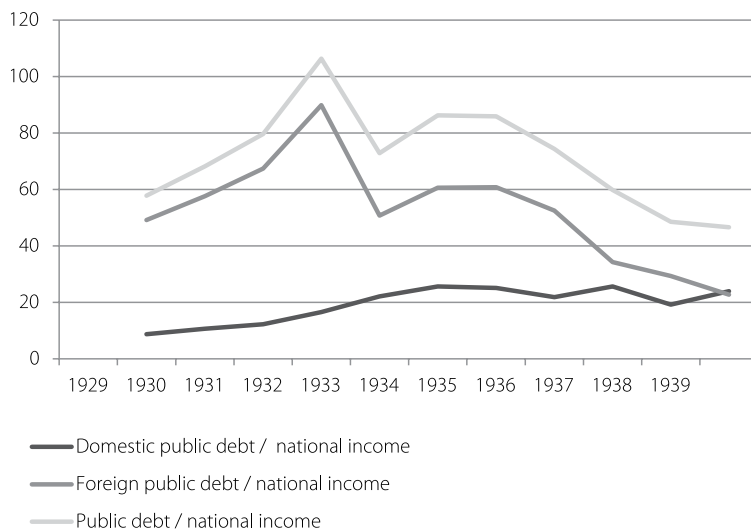
**Table 2:** Indebtedness of the Kingdom of Yugoslavia: public debt-to-national income ratio 1929–1939

Source: For national income Stevan Stajić, *Nacionalni dohodak Jugoslavije 1923–1939 u stalnim i tekućim cenama* (Belgrade: Ekonomski institut, 1959); for public debt: same as for Table 1

Year	Nominal national income, millions of dinars	Domestic public debt / national income in%	Foreign public debt / national income in%	Public debt / national income in%
1929	59.966,3	8,7	49,1	57,8
1930	50.418,2	10,6	57,6	68,2
1931	45.099,7	12,2	67,4	79,6
1932	36.480,9	16,5	89,8	106,3

1933	36.117,0	22,1	50,7	72,8
1934	34.065,7	25,6	60,6	86,2
1935	34.602,3	25,1	60,8	85,9
1936	40.744,0	21,8	52,5	74,3
1937	45.026,6	25,6	34,2	59,8
1938	48.475,5	19,2	29,3	48,5
1939	52.784,1	23,9	22,7	46,6

**Chart 2:** Indebtedness of the Kingdom of Yugoslavia: public debt-to-national income ratio 1929–1939



The indebtedness of the Kingdom of Yugoslavia, as measured by the public debt-to-national income ratio, was constantly worsening. From 1929 to 1932, this ratio increased from 57.8 % to 106.3 %. The domestic public debt-to-national income ratio increased from 8.7 % to 16.5 %, and the foreign public debt-to-national income ratio from 49.1 % to 89.8 % (Table 2). The worsening level of indebtedness was the result of the dwindling national income and the growth of public debt, both domestic and foreign. Only as late as in 1938 was indebtedness reduced to the level comparable with the time before the Great Depression, thanks to the recovery of national income but also due to a drastic cut of foreign public debt.

**Table 3:** Public debt service (principal and interest) capacity of the Kingdom of Yugoslavia: Debt service-to-public revenue ratio 1929–1939

\*In the Kingdom of SCS (Yugoslavia), the fiscal year started on 1 April every year and ended on 31 March of the following year.

Source: *South-Eastern European Monetary and Economic Statistics from the Nineteenth Century to the World War Two* (Vienna: Bank of Greece, Bulgarian National Bank, National Bank of Romania and Oesterreichische Nationalbank, Athens, Sofia, Bucharest, 2014), 335.

Fiscal year*	Public revenue, million dinars	Public debt service, million dinars	Public debt service/ Public revenue, in %
1929/30	15.952	873	5,5
1930/31	13.319	1.097	8,2
1931/32	10.964	919	8,4
1932/33	9.681	1.010	10,4
1933/34	10.015	797	7,8
1934/35	9.758	686	7,0
1935/36	9.989	678	6,8
1936/37	10.572	718	6,8
1937/38	11.987	971	8,1
1938/39	12.385	1.008	8,1
1939/40	13.118	1.141	8,7

The continuously increasing public debt of the Kingdom of Yugoslavia from 1929 to 1932 was accompanied by the growth of financial liabilities for debt service. From the 1929/30 to 1932/33 fiscal year, the obligations to service the principal and interest on the public debt increased from 873 million dinars to 1.010 billion dinars. At the same time, budget revenues have decreased from 15.9 billion dinars to 9.7 billion dinars. Consequently, it was necessary to allocate 5.5 % of public revenue towards public debt service in 1929, while in 1932 as much as 10.4 % of public revenue was needed for public debt service (Table 3).

## Decomposition of Public Debt

In the Kingdom of Yugoslavia, the common denominator of the circumstances giving rise to the public debt accumulation during the Great Depression was the Great War. Debts originated in the time before, during and after the Great War. They were directly or indirectly related to political, territorial, social and economic changes, brought about or caused by World War I. The only loan that was partly intended for the construction of new infrastructure facilities, contracted in 1922 on the American financial market, was only partially realised because the issue of war debts of the Kingdom of Serbia to the United States had to be resolved first.



The Great War was the main criterion for the classification of public debt in different categories. The General Government Statistics of the Kingdom of Yugoslavia classified public debt into five categories: debt on government bonds issued on local financial market after the Great War (Post-war domestic public debt); debt accumulated in the Kingdoms of Serbia and Montenegro (Direct pre-war debt); war debt to allies of the Kingdom of Serbia (War debt); debt inherited from the Austro-Hungarian Monarchy (Indirect pre-war debt); and debt on foreign loans concluded in the Kingdom of SCS (Yugoslavia) after the Great War (Post-war foreign public debt).

**Table 4:** Decomposition of public debt of the Kingdom of Yugoslavia 1929–1932

\*The Kingdom of Yugoslavia did not keep repaying war debt after 1931. The difference in war debt stock between 1931 and 1932 appeared because of the devaluation of Pound sterling after Great Britain had abolished the gold standard.

Source: Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1929* (Belgrade, 1932), 498, 499. Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1930* (Belgrade, 1933), 468, 469. Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1931* (Belgrade, 1934), 466, 467.

Debt category	Debt stock July 1st, 1929 million dinars	Share in overall public debt, in %	Debt stock July 1st, 1930 million dinars	Share in overall public debt, in %	Debt stock July 1st, 1931 million dinars	Share in overall public debt, in %	Debt stock July 1st, 1932 million dinars	Share in overall public debt, in %
1. Post-war domestic public debt	5.193,9	15,0	5.351,6	15,5	5.500,6	15,3	6.020,3	15,5
2. Foreign public debt	29.466,9	85,0	29.055,8	84,4	30.384,0	84,8	32.763,2	84,5
2.1. Direct pre-war debt	1.777,7	5,1	1.761,5	5,1	1.687,5	4,7	5.628,8	14,4
2.2. War debt	17.469,9	50,4	17.368,8	50,5	16.637,1	46,4	14.981,2*	38,7
2.3. Indirect pre-war debt	3.175,3	9,2	3.002,5	8,7	3.002,5	8,4	3.004,3	7,7
2.4. Post-war foreign public debt	7.044,0	20,3	7.013,0	20,2	9.056,9	25,2	9.148,9	33,7
1. + 2. Total	34.660,8	100,0	34.407,4	100,0	35.884,6	100,0	38.783,5	100,0

The analysis of each of these categories of public debt reveals the specific circumstances which made it impossible to avoid public debt accumulation during the Great Depression.

### Post-war Domestic Public Debt

Post-war domestic public loans, issued both before and during the Great Depression, were intended to mitigate the consequences of the Great War and the financial liquidation of feudal relations on the agrarian lands in the provinces of the former Ottoman Empire and Austro-Hungarian Monarchy.

Before the Great Depression, the Kingdom of SCS issued three domestic loans. The first loan was the so-called Investment Loan, issued in 1921 and amounting to 500 million dinars, with a 7 % interest rate and a repayment period of 50 years. It was aimed at rebuilding the roads demolished during the Great War. This loan was contracted with a syndicate of 108 banks from all over the country. The second loan was the so-called Agrarian Loan, also issued in 1921 and amounting to 130 million dinars, with a 4 % interest rate and a repayment period of 30 years. This was the first tranche of a loan intended for the financial compensation to earlier feudal land owners in Bosnia and Herzegovina, whose land was seized due to the agrarian reform. The third loan was the so-called War Damage Loan, intended for the compensation for war damages suffered by the citizens of Serbia and Montenegro during the Great War. Government bonds for the compensation for war damages were issued between 1923 and 1925, in the nominal amount of 4.9 billion dinars, with a 2.5 % interest rate and a repayment period of 50 years.<sup>17</sup>

At the beginning of the Great Depression in 1929, the domestic public debt of the Kingdom of Yugoslavia amounted to 5.2 billion dinars (Table 5). By 1932, this debt had increased to over 6 billion dinars, as new loans for the financial liquidation of the agrarian reform were issued during the crisis.

**Table 5:** Domestic public debt of the Kingdom of Yugoslavia 1929–1932

Source: Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1929* (Belgrade, 1932), 498, 499. Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1930* (Belgrade, 1933), 468, 469. Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1931* (Belgrade, 1934), 466, 467.

Debt category	Debt stock on July 1st, 1929, million dinars	Debt stock on July 1st, 1930, million dinars	Debt stock on July 1st, 1931, million dinars	Debt stock on July 1st, 1932, million dinars
Investment Loan (1921)	494,5	492,9	491,2	489,4
Agrarian Loan (1921)	123,3	122,2	121,0	119,8
War Damage Loan (1923)	4.576,1	4.586,5	4.543,2	4.515,0
Beylik Loan (1930, 1931)	-	150,0	349,2	496,1
Dalmatian Loan (1931)	-	-	-	400,0
Total	5.193,9	5.351,6	5.500,6	6.020,3

<sup>17</sup> Dragana Gnjatović, "Stari državni dugovi, Prilog ekonomskoj i političkoj istoriji Srbije i Jugoslavije 1862–1941," *Jugoslovenski pregled* (1991): 133–36.

In the Kingdom of SCS (Yugoslavia), the resistance against the implementation of the agrarian reform was considerable.<sup>18</sup> Therefore a decade had passed before new loans for the financial compensation to the former land owners were issued. During the Great Depression their issuance decreased. In 1930, the first tranche of the new, so-called Beylik Loan intended for the financial compensation of the former feudal land owners in Bosnia and Herzegovina was issued, amounting to 150 million dinars, with a 6 % interest rate and a repayment period of 43 years. In the following year, 1931, the second tranche of the Beylik Loan was issued under the same conditions, amounting to 200 million dinars. Furthermore, in 1931 the so-called Dalmatian Loan intended for the financial compensation of the former landlords in Dalmatia was issued, amounting to 400 million dinars, with a 4% interest rate and a repayment period of 30 years.<sup>19</sup>

### Direct Pre-war Debt

During the Great Depression, direct pre-war debts of the Kingdom of Serbia tripled as a result of the revaluation of the debts to France.

**Table 6:** Direct pre-war debt stock on the loans revalued by the Convention of 5 April 1930, before and after their revaluation to gold francs

Source: Opšta državna statistika, *Statistički godišnjak Kraljevine Jugoslavije 1931* (Belgrade, 1934), 466, 467.

Opšta državna statistika, *Statistički godišnjak Kraljevine Jugoslavije 1932* (Belgrade, 1934), 480, 481.

Loan	Debt stock before revaluation, million dinars, July 1st, 1931 1.	Debt stock after revaluation, million dinars, July 1st, 1932 2.	Difference, million dinars 2.-1.
4% Conversion Loan (1895)	684,4	2.040,7	1.356,3
5% Monopoly Loan (1902)	85,8	286,2	200,4
4.5% Loan for railroad construction and army modernization (1906)	143,0	1.137,6	994,6
5% Loan for Balkan Wars (1913)	469,0	1.563,7	1.094,7
4,5% Loan of Uprava fondova (1910)	-	158,4	158,4
4,5% Communal Loan of Uprava fondova (1911)	-	165,5	165,5
Loan of Serbian Red Cross Society (1907)	-	120,4	120,4
<b>Total</b>	<b>1.382,2</b>	<b>5.472,5</b>	<b>4.090,3</b>

18 Ratko Ljubojević, *Agrarna politika Kraljevine Jugoslavije za vreme šestojunarske diktature* (Belgrade: Naučno društvo agrarnih ekonomista Balkana, 2015), 91–96.

19 Gnjatović, "Stari državni dugovi," 133–36.

After the Great War, the Kingdom of SCS made a commitment to continue to repay 10 foreign loans of the Kingdom of Serbia in the amount of 815.3 million dinars in gold: the Lottery Loan (1881), the Loan for repurchase of tobacco monopoly (1888), the Conversion Loan (1895), the Monopoly Loan (1902), the Loan for railroad construction and army modernization I (1906), the Loan for railroad construction and army modernization II (1909), the Loan for Balkan Wars (1913), the Loan of the state mortgage bank *Uprava fondova* (1910), the Communal loan of *Uprava fondova* (1911), and the Loan of Serbian Red Cross Society (1907). Also, the Kingdom of SCS continued to repay two foreign loans of the Kingdom of Montenegro from 1909 and 1913, in the amount of 17 million dinars in gold.<sup>20</sup> The annuities of the first seven loans of the Kingdom of Serbia and both loans of the Kingdom of Montenegro have fallen at the expense of the central government budget, while the annuities of the two *Uprava fondova* loans and the loan of the Serbian Red Cross Society continued to be repaid by these public institutions. Loans were repaid in the currencies in which they were contracted, while the loans contracted in France were repaid in the French paper franc that was worth a fifth of the gold franc.<sup>21</sup>

However, on the basis of the judgment of the Permanent Court of International Justice, on 5 April 1930 the Government of the Kingdom of Yugoslavia signed a Convention with French porters, according to which the remaining debts on the aforementioned French tranches of loans were revalued. According to the letter of the Convention, starting from the 1931/32 fiscal year, not only the aforementioned revalued loans from the Kingdoms of Serbia and Montenegro, but also the two revalued *Uprava fondova* loans and the loan of the Serbian Red Cross Society were to be repaid from central government budget. Due to this revaluation, between 1931 and 1932 the foreign public debt on loans included in the Convention with French porters increased from 1.4 billion dinars to 5.5 billion dinars (Table 6).

## War Debt

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The Kingdom of SCS regulated the repayment of the war debt to the United States and the United Kingdom before the Great Depression, while the regulation of the war debt to France and surpluses received from Germany on the basis of the Dawes Plan took place precisely in the times of the crisis.

After the Great War, the issue of inter-ally debts was resolved, at the request of the United States, by bilateral agreements between the states concerned. The United States signed agreements with Britain in 1923, with Belgium, Italy and Romania in 1925, France and the Kingdom of SCS in 1926, and Greece in 1928. In addition, the agreements with Great Britain and France contained a clause according to

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20 For more information on the loans of the Kingdom of Serbia see: Dragana Gnjatović, "Foreign Long Term Government Loans of Serbia 1862–1914," in: *Economic and Financial Stability in SE Europe in a Historical and Comparative Perspective*, ed. Branko Hinić (Belgrade: National Bank of Serbia, Belgrade, 2009), 33–55.

21 League of Nations, *International Statistical Year-Book 1927* (Geneva, 1928), 13.

which these two countries would repay their war debt to the United States only if they received reparation payments from Germany, under the condition that they regulate their own claims towards other war allies in the same manner.<sup>22</sup> In this way, the possibility of the repayment of inter-ally war debts depended directly on the payments of reparations by Germany.<sup>23</sup> Immediately after the conclusion of the Peace Treaty of Versailles, it was clear that the reparations imposed on Germany were far beyond its fiscal capacity.<sup>24</sup> In the period between 1 November 1924 and 31 August 1929, Germany repaid war reparations in accordance with the Dawes Plan, according to which the German reparation debt was reduced from 126.3 billion gold marks to 42 billion gold marks.<sup>25</sup> However, according to the Young Plan of 1929, the German reparation debt was reduced to 33 billion gold marks and converted to paper German marks.<sup>26</sup> Finally, at the conference in Lausanne in 1932, a moratorium on the German reparations payments was declared, and afterwards these payments were suspended.

Based on the Agreement signed in Washington D.C. on 3 May 1926, the war debt of the Kingdom of Serbia to the United States was determined at the amount of 62.85 million US dollars and a repayment period of 62 years. The war debt to the United Kingdom was regulated by the agreement of 9 August 1927, according to which the Kingdom of SCS agreed to repay the sum of 25,591,428 pounds sterling within 62 years, as well as the sum of 3,103,848 pounds sterling within 15 years, in the name of assistance in kind.<sup>27</sup>

The war debt to France was settled as late as in 1930. During the negotiations that began in May 1928, a dispute took place regarding the total amount of debt and how the debt should be repaid. The Kingdom of SCS (Yugoslavia) was of the opinion that the debt should be denominated in paper French francs, while France argued that the debt should be denominated in gold francs.<sup>28</sup> The dispute was resolved on 20 January 1930 in favour of the Kingdom of Yugoslavia, and the total sum of this war debt was determined in the amount of 1,024,812,476 French francs and a repayment period of 37 years.<sup>29</sup> Furthermore, the Yugoslav government agreed to pay to France the sum of 157.3 million German paper marks on behalf of the surpluses received in the last five months of the fifth annuity of the Dawes Plan.<sup>30</sup>

22 Veroljub Dugalić, "Ratne reparacije u prošlosti: Obračun i naplata," *Finansije* 59 (1-6) (2004), 124.

23 Ivan M. Becić, "Ratni dugovi Kraljevine Jugoslavije u svetlu politike." *Istorija 20. veka*, 28 (3) (2010): 45–56.

24 John Maynard Keynes, *The Economic Consequences of the Peace* (New York: Harcourt, Brace and Howe, Inc. Pub., 1919), 80–98.

25 From 1924 to 1930, in the name of the reparations from Germany, based on the Dawes Plan, the Kingdom of SCS (Yugoslavia) received 275 million gold marks in money and in kind. – Dugalić, "Ratne reparacije u prošlosti," 118.

26 Ibid. Ministarstvo finansija Kraljevine Jugoslavije, *Ministarstvo finansija 1918–1938* (Belgrade, 1938), 205.

27 Dugalić, "Ratne reparacije u prošlosti."

28 Ministarstvo finansija Kraljevine Jugoslavije, *Ministarstvo finansija 1918–1938*, 205

29 Dugalić, "Ratne reparacije u prošlosti," 125.

30 Ibid.

**Table 7:** War debt repayments of the Kingdom of SHS (Yugoslavia) 1926-1931

Source: The same as for Table 4

<b>Debt category</b>	<b>1926.</b>	<b>1927.</b>	<b>1928.</b>	<b>1929.</b>	<b>1930.</b>	<b>1931.</b>	<b>1926-1931.</b>
Million dinars							
To the USA	11,3	11,4	11,4	11,3	11,3	11,3	68,0
To the UK	-	56,1	92,5	68,2	116,0	117,2	450,0
To France	-	-	-	-	27,7	13,9	41,6
Regulating surpluses on the basis of Dawes Plan	-	-	-	-	8,7	1,5	10,2
<b>Total</b>	<b>11,3</b>	<b>67,4</b>	<b>103,8</b>	<b>79,5</b>	<b>163,7</b>	<b>143,9</b>	<b>569,8</b>

The Kingdom of SCS (Yugoslavia) regularly serviced its war debt until 1931. A total of 569.8 million dinars were repaid, of which 68 million dinars (1.2 million US dollars) went to the United States; 450 million dinars (1.66 million pounds sterling) went to the United Kingdom; 41.6 million dinars (18.9 million French francs) for the war debt and 10.2 million dinars (758.807 German paper marks) went to France for the surpluses received on behalf of the Dawes Plan (Table 7). After the declaration of the moratorium on German reparation payments at the Lausanne Conference in 1932, the Kingdom of Yugoslavia suspended its repayments of war debt. The last instalment of war debt was paid on June 15, 1931, and according to the budget for the 1931/32 fiscal year, the following instalment was intended for payment on 15 June 1932. However, due to the moratorium on German reparation payments, this financial obligation on the side of the public expenditure was not met. Beginning from the 1933/34 fiscal year, war debt repayments were no longer planned on the side of public expenditure.<sup>31</sup>

### Indirect Pre-war Debt

The indirect pre-war (inherited) public debt consisted of state and provincial pre-war Austro-Hungarian debt. At the time of the Great Depression, the repayment of the Austro-Hungarian state debt was suspended for reasons that were not related to the crisis and that the Yugoslav government could not influence. Also, the repayment of the provincial debt started as late as in 1932.

The Kingdom of SCS (Yugoslavia) inherited 2.034 % of the Austrian public debt and 14.116 % of the Hungarian public debt from the period before the Great War. The Austrian and Hungarian pre-war public debts emerged from the loans that had been contracted in gold or in multiple currencies and repaid as perpetual annuities. On the basis of the Innsbruck Protocol of 29 June 1923, the Common Treasury was established in Paris (*Caisse des porteurs commune des étrangers dettes publiques et*

31 Privilegovana narodna banka Kraljevine Jugoslavije, *Godišnji izveštaj 1932*, XVI.

*autrichienne hongroise émises avant la Guerre*). Its purpose was to service the Austro-Hungarian government bonds in the hands of the French, Belgian, Dutch, Swiss, English, German and Italian porters. The Common Treasury started operating in 1926. In the same year, the Kingdom of SCS began with the regular servicing of the pre-war Austro-Hungarian debts on behalf of five Austro-Hungarian government loans.<sup>32</sup> From 1926 to 1929, the government of SCS paid 244.3 million dinars on behalf of the Austro-Hungarian government loans.<sup>33</sup> Between 1930 and 1932, however, their repayments were temporarily suspended. As it was, the creditors were not satisfied with the amount of money they could collect, and they initiated the negotiations for changing the conditions of the repayment of these debts. However, the new agreement did not enter into force and the repayments were to continue in 1933 in line with the original contractual terms.<sup>34</sup>

In addition to the obligation of servicing a share of Austro-Hungarian state debt, the Kingdom of SHS assumed the obligation to pay 336 million gold crowns on behalf of the remaining autonomous debts of those provinces that had been parts of the Austro-Hungarian Monarchy before the Great War: Bosnia and Herzegovina, Slavonia and Croatia, Slovenia and Dalmatia.<sup>35</sup> The terms of servicing these debts had been agreed with the creditors successively, and the agreed sum of each concrete provincial debt would be added to the stock of public debt only upon its regulation.<sup>36</sup>

32 The state debts, inherited from the Austro-Hungarian Monarchy, included the following: 4 % Austrian gold rent, 4 % Austrian treasury certificates from 1914, 4 % Hungarian gold rent, 4 % Hungarian rent in four currencies from 1913 and 4 % Hungarian rent in four currencies from 1914. – Gnjatović, “Stari državni dugovi,” 122.

33 Privilegovana narodna banka Kraljevine SHS, *Godišnji izveštaj 1926*, XV. Privilegovana narodna banka Kraljevine SHS, *Godišnji izveštaj 1927*, XV. Privilegovana narodna banka Kraljevine SHS, *Godišnji izveštaj 1928*, XVII.

34 Article 9 of the Innsbruck Protocol stipulated that the loans contracted as perpetual annuities should be repayable on a reduced basis of 32 %, while those contracted in multiple currencies should be repayable on a reduced basis of 27 %. In this regard, the Kingdom of SCS was committed to repaying 4,141,735 gold francs on behalf of five Austro-Hungarian government loans. However, on the basis of the Paris Agreement of 31 October 1930, there has been a revision of this article of the Innsbruck Protocol, on the basis of which the Kingdom of Yugoslavia accepted that perpetual annuities should be transformed into loans with fixed maturities, and the debt to Common Treasury in the amount of 273,951,000 gold francs should be repaid within 50 years. This debt was included in the total sum of the public debt, but its servicing was postponed until all State Parties ratified the Paris Agreement. Thus identical amounts owed to Common Treasury in Paris could be found in the lists of public debt stock for the period from 1930 to 1932. As the Paris Agreement had not entered into force because it was not ratified by Hungary, Yugoslavia reverted to the previous legal regime of the repayment of debt, inherited from the Austro-Hungarian Monarchy, which had been defined by the Innsbruck Protocol. – Ministarstvo finansija Kraljevine Jugoslavije, *Ministarstvo finansija 1918–1938*, 204.

35 Gnjatović, “Stari državni dugovi,” 126.

36 An item of the provincial debt was shown for the first time in a list of the public debt stock of the Kingdom of Yugoslavia in 1932 only: the debt to the Czech Savings Bank in the amount of 1.8 million dinars for servicing Slovenian provincial debts (Table 8).

**Table 8:** Indirect pre-war debt 1929-1932, million dinars

Source: Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1929* (Belgrade, 1932), 498, 499. Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1930* (Belgrade, 1933), 468, 469. Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1931* (Belgrade, 1934), 466, 467.

Debt category	July 1 <sup>st</sup> , 1929	July 1 <sup>st</sup> , 1930	July 1 <sup>st</sup> , 1931	July 1 <sup>st</sup> , 1932
Pre-war Austro-Hungarian Central Government Debt	3.175,3	3.002,5	3.002,5	3.002,5
Provincial pre-war Austro-Hungarian Debt	-	-	-	1,8
Total	3.175,3	3.002,5	3002,5	3.004,3

### Post-war Foreign Public Debt

The post-war foreign loans of the Kingdom of SCS, made before the Great Depression, were intended for the construction of a new railway line, the financing of current government expenditure, and the financial compensation of foreign joint stock companies for the nationalised railways. On 1 July 1929, the post-war foreign public debt amounted to 7.0 billion dinars and accounted for a fifth of the total public debt. During the Great Depression, the post-war foreign public debt continued to grow for reasons unrelated to the crisis. Only in 1931 did the Yugoslav government manage to make a loan in France for financing the legal stabilisation of the dinar, as it had previously had to agree to the revaluation of debts of the Kingdom of Serbia, and to regulate the war debt to France. Therefore, on 1 July 1932, the post-war foreign public debt of the Kingdom of Yugoslavia amounted to 9.1 billion dinars and accounted for one third of the total public debt of the country.

From the first foreign loan (Blair's Loan), which the Kingdom of SCS concluded in 1922 on the US financial market, 70 % was to be used for the construction of a new railway line from Belgrade to the Adriatic Sea and 30 % for the current government expenditures. However, the railway was not built because only 46.25 million US dollars from the originally agreed 100 million US dollars in gold had been realised.<sup>37</sup> The first tranche amounting to 15.25 million US dollars in gold, with an 8 % interest rate and maturity of 40 years, was realised after the conclusion of the loan. The second tranche amounting to 30 million US dollars in gold, with a 7 % interest rate and maturity of 35 years, was realised in 1927, only after the Kingdom of SCS had resolved the issue of the repayment of its war debt to the United States.<sup>38</sup> As Yugoslavia ceased to repay the war debt already in 1932, the possibilities to continue the realisation of Blair's Loan were exhausted.

<sup>37</sup> Gnjatović, "Stari državni dugovi," 141.

<sup>38</sup> Becić, "Ratni dugovi Kraljevine Jugoslavije."



The other two foreign loans were intended to cover the current public expenditure. The second foreign loan was used for government procurement in France. It was contracted in 1924, amounted to 300 million French francs with a 5 % interest rate, and had a maturity of 17 years. The third foreign loan was used to cover the expenses of the Autonomous Monopoly Administration. It was contracted in 1928, with a Swedish trust (Swedish Loan), and amounted to 22 million US dollars with a 6.25 % interest rate and maturity of 30 years.<sup>39</sup>

**Table 9:** Post-war foreign public debt, 1929-1932, in millions of dinars

Source: Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1929* (Belgrade, 1932), 498, 499. Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1930* (Belgrade, 1933), 468, 469. Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1931* (Belgrade, 1934), 466, 467.

Debt category	July 1 <sup>st</sup> , 1929	July 1 <sup>st</sup> , 1930	July 1 <sup>st</sup> , 1931	July 1 <sup>st</sup> , 1932
Blair's Loan (1922, 1927)	2.565,7	2.552,1	2.556,6	2.507,4
Debt to Privileged Austro-Hungarian State Railways Comp.	-	-	-	12,7
Repurchase of a part of Southern Railways (1926)	2.422,2	2.357,5	2.293,9	2.229,4
Repurchase of Oriental Railways (1926)	198,0	165,0	132,0	99,8
Repurchase of vicinal railways (1931)	-	-	-	220,7
Government Procurements in France (1924)	610,7	607,6	576,4	594,0
Swedish Loan (1928)	1.247,4	1.240,8	1.243,0	1.236,4
Stabilization Loan (1931)	-	-	2.255,0	2.248,6
Total	7.044,0	7.013,0	9.056,9	9.148,9

In the process of the nationalisation of the railways throughout the country, the Kingdom of SCS (Yugoslavia) assumed the obligation to repurchase the railways from a variety of foreign joint stock companies.<sup>40</sup> Based on the Agreement from Rome of 29 March 1923, the Kingdom of SCS made a commitment to the Southern Railway Company to pay 261 million gold francs, in equal instalments of 5.8 million gold francs within 45 years, for the repurchase of 530.6 km of the Southern Railways.<sup>41</sup>

39 Financial resources for the debt service of the Swedish Loan accumulated in a separate amortisation fund established in the Autonomous Monopoly Administration. The loan was repurchased in 1937 for one seventh of its nominal value. – Opšta državna statistika, *Statistički godišnjak 1932*, 481.

40 Gojko Malović, *Saobraćaj i veze u Kraljevini Jugoslaviji 1918–1941* (Belgrade: Arhiv Jugoslavije, 2013), 10.

41 Railroads: *Rijeka-Ljubljana and Maribor-Zidani Most-Zagreb-Sisak* – Gnjatović, “Stari državni dugovi,” 142–44.

Furthermore, in that same year the Kingdom of SCS made a commitment to the Oriental Railway and Ottoman Railway Company from France to pay 149.9 million French francs with a 7.5% interest rate for the repurchase of the Oriental Railways.<sup>42</sup> The debts for the repurchase of Southern and Oriental Railways were regularly repaid, including the years of the Great Depression.<sup>43</sup> Also, during the process of the nationalisation of the railways throughout the country, the Kingdom of Yugoslavia assumed the obligation to repurchase the vicinal (local) railways in the territories formerly belonging to the Austro-Hungarian Monarchy, which were owned by different foreign joint stock companies. The agreement with the owners of the vicinal railways was achieved only on 1 May 1931. Based on this agreement, in the list of public debt stock for the year 1932, the financial obligation for the repurchase of the vicinal railways in the amount of 220.7 million dinars appeared.<sup>44</sup>

Although the post-war foreign public debt was regularly serviced, also in the years of the Great Depression, it was precisely at that time that its swift increase was recorded. As it happened, on 8 May 1931 the Yugoslav government took a Stabilisation Loan in gold in the amount of 1.025 billion French francs, with a 7 % interest rate and maturity of 40 years from the *Banque de l'Union Parisienne* bank which served to strengthen the gold reserves of the National Bank. Then, on 11 May 1931, the gold exchange standard was introduced on the basis of the new Law on Money of the Kingdom of Yugoslavia.<sup>45</sup>

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## Sovereign Debt Default and Its Financial Consequences

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In late July 1932, when it was not possible to provide enough foreign exchange for the repayment of the enlarged foreign debt to France, an attempt was made to reach an agreement with the French government to postpone the outstanding liabilities for a year.<sup>46</sup> This measure did not produce the desired results, and this led to the temporary suspension of all payments of public debt in foreign currency.<sup>47</sup> Following the example of Bulgaria and Romania, in December 1932 negotiations with the representatives of foreign porters of the bonds of the Yugoslav government loans were initiated in order to “facilitate the service on these bonds, as long as there are difficulties in providing foreign exchange”.<sup>48</sup>

The negotiations were finalised on 26 July 1933, with the signing of the Convention on the regulation of repayments of foreign government loans for the three-year

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42 Railroads: *Gevgelija-Kosovska Mitrovica, Skopje-Zibevče, Gevgelija-Thessaloniki, Thessaloniki-Bitola* – Ibid.

43 Privilegovana narodna banka Kraljevine SHS, *Godišnji izveštaj 1926*, XV. Privilegovana narodna banka Kraljevine SHS, *Godišnji izveštaj 1927*, XV. Privilegovana narodna banka Kraljevine SHS, *Godišnji izveštaj 1928*, XVII. Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1931*, 467.

44 Opšta državna statistika, *Statistički godišnjak Kraljevine Jugoslavije 1932*, 480, 481.

45 Gnjatović, “Foreign Exchange Policy in the Kingdom of Yugoslavia,” 340.

46 Privilegovana narodna banka Kraljevine Jugoslavije, *Godišnji izveštaj 1932*, XVII.

47 Ministarstvo finansija Kraljevine Jugoslavije, *Ministarstvo finansija 1918–1938*, 211.

48 Privilegovana narodna banka Kraljevine Jugoslavije, *Ministarstvo finansija 1918–1938*.

period, from 14 October 1932 to 15 October 1935. On the basis of this Convention, the Kingdom of Yugoslavia has concluded a series of international agreements on the so-called funding loans for the refinancing of almost all external government debt.<sup>49</sup> Funding loans were concluded with an interest rate of 5 % and a repayment period of 25 years. They were used to refinance 90 % of the commitments which became due in the indicated period of three years, while the Kingdom of Yugoslavia continued to repay the remaining 10 % of those liabilities in foreign currency.<sup>50</sup> However, even after the expiry of the three-year moratorium, the Yugoslav state was unable to continue repaying the foreign debt in accordance with the originally-agreed terms, and on 25 April 25 1936 a new Convention was signed concerning the two-year period from 16 October 1935 to 15 October 1937. The Kingdom of Yugoslavia took a new funding loan to refinance 45 % of liabilities due within that specified period, while 15 % of those liabilities were still to be repaid in foreign currency. The remaining 40 % of liabilities due within that specified period were written off. Even after this two-year moratorium, the Yugoslav state was not able to continue to repay foreign debt in accordance with the originally agreed terms. Therefore, on 27 March 1938 the third Convention, concerning the two-year period from 16 October 1937 to 15 October 1939, was signed. This Convention stipulated that 45 % of the bond face value should be repaid to foreign porters of the Yugoslav government loans, while the remaining 55 % were written off.<sup>51</sup>

Since its sovereign debt default in October 1932 until World War II, the foreign financial markets were closed to the Kingdom of Yugoslavia. The changes in the size of the public debt in the period between 1933 and 1939 were primarily the result of the repudiation of war debt payments and Conventions on the regulation of the repayments of foreign government loans. Between 1932 and 1933, the foreign public debt decreased by 14.4 billion dinars, from 32.8 billion dinars to 18.4 billion dinars, because the Yugoslav government, unable to continue to collect reparations from Germany, stopped to service the war debt and no longer registered it in the public debt stock.<sup>52</sup> In the following three-year period, the foreign public debt was accumulating again due to the funding of loans taken for the refinancing of outstanding debt, and thus it increased to 21.4 billion dinars in 1936. According to the League of Nations data, thanks to the successive write-offs, the foreign public debt of the Kingdom of Yugoslavia was once again reduced to 12 billion dinars in 1939.<sup>53</sup>

49 The Convention also encompassed three loans of the State Mortgage Bank, intended for the post-war reconstruction of municipal and residential buildings in cities. Two loans were taken in 1924 and 1927 in Switzerland, amounting to 15 million Swiss francs and 12 million Swiss francs respectively, with an interest rate of 7 % and a repayment period of 12 years. The third post-war loan of the State Mortgage Bank was taken in 1927 from the New York banking house Seligman Brothers, amounting to 12 million US dollars with an interest rate of 7 % and a repayment period of 30 years. – Gnjatović, "Stari državni dugovi," 172–74.

50 Ibid.

51 Ibid.

52 League of Nations, *Statistical Year-Book of the League of Nations 1936/37*, 285. Opšta državna statistika Kraljevine Jugoslavije, *Statistički godišnjak Kraljevine Jugoslavije 1931*, 466.

53 League of Nations, *Statistical Year-Book of the League of Nations 1940/41*, 288.

Unable to borrow abroad, the Yugoslav government relied on the domestic financial market to help the economy overcome the crisis. The extent of the expansive policy of public expenditure is revealed in the data from the League of Nations, according to which the domestic public debt stood at 12.6 billion dinars in 1939, meaning that it was doubled in comparison with 1932.<sup>54</sup> Domestic public loans were repaid regularly, and thus their investors did not perceive buying government bonds as a risky operation even at times of the already open crisis of foreign debt. In the period from 1935 to 1938, the government bonds of the new tranches of loans for the financial liquidation of the agrarian reform, the loan for major public works, as well as the loan for the liquidation of farmers' debts were issued.<sup>55</sup> In addition to these long-term domestic loans, with the Decree of 2 January 1936 the Yugoslav state began issuing treasury bills, "with the purpose to revive the national economy by meeting earlier payments obligation of the state and to strengthen the liquidity of the Treasury".<sup>56</sup>

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## Conclusion

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The Great War left behind a burden of financial obligations that far exceeded the fiscal capacity of the Kingdom of SCS (Yugoslavia). The continued growth of public debt was, in large part, the result of the successive acceptance of these commitments on the external and internal level. At the time of the Great Depression, with the declining national income the growth of public debt turned into a crisis of public debt. With the rate of indebtedness of 106 %, measured by the ratio of public debt to national income, in 1932 the Kingdom of Yugoslavia ranked among the most indebted European countries. In fact, more than a half of its public debt was related to the international obligations after the war debts as well as direct and indirect pre-war debt.

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55 Ministarstvo finansija Kraljevine Jugoslavije, *Ministarstvo finansija 1918–1938*, 206.

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## ZAPOLNITEV VRZELI V ZGODOVINSKI STATISTIKI – MAKROEKONOMSKI KAZALCI KREDITNEGA DOLGA KRALJEVINE JUGOSLAVIJE V ČASU VELIKE SVETOVNE GOSPODARSKE KRIZE

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### POVZETEK

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V času velike svetovne gospodarske krize se je Kraljevina Jugoslavija soočala s krizo javnega dolga. Od leta 1929 do 1932 se je raven zadolženosti, merjena z razmerjem med javnim dolgom in nacionalnim dohodkom, povečala s 57,8 odstotka na 106,3 odstotka; v okviru domačega javnega dolga z 8,7 odstotka na 16,5 odstotka, v okviru zunanjega javnega dolga pa z 49,1 odstotka na 89,8 odstotka. Dolžniška kriza je povzročila hkratno zmanjšanje deviznih prihodkov in rast javnega dolga. Upad deviznih prihodkov je bil neposredna posledica velike svetovne gospodarske krize, medtem ko je bila rast javnih prihodkov posledica političnih, ozemeljskih, socialnih in gospodarskih sprememb, ki jih je s seboj prinesla oziroma za seboj pustila velika vojna. Dejstvo je, da je bila Kraljevina Jugoslavija prav v času nenadnega zmanjševanja deviznih prihodkov od izvoza in izseljenskih nakazil prisiljena sprejeti številne nove mednarodne obveznosti, ki so izzvale močno povečanje javnih izdatkov.

Da bi našli konkretne vzroke, zaradi katerih se je javni dolg Kraljevine Jugoslavije v obdobju od leta 1929 do 1932 povečal s 34,7 milijarde dinarjev na 38,8 milijarde dinarjev, je bila izvedena dekompozicija javnega dolga. Pri tem je bila uporabljena metodologija Obče državne statistike Kraljevine Jugoslavije, po kateri je obstajalo pet kategorij javnega dolga: dolg Kraljevine Srbije in Kraljevine Črne gore, ki ga je v odplačevanje prevzela Kraljevina SHS (Predvojni oziroma direktni predvojni dolg); dolg zaveznikom Kraljevine Srbije iz Velike vojne (Vojni dolg); dolg, ki ga je Kraljevina SHS nasledila od avstro-ogrske monarhije in Osmanskega imperija (Nasledstveni oziroma indirektni predvojni dolg), dolg zaradi tujih posojil Kraljevini SHS oziroma Kraljevini Jugoslaviji po veliki vojni (Povojni dolg) in dolg zaradi notranjih posojil po veliki vojni (Notranji dolg). Dekompozicija javnega dolga je pokazala, da vzroki njegove hitre rasti v času velike svetovne gospodarske krize niso bili v nobeni neposredni zvezi s krizo.

Prav v času Velike svetovne gospodarske krize se je zaradi revalorizacije francoskih posojil dolg Kraljevine Srbije potrojil. Šele po privolitvi Kraljevine Jugoslavije, da bo revalorizirala posojila Kraljevini Srbiji, je njena vlada skupaj s francosko regulirala vojni dolg in sklenila novo posojilo, s katero bi zakonsko stabilizirala dinar. Istočasno pa se neposredni predvojni dolg ni zmanjševal, saj je bilo začasno ustavljeno odplačevanje nasledstvenega avstro-ogrskega državnega dolga zaradi vzrokov, ki niso bili povezani s krizo in na katere jugoslovanska vlada ni mogla vplivati. Upniki namreč niso bili zadovoljni z vsoto, ki jo je zmogla odplačevati, zato so tekla pogajanja o spremembi

pogojev teh dolgov. Ne nazadnje niti notranja javna posojila iz časa velike svetovne gospodarske krize s krizo samo niso imela nobene zveze; namenjena so bila saniranju posledic prve svetovne vojne in finančni likvidaciji nasledstvenih fevdalnih odnosov pri izvajanju agrarne reforme.

Za Kraljevino Jugoslavijo je breme zunanjega dolga leta 1932 postalo pretežno. Temu je sledil državni stečaj in niz zaporednih sporazumov z upniki o refinanciranju in odpisu dela dolga. Notranji javni dolg je bil istočasno redno servisiran.