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DETERIORATION IN THE QUALITY OF FOREIGN BONDS ISSUED IN THE UNITED STATES, 1920-1930

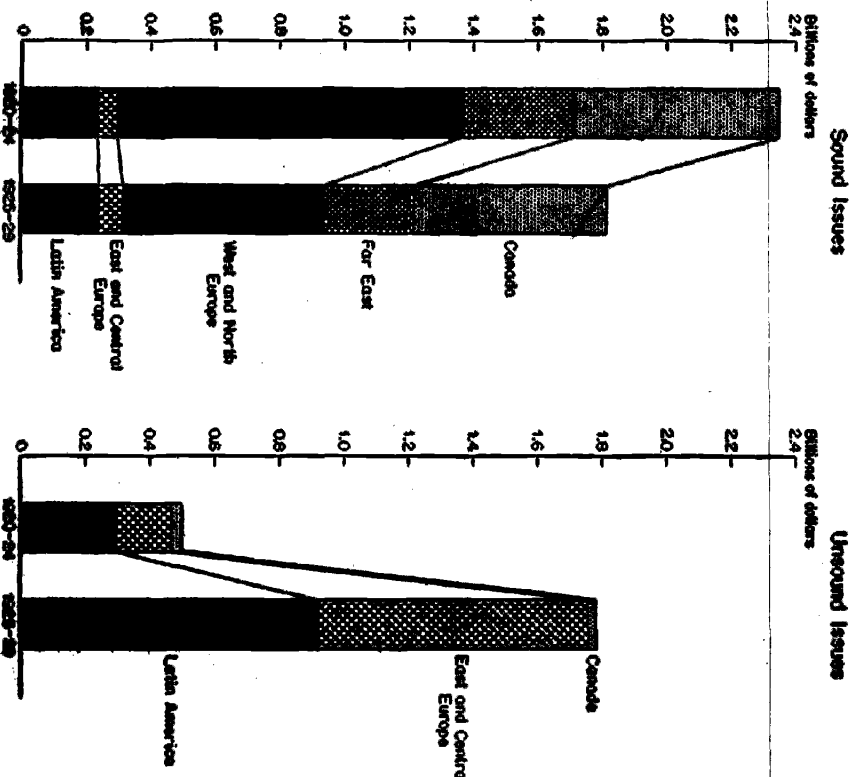
Deterioration in the Quality of Foreign Bonds Issued in the United States 1920-1930

By Ilse Mintz

National Bureau of Economic Research

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Foreign Government Bonds Issued in the United States, by Geographic Areas, 1920-24 and 1925-29



Mrs. Mintz' study of American investment in foreign government bonds, begun under a field fellowship of the Social Science Research Council, "proved of such keen interest to the [National Bureau] staff that facilities were provided for an extension and completion of her investigation" (NBER Annual Report for 1949, p. 41).

As a crude measure of quality Mrs. Mintz uses the ratio of the amount of bonds issued in a given quarter that subsequently defaulted to the amount of all bonds issued in the quarter. The 1920's were the defaultless era in American foreign lending. The progressive deterioration in the quality of new loans did not become evident until severe depression set in. She concludes that since the factors commonly regarded as responsible for the widespread defaults on foreign bonds affected issues of earlier as much as those of later years, the upswing in American financial activity may be held responsible for this steep decline in loan quality.

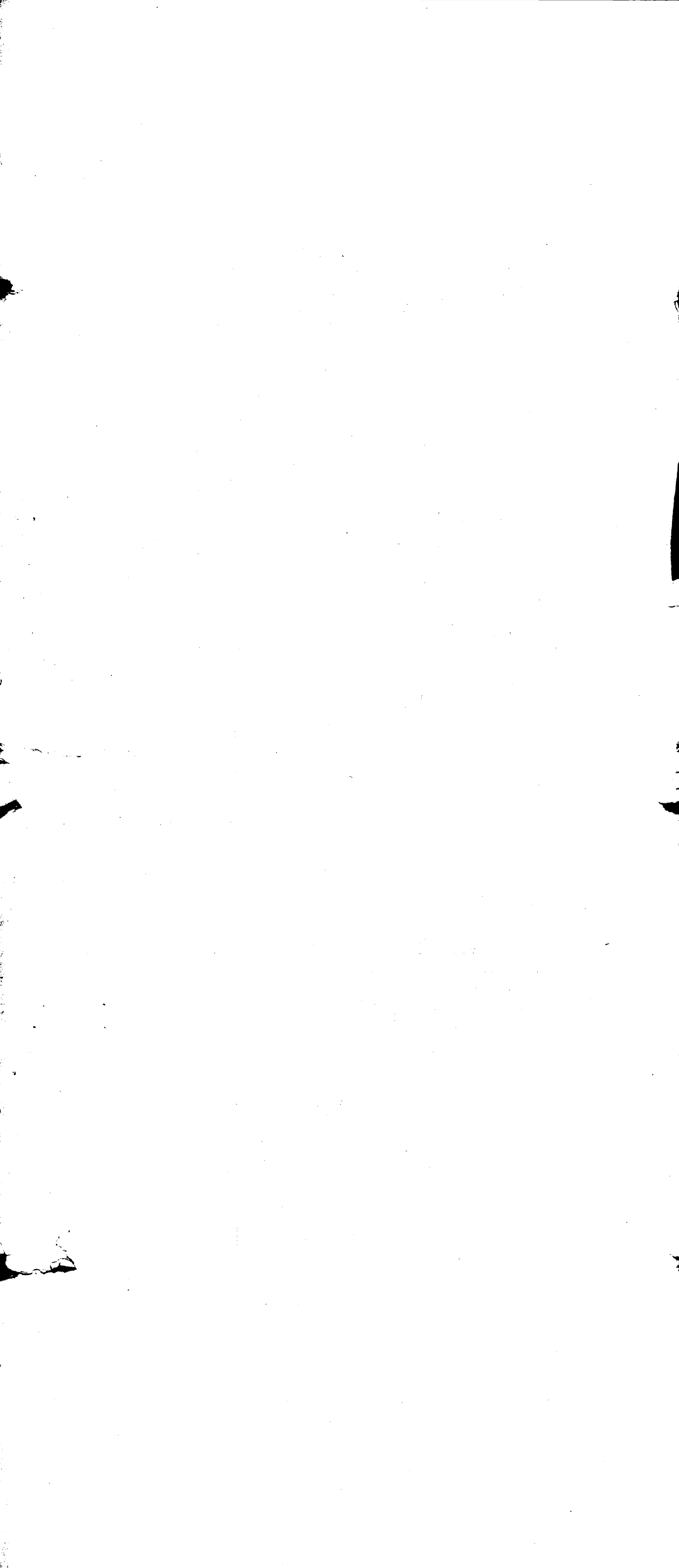
Although foreign bond flotations increased hugely during the major upswing of the '20's

they ran counter to the shorter business cycles of this period. Their relation to American business cycles is even closer than that of domestic bond issues, though one might have expected differently timed foreign business cycles to interfere. The quantity as well as the quality of foreign loans seem to have been largely determined by the state of the American economy at the time of lending.

The Author

Ilse Mintz, the daughter of Richard Schuller, head of the economic section of the Austrian Foreign Office and member of the Economic Committee of the League of Nations, was born in Vienna. She received the degree of Doctor *Rerum Politicarum* from the University of Vienna in July 1927 and the next year was assistant editor in the Austrian Institute for Business Cycle Research. Now an American citizen, she has done graduate work at Columbia University where she is teaching.

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DETERIORATION IN THE QUALITY  
OF FOREIGN BONDS ISSUED  
IN THE UNITED STATES  
1920-1930



Deterioration in the Quality  
of Foreign Bonds Issued  
in the United States  
1920-1930

by Ilse Mintz  
*Columbia University*

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