

Reparations in the Postwar Period: A Survey^(*)

I

Reparations payments over the past century figured prominently in the development of the monetary theory of international trade, mainly because they could be analyzed as part of a real-world example *par excellence* of the theoretical "transfer process". Like capital movements, reparations represent a transfer of income and purchasing power across national frontiers; but unlike all but the largest flows of private capital, official reparations remittances—being easily observed—provide a rare opportunity for empirical verification of the theory of balance-of-payments adjustment. Indeed, the opportunity is most conspicuous when the adjustment process works least smoothly—as was so often the case when reparations payments were made. For generations, therefore, economists were fascinated by the question of how official indemnities produced a physical transfer of goods and services from one country to another. Was the adjustment accomplished via the classical price-specie-flow mechanism, or was it income change that mattered? What made a particular obligation manageable, and why were some obligations so much more difficult to discharge than others? Perhaps the most famous contributions to the voluminous literature on the subject were made by Keynes and Ohlin in their memorable 1929 debate concerning the feasibility of German reparations payments after World War I (1).

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(1) J. M. KEYNES, "The German Transfer Problem", *Economic Journal*, March 1929, pp. 1-7; and BERTIL OHLIN, "The Reparation Problem: A Discussion", *Economic Journal*, June 1929, pp. 172-173, both reproduced in American Economic Association, *Readings in the Theory of International Trade* (Philadelphia: Blakiston Company, 1959), pp. 161-178. For a comprehensive discussion and bibliography on the subject of reparations and the transfer process, see C. P. Kindleberger, *International Economics*, third edition (Homewood, Illinois: Richard D. Irwin, 1963), ch. 18.

In more recent years, the attentions of theorists have turned elsewhere, and the problems of reparations payments have been more or less ignored. But reparations have continued to play a role in the relations between nations—particularly between the defeated Axis Powers of World War II and the victorious Allies. The Federal Republic of Germany has transferred considerable sums to the new State of Israel, as well as to the victims and families of victims of Nazi wartime persecutions (many of whom now live in Israel), and Italy and Japan have also shouldered the burden of reparations to a number of their former adversaries. Some of these programs have by now terminated, including probably the most well-known of them all, Germany's agreement with Israel, which ended with a final payment in March 1965. However, a number of reparations programs are still in operation, more than twenty years after the war's climax. Yet economists have failed to take much note: no effort has been made to analyze the economic effects—the costs and benefits—of these programs either for the remitting countries or for the recipients (2).

Why have economists paid so little heed to reparations in the postwar period? The main explanation, no doubt, stems from the traditional association of reparations analysis with the theoretical transfer process. By and large, the transfer of postwar obligations has been managed easily; no serious problems of balance-of-payments adjustment have arisen. It is therefore not surprising that reparations have been ignored in formal economic analysis. This is unfortunate, for the preoccupation with this one, negative, aspect of reparations has tended to obscure other equally important aspects—in particular, the static and dynamic benefits for the economies of both remitting and receiving countries. It is the thesis of this paper that when these gains are taken into account, it becomes clear that reparations have on balance been a positive—albeit small—factor in the growth of the world economy since World War II.

(2) This statement applies to the reparations programs of Germany, Italy, and Japan, but not to the one other important program of postwar reparations: Finland's payments to the Soviet Union. According to the armistice treaty signed by those two countries in September 1944, Finland was to transfer exactly \$300 million in kind to the Soviet Union over a six-year period beginning in 1946. (In 1948 the amount was reduced by approximately 25 per cent). For a detailed analysis of the economic effects of these payments for Finland, see BARTELL C. JENSEN, *The Impact of Reparations on the Post-War Finnish Economy: An Input-Output Study* (Homewood, Illinois: Richard D. Irwin, 1966).

The next part of this paper sketches in the broad outlines of the postwar reparations programs of Germany, Italy, and Japan. Part III examines the three programs from the point of view of their origin, tracing some of the more important aggregative effects on the economies of the remitting countries. This approach is consistent with traditional analysis, which ordinarily focuses on the costs to the donor. In this analysis, however, attention is paid to the benefits to the donor as well. In addition, attention is paid to the benefits to the recipients; this is the subject of Part IV. The paper concludes with a brief assessment of the over-all economic impact and value of reparations in the postwar period.

II

A. *Germany* - When the war ended in Europe in April 1945, the victorious Allied Powers were determined to ensure that Germany would never again become a threat to world peace. Their aim was "industrial disarmament" — that is, the destruction of Germany's war potential by means of drastic reduction of her heavy industry. Plant and equipment were to be earmarked for delivery as reparations to Germany's former enemies; in addition, most of the country's foreign assets were to be seized as partial compensation for war damages. The general principles for the distribution of German reparations were set in the Paris Agreement of December 1945, and the next few years witnessed a considerable number of confiscations by the Allies (3). By the late 1940's, however, the emerging Cold War had convinced the Western nations that a weakened Germany was no longer in their interest, and seizures

(3) In all, foreign assets with a book value of more than \$300 million were seized from the Western-occupied zones of Germany during the period 1945-51 and distributed among the allies outside the Soviet bloc, as were some 667 industrial plants or plant parts. See Inter-Allied Reparation Agency, *Report of the Assembly to its Member Governments* (Brussels: June 1951). Unfortunately, it is impossible to estimate with any degree of accuracy the true economic value either of these items or of the items seized by the Soviet Union from its own zone of occupation. Therefore, treatment of this phase of German reparations is omitted in this paper. However, for other discussions of some aspects of this phase, see MANUEL GOTTLIB, "The Reparations Problem Again", *Canadian Journal of Economics and Political Science*, Vol. 16, No. 1 (February 1950), pp. 22-41; and HEINZ KOHLER, "On East Germany's Foreign Economic Relations", *Social Research*, Vol. 29, No. 2 (Summer 1962), pp. 225-237.

were soon slowed down. In 1951 this phase of German reparations was stopped for good (4).

At about the same time, though, the Federal Republic of Germany was indicating its willingness, as successor state to the Third Reich, to make some degree of compensation for the material losses of world Jewry and others during the Nazi era. The Germans also offered to defray some of the expenses being incurred by the new State of Israel as a result of admitting and absorbing more than a half-million Jewish refugees from the European area. Negotiations with representatives of Israel and a number of private Jewish organizations were soon begun, and culminated in the signing of the "Luxemburg Agreement" in September 1952 (5).

This Agreement imposed two separate sets of financial obligations on the Federal Republic. First, Germany agreed to pay a total of \$716 million (DM 3 billion) of reparations directly to the Government of Israel. Payments were to be made in twelve annual installments, and were to be effected entirely in kind by the transfer of various commodities, including agricultural products, chemicals, metals, steel products, and transportation equipment. Although provision was made for shortening the payment period if possible, in fact no change was made. It was this program of reparations that terminated in March 1965. In addition, Germany agreed to compensate individuals for hardships such as imprisonment and economic losses, and to provide restitution for property seized by the Reich. Both indemnifications and restitutions were to be made in cash, mainly to the individuals concerned or to their families, but a portion also to the Conference on Jewish Material Claims Against Germany (representing 22 Jewish organizations throughout the world). A total of \$107 million (DM 450 million) was allocated to the Conference, payments to be made in twelve annual installments to the Government of Israel for subsequent distribution among the member-organizations of the Conference. As for the payments to individuals, the German Finance Minister estimated at the time

(4) For a discussion of this period, see NICHOLAS BALABKINS, *Germany Under Direct Controls: Economic Aspects of Industrial Disarmament, 1945-1948* (New Brunswick, New Jersey: Rutgers University Press, 1964).

(5) For a detailed description of the provisions of the Luxemburg Agreement, as well as of the events leading up to it and to its ratification by the Bundestag in March 1953, see KURT R. GROSSMAN, *Germany's Moral Debt: The German-Israel Agreement* (Washington: Public Affairs Press, 1954).

of the settlement that indemnifications would amount to about \$716 million (DM 3 billion) and restitutions to about \$369 million (DM 1550 million). In fact, payments under this program, which is still in operation, have far exceeded the original estimates (see Table 1).

Finally, Germany negotiated a series of more than a dozen treaties with other European countries, and with the United Nations and the International Red Cross, obliging the Federal Republic to make cash payments to foreign citizens affected by Nazi wartime persecutions. This program too is still in operation. However, as Table 1 shows, remittances under the program have been relatively small, accounting for less than five percent of the \$5.3 billion total of reparations of all kinds paid by the Federal Republic through the end of 1955. By far the largest proportion has been allocated for personal indemnifications and restitutions under the Luxemburg Agreement. Less than one-sixth represented direct shipments of goods and services to Israel.

B. *Italy* - Because of Italy's early departure from the war, the United States and the United Kingdom renounced all claims to reparations, and worked vigorously to restrain the demands of the other Allied Powers. For the most part they were successful, and as a result the economic provisions of the Italian Peace Treaty, signed in February 1947, placed a relatively light burden on Italy. A total of some \$360 million of reparations was to be transferred in the form of goods and services to five countries: Albania (\$5 million), Ethiopia (\$25 million), Greece (\$105 million), the Soviet Union (\$100 million), and Yugoslavia (\$125 million). In addition, Italian property in Allied territory was to be seized, retained, or liquidated, though here some countries agreed from the first not to press their claims to the full, and in most cases the matter was settled by means of special agreements. Finally, Italy was to compensate her former enemies for wartime damages to their properties in Italy (6).

To date, Italy's reparations debt to the Soviet Union has remained outstanding. But apart from that, as Table 2 indicates, the Italians had by the end of 1965 fulfilled virtually all of their obligations under the Peace Treaty. Total remittances over the nineteen-year

(6) MURIEL GRINDROD, *The Rebuilding of Italy* (London: Royal Institute of International Affairs, 1955), p. 30.

period from 1947, including cash payments for damaged properties, amounted to approximately \$366 million. As can be seen, the largest sums went to Greece (30 percent), Yugoslavia (27 percent), France (14 percent), and Ethiopia (11 percent). Transfers to other countries were all quite small.

C. *Japan* - Immediately after the war's end Japan was treated much as Germany was. Like Germany, the country was supposed to be "industrially disarmed". Thus, like Germany, the country found its foreign assets being distributed among its former enemies, and a considerable amount of plant and equipment being confiscated and transferred abroad (7). But as in the case of Germany, this phase of reparations did not last long, owing to the deterioration in relations between the West and Russia, as well as to the widespread economic distress within Japan itself. By the end of 1947 the program of confiscatory reparations was halted, and in its place a policy of recovery and rehabilitation was instituted, culminating in September 1951 with the signing of the Japanese Peace Treaty.

While recognizing the obligation of Japan to make reparations, the Peace Treaty also conceded her current inability to do so. The amount and form of remittances to be transferred was left to the Japanese to negotiate separately with each of their former enemies. Subsequently, all of the major powers renounced their reparations claims. In fact, only relatively poor Asian countries — Burma, Cambodia, Indonesia, Laos, the Philippines, South Korea, South Vietnam, and Thailand — insisted on their right to receive war damages, and ultimately agreements were negotiated with all of them. Two kinds of agreement were reached, one calling for direct reparations in the form of goods and services, the other calling for an indirect form of reparations labelled "economic aid with no compensation" (i.e., grants, also in kind). Only Burma, the first country with whom Japan signed a reparations settlement (in November, 1954, with remittances commencing in 1955), has received payments under both kind of agreement. South Korea's settlement, the last, was not signed until June 1965, and no payments were made before the end of the period under consideration.

(7) G. C. ALLEN, *Japan's Economic Recovery* (New York: Oxford University Press, 1958), p. 17. Unfortunately, as in the German case, the true economic value of these items cannot be estimated with any precision. Hence, these too are omitted from this paper.

As Table 3 shows, Japan's total obligation under the nine separate agreements amounted to almost \$1.5 billion, to be paid out in annual installments of varying magnitude and duration. Through the end of 1965, payments under just three of the agreements had actually been completed, and only about two-fifths (\$606 million) of the total obligation had in fact been remitted, the largest shares going to Burma (34 percent), the Philippines (32 percent), and Indonesia (24 percent). The remaining sums are to be transferred over the next decade, when South Korea will also begin receiving a relatively large share.

III

When a country is obliged to make reparations payments, two problems are created:

A. *The real burden* - The obligation to make reparations payments creates a fiscal problem of raising sufficient tax revenues. In a broader sense, the problem is to reduce aggregate domestic expenditures ("absorption") out of a given national income. It is manifest that the greater the amount by which current domestic consumption and investment must be reduced relative to current national income, the greater the real burden of the reparations program in a static sense. In a dynamic sense, the burden may be even larger if the reparations agreement specifies that the remittances must be transferred in the form of domestically produced goods which do not happen to correspond to the country's comparative advantage in international trade. Though relatively inefficient within the country, such industries will need to expand output. To the extent that this exerts a disproportionate demand on capital resources, the pattern of new investment will be distorted away from its optimum and future domestic consumption and investment will be reduced relative to their potential maximum. On the other hand, to the extent that remittances are drawn from the output of domestic industries for which costs are relatively low — or in which scale economies are possible — the real burden will be offset by significant dynamic benefits. Moreover, if the expansion of output absorbs previously unemployed resources (the social opportunity cost of whose use is zero), these dynamic benefits may be considerable, indeed.

B. *The real transfer* - The obligation to make reparations payments also creates a balance-of-payments adjustment problem — the problem of increasing exports and/or decreasing imports in order to have the trade balance adjusted to the remittances abroad. The problem is greater, the greater the amount by which the trade balance must be adjusted. The problem can be minimized to the extent that the payments are effected directly in goods and services rather than in cash. Indeed, if the entire remittance is transferred in kind, there is in a static sense no balance-of-payments problem at all, only a real-burden problem. However, in a dynamic sense a real-transfer problem will remain a matter for concern to the extent that domestic prices or costs are adversely affected over time by a need to expand output in relatively inefficient industries or in industries with rapidly rising cost curves. Likewise, the problem will remain serious to the extent that the diversion of exports to pay for reparations results in a permanent loss of traditional export markets elsewhere. On the other hand, the transfer problem will be diminished in importance, and may even be eliminated as a policy concern for the remitting country, if the reparations shipments themselves create or expand export markets in the recipient countries.

We turn now to an analysis of the economic effects of postwar reparations on the economies of Germany, Italy, and Japan. To what extent have the three programs generated problems of either real burden or real transfer?

Consider the first problem. How heavy was the real burden of the postwar reparations programs of Germany, Italy, and Japan? To what extent have aggregate domestic expenditures had to be restrained in each of the three countries? A convenient first approximation is provided by a direct comparison of the annual reparations remittances with available national-income data; shown in Table IV, this comparison indicates that the burden was not very heavy at all. Indeed, the ratios of reparations to national income were remarkably small, especially for Italy and Japan, never rising above one-half of one percent for the former country or above even one-quarter of one percent for the latter. For these two countries, the real burden seems on average to have been of about the same relative magnitude, even though Japan's payments in the period under consideration were almost twice as great as Italy's; compared with Italy, Japan's national income is also much greater. In absolute terms, of course, by far the largest payments were made by Germany — 14 times

larger than Italy's, 9 times larger than Japan's — so it is not surprising that of the three countries, the proportional drain on Germany's domestic resources was greatest. But even in this case the ratios are small: in only two years, 1961 and 1962, when remittances for personal indemnifications and restitutions reached their peak, did the ratio rise as high as one percent. Not even in Germany does it appear that postwar reparations transfers were particularly burdensome.

This conclusion is confirmed by a comparison of these data with earlier examples of reparations transfers — specifically, the Franco-Prussian indemnity of 1871-1875 and the German reparations of 1919-1932. Fritz Machlup has calculated that the average annual burden of the earlier German remittances amounted to about 2.5 percent of national income, and that of the French remittances to about 5.6 percent (8). This contrasts sharply with the average annual burdens after World War II of 0.72 percent for Germany, 0.13 percent for Italy, and 0.17 percent for Japan.

Moreover, even these quite small figures tend to overstate the extent to which aggregate domestic expenditures have had to be restrained in the three countries during the postwar period. For a direct comparison of reparations remittances with national-income data implies that payments are effected entirely out of current income. Actually, the real burden of reparations is reduced to the extent that payments are effected, not out of current income, but through loans or grants from abroad. And the fact is that throughout most of the postwar years, Germany, Italy and Japan all benefited considerably from foreign economic and military assistance, principally from the United States Government. True, in the case of Germany, as Table 5 shows, aid receipts represented a relatively small fraction of the total amount of reparations transferred abroad. But in the case of Japan, aid receipts were usually close to or even in excess of remittances, and in the case of Italy they were generally a very large multiple. Thus while aid does not seem to have reduced the burden of German reparations to any great extent, it does seem to have enabled the Japanese to avoid reducing absorption, and the Italians in fact to increase absorption, out of a given national income.

(8) FRITZ MACHLUP, *International Payments, Debts, and Gold* (New York: Scribners, 1964), ch. 15.

Finally, we should take note of two other points. First, owing partly to the aid received and partly to other factors, national income in all three countries was itself rising rapidly and virtually without interruption during the years under consideration. This made the real burden of remittances even lighter, for it is clear that a reduction of absorption relative to income is easier to accomplish via an absolute increase in the latter rather than an absolute decrease of the former. And secondly, owing to the terms of the various reparations agreements, the expansion of output in the three countries required to make their payments was permitted to occur mainly in the traditional export industries, where costs were relatively low and the potential for scale economies greatest. In addition, expansion tended until the late 1950's at least to absorb resources that would otherwise have remained idle. This suggests that the real burden of remittances was to some extent offset by important dynamic benefits. In any event, no serious problems of real burden seem to have arisen.

Nor have the reparations programs created any serious problems of real transfer. This was deliberate. Taking their cue from history (particularly the history of German reparations after World War I), Italy and Japan insisted on satisfying their reparations obligations whenever possible in kind rather than in cash. In fact, all of Japan's remittances have been effected directly by the export of goods and services, meaning that for the Japanese there has been no transfer problem in a static sense at all — merely, as we have seen, a very light real burden. In the Italian case, only the payments to the countries stipulated by the 1947 Peace Treaty have been transferred in kind; remittances for damaged properties have been made in cash. But these have hardly been large enough to influence the balance of payments much, actually adding up to less than one-half of one percent of Italy's export volume, and to less than one-third of one percent of Italy's over-all foreign-trade volume (exports plus imports). At any rate, Italy was for most of the same period receiving much greater amounts of aid from the United States. Moreover, for Italy as for Japan, the total of remittances was too small to have any significant adverse effects on domestic costs or prices. Thus for neither country has there been any transfer problem to speak of.

For Germany, a transfer problem has been slightly more in evidence. True, the annual payments to Israel under the Luxem-

burg Agreement were effected in kind, but these accounted for less than one-sixth of Germany's total remittances through the end of 1965. The remaining five-sixths — some \$4.4 billion of personal indemnifications and restitutions — could only be transferred in cash, and this has given Germany some cause for concern about managing the real transfer of its obligation. As Table 6 indicates, these payments represented an average annual transfer problem amounting to about 3.1 percent of Germany's export volume (about 1.6 percent of Germany's foreign-trade volume). However, the magnitude of this problem should not be exaggerated. When compared with the average annual transfer problems of 30.0 percent of export volume (16.0 percent of foreign-trade volume), represented by the Franco-Prussian indemnity and 12.8 percent of export volume (6.4 percent of foreign-trade volume) represented by Germany's interwar-period reparations (9), the need for adjustment seems rather less grim. And it should also be recalled that during most of the postwar period, Germany has been concerned about a surplus in its balance of payments, not a deficit. At a time when the authorities were combatting both inflation and excessive capital inflows, these unilateral remittances abroad may actually have been viewed as a blessing in disguise. In any event, it is unlikely that they caused many headaches for German officials worrying about the external accounts.

In short, it is obvious that none of the remitting countries suffered in any significant degree from problems of real transfer. On the contrary, they in fact tended to benefit considerably — specifically, from the opening up of foreign markets that might otherwise have remained closed to them for decades. Though this process of expanding trade horizons has been evident in all three countries, it has been especially apparent in Germany's relations with Israel and in Japan's relations with the nations of Southeast Asia (10).

In the first place, agreements to pay reparations created a measure of good will and trust for Germany and Japan in the recipient countries, whereas immediately after 1945 bitterness resulting from wartime experiences had been particularly evident. Before

(9) MACHLUP, *op. cit.*

(10) Concerning Germany and Israel, see NEHEMIAH ROBINSON, *Ten Years of German Indemnification* (New York: Conference on Jewish Material Claims Against Germany, 1964). Concerning Japan and Southern Asia, see G. C. ALLEN, *op. cit.*, p. 27; and JEROME B. COHEN (no relation), *Japan's Postwar Economy* (Bloomington: Indiana University Press, 1958), ch. 9.

the Luxemburg Agreement, Israel shunned not only commercial but even political intercourse with Germany, and the nations of Southeast Asia were in the first postwar decade hardly less hostile towards the Japanese. However, once claims were negotiated and settled, contacts began to multiply rapidly. Moreover, German and Japanese reparations were transferred directly in the form of goods and services, and trade tended to beget trade — that is, as shipments continued, they generated new demands by stimulating economic growth in the recipient countries, by favorably affecting tastes, and by creating a need for replacement parts and equipment; and these demands in turn encouraged further growth in the export-sensitive economies of Germany and Japan. Today, as Table 7 indicates, the share of German products in Israel's total import bill is more than five times greater than it was in the years immediately preceding the Luxemburg Agreement. Likewise, the Japanese share in the imports of the Southeast Asian recipients of reparations has, in all but two cases, risen noticeably. For both Germany and Japan, reparations have resulted in the creation of important new export markets.

IV

In conventional economic analysis, reparations payments are ordinarily approached from the point of view of their origin. This, as already noted, helps explain why economists have paid so little attention to the reparations programs of the postwar period, for it is clear that these remittances have not created any significant problems of real burden or transfer for the remitting countries — except perhaps marginally in the case of Germany. Quite the opposite, in fact. But reparations may also be approached analytically from the point of view of the recipient: what is a real burden for one country is a real benefit for another, and what may be a transfer problem for one may be a support of the trade balance of another. Specifically, reparations payments, like foreign aid, enable a country to increase its imports of foreign goods and services beyond what would otherwise be permitted by its current export receipts, and hence to increase aggregate domestic expenditure out of a given national income. The extent to which absorption is augmented — the relative magnitude of the real benefit — may be roughly estimated by comparing the reparations remittances with the reci-

ipient's current national income. Similarly, the extent to which the trade balance is supported may be roughly estimated by comparing the reparations remittances with the recipient's current import volume and over-all foreign-trade volume (imports plus exports).

The importance of the postwar reparations programs to the recipients is summarized in Table 8, which lists the total amount of remittances received by each of the principal beneficiaries through the end of 1965, as well as the average annual ratio of these remittances to each country's current income, imports, and foreign-trade volume. The beneficiaries listed include all seven countries that received transfers from Japan during the period under consideration, the three countries that received substantial transfers from Italy under the Italian Peace Treaty (11), and Israel. It should be noted that the table tends to understate the importance of Germany's reparations program to the extent that it fails to include most of the country's cash remittances for personal indemnifications and restitutions. It was not found possible to identify the location of the numerous recipients of these payments, except in the case of Israel; the figure for Israel includes both the cash payments to persons residing there and the net transfers by Germany to the Government of the State.

Looking at this figure, it is clear that reparations were extremely important to Israel in the years following the signing of the Luxembourg Agreement. Over the entire thirteen-year period to the end of 1965, transfers from Germany accounted for more than one-quarter of the State's total imports; at the height of the program, in 1960 and 1961, a full one-third of import volume consisted of reparations shipments and purchases financed from personal indemnifications and restitutions. This obviously constituted a very considerable real benefit to the Israeli economy, permitting an expansion of domestic consumption and investment expenditures to a level more than one-eighth above the country's current income. Reparations remittances included 49 ships, a copper-mining plant, most of a steel plant, equipment for 1,500 factories, irrigation pipes, railroad rolling stock, telecommunications equipment, and a wide

(11) The fourth claimant specified by the Peace Treaty, Albania, received too insignificant an amount to be included separately in Table 8; and the debt to Russia, the fifth claimant, is still outstanding. France is not included in the Table, despite its relatively large share (14%) of total Italian reparations, because its prominence in the data is more or less a statistical accident resulting from one very large remittance in 1948. See Table 2.

variety of raw materials (12). Indeed, one can hardly doubt that without these transfers, Israel would not have been able to achieve the remarkable rates of growth that have characterized her short existence.

For other recipients, the impact of reparations was rather less dramatic, but nevertheless in some cases noticeably significant. Among the beneficiaries of the Italian program, Ethiopia seems to have profited most, in relative terms if not in absolute amounts: almost five percent of Ethiopian imports over the second postwar decade was supported by reparations remittances from Italy. And Greece, too, has gained support from Italian payments, particularly in the important years 1950-52, when reparations shipments constituted a full 7-1/2 percent of imports. Likewise, several of the recipients of Japanese reparations have benefited considerably, notably Burma, Indonesia, and — for shorter periods — the Philippines and South Vietnam.

Insofar as the postwar reparations programs have afforded several of the beneficiaries an often quite considerable increase of imports, they have probably helped these countries to accelerate their internal rates of economic growth. For the recipients, therefore, reparations have been a "good thing" — but not only for them. For the remitting countries as well, the gains from reparations, in terms of new foreign markets, have probably outweighed the usual costs. On balance, then, reparations seem to have been a small but not insignificant positive factor in the rapid postwar expansion of national output and international trade. Their importance should not be exaggerated. Still, it is true that in most cases both remitting countries and recipients have benefited, and the costs in terms of real burden or transfer problems have been minimal. This is surely one of the happier chapters in the long and often dismal history of reparations payments.

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(12) *New York Times*, April 20, 1967.

STATISTICAL APPENDIX

TABLE I

GERMAN REPARATIONS, INDEMNIFICATIONS, & RESTITUTIONS, 1953-1965
(in millions of dollars)

Year	Reparations ^a to Israel	Indemnifications & Restitutions under the Luxemburg Agreement	Agreements with other European Countries & International Organizations ^b	Total
1953	64	—	—	64
1954	84	37	—	121
1955	64	83	—	147
1956	58	162	—	220
1957	54	278	—	332
1958	62	273	—	335
1959	63	351	—	414
1960	62	458	18	538
1961	64	548	76	688
1962	63	559	58	680
1963	63	497	69	629
1964	63	434	20	517
1965	75	452	15	542
Total	839	4,132	256	5,227

^a Includes both transfers of goods and services to the Government of Israel under the Luxemburg Agreement, and payments to the account of the Conference on Jewish Material Claims Against Germany.

^b Austria, Belgium, Denmark, France, Greece, Italy, Luxemburg, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, Yugoslavia, the United Nations High Commissioner for Refugee Questions, and the International Red Cross.

Source: Deutsche Bundesbank.

TABLE 2

ITALIAN REPARATIONS, 1947-1965
(in millions of dollars)

Year	Greece	Yugoslavia	France	Ethiopia	Others ^a	Total
1947	—	—	—	—	8.3	8.3
1948	—	—	20.5	—	7.1	27.6
1949	1.9	—	4.4	—	2.1	8.4
1950	21.1	—	6.7	—	6.2	34.0
1951	30.0	28.5	4.4	—	—	62.9
1952	24.9	1.7	5.0	—	—	31.6
1953	9.0	—	2.8	—	10.4	22.2
1954	6.3	—	1.5	—	0.3	8.1
1955	1.7	7.9	1.2	—	—	10.8
1956	0.7	5.5	2.8	1.4	6.1	16.5
1957	0.6	23.7	0.3	1.2	1.4	27.2
1958	0.6	1.8	0.2	7.2	5.9	15.7
1959	0.1	1.0	—	13.5	4.3	18.9
1960	0.1	0.9	—	6.1	3.7	10.8
1961	—	9.4	—	4.9	2.8	17.1
1962	10.9	6.6	—	2.6	2.9	23.0
1963	—	6.1	—	1.8	2.1	10.0
1964	—	4.4	—	0.8	2.4	7.6
1965	—	2.7	—	0.7	2.0	5.4
Total	107.9	100.2	49.8	40.2	68.0	366.1

^a Albania (\$11.4 million), Belgium (0.8), Brazil (6.4), Bulgaria (3.5), Egypt (19.0), Hungary (3.4), India (0.1), Libya (3.2), Mexico (9.6), Rumania (5.3), Tunisia (0.3), United States (5.0).

Source: Bank of Italy.

TABLE 3

JAPANESE REPARATIONS AND "ECONOMIC AID WITH NO COMPENSATION", 1955-1965
(in millions of dollars)

Year	Reparations					"Economic Aid With No Compensation"							Overall Total
	Burma	Philippines	Indonesia	S. Vietnam	Total	Laos	Cambodia	Thailand	Burma	S. Korea	Total		
1955	0.1	—	—	—	0.1	—	—	—	—	—	—	—	0.1
1956	7.9	6.5	—	—	14.4	—	—	—	—	—	—	—	14.4
1957	38.1	28.2	—	—	66.3	—	—	—	—	—	—	—	66.3
1958	26.0	26.7	7.3	—	60.0	—	—	—	—	—	—	—	60.0
1959	18.7	25.2	19.3	—	63.2	0.1	0.9	—	—	—	—	—	64.2
1960	21.4	27.8	14.2	0.9	64.3	0.1	0.4	—	—	—	—	—	64.8
1961	13.6	8.5	30.7	12.3	65.1	—	0.3	—	—	—	—	—	65.4
1962	24.4	6.9	21.9	13.5	66.7	0.6	0.9	2.8	—	—	—	—	71.0
1963	27.0	10.6	17.8	6.8	62.2	1.9	0.5	2.8	—	—	—	—	67.4
1964	16.6	21.2	14.7	5.3	57.8	0.1	0.8	2.8	—	—	—	—	61.5
1965	6.2	35.1	21.3	0.2	62.8	—	0.2	2.8	5.4	—	—	—	71.2
Total . . .	200.0	196.7	147.2	39.0	582.9	2.8	4.0	11.2	5.4	—	—	—	606.3
Original Commitment	200.0	550.0	223.1	39.0	1,012.1	2.8	4.2	26.7	140.0	300.0	—	—	1,465.8

Source: Japanese Ministry of Foreign Affairs (Reparations Section).

TABLE 4

RATIOS OF REPARATIONS TO NATIONAL INCOME
(in percent)

Year	Germany	Italy	Japan
1947	—	n.a.	—
1948	—	0.26	—
1949	—	0.09	—
1950	—	0.31	—
1951	—	0.50	—
1952	—	0.24	—
1953	0.23	0.15	—
1954	0.41	0.05	—
1955	0.44	0.06	nil
1956	0.59	0.09	0.07
1957	0.82	0.14	0.29
1958	0.75	0.07	0.26
1959	0.89	0.08	0.24
1960	0.98	0.04	0.20
1961	1.09	0.06	0.17
1962	1.00	0.07	0.17
1963	0.87	0.03	0.14
1964	0.65	0.02	0.11
1965	0.63	0.01	n.a.
Average	0.72	0.13	0.17

Sources: Table 1-3 (reparations); IMF, *International Financial Statistics*, selected issues (national income).

TABLE 5

FOREIGN AID RECEIVED IN YEARS OF REPARATIONS PAYMENTS ^a
(amounts in millions of dollars)

Year	Germany		Italy		Japan	
	Amount	Ratio of Aid to Reparations	Amount	Ratio of Aid to Reparations	Amount	Ratio of Aid to Reparations
1947	—	—	497	60	—	—
1948	—	—	355	13	—	—
1949	—	—	442	53	—	—
1950	—	—	295	8.7	—	—
1951	—	—	269	4.3	—	—
1952	—	—	217	6.9	—	—
1953	n.a.	n.a.	123	5.5	—	—
1954	n.a.	n.a.	134	17	—	—
1955	33	0.22	119	11	86	860
1956	31	0.14	49	3.0	55	3.82
1957	19	0.06	133	4.9	35	0.53
1958	20	0.06	67	4.3	67	1.12
1959	21	0.05	89	4.7	59	0.92
1960	42	0.08	80	7.4	72	1.11
1961	25	0.04	84	4.9	65	0.99
1962	7	0.01	74	3.2	50	0.70
1963	8	0.01	44	4.4	nil	—
1964	7	0.01	82	11	-32 ^a	—
1965	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

^a All aid data are shown on a net basis. For Japan in 1955 and 1956, and for Germany and Italy, the bulk of the assistance received consisted of grants and loans from the United States. After 1956, the aid received by Japan consisted of IBRD loans. The negative figure in 1964 represents an excess of repayments over new loans.

Source: IMF, *Balance of Payments Yearbook*, selected volumes (aid); Tables 1-3 (reparations).

TABLE 6

RATIO OF GERMAN CASH REPARATIONS TO EXPORTS
AND FOREIGN-TRADE VOLUME ^a, 1953-1965
(in percent)

	Exports	Foreign Trade Volume
1953	0.00	0.00
1954	0.71	0.38
1955	1.36	0.70
1956	2.20	1.16
1957	3.25	1.73
1958	3.10	1.67
1959	3.58	1.92
1960	4.17	2.21
1961	4.90	2.63
1962	4.66	2.42
1963	3.88	2.05
1964	2.80	1.47
1965	2.61	1.32
Average	3.10	1.63

^a Foreign-trade volume = exports plus imports.

Sources: Table 1 (reparations); IMF, *International Financial Statistics*, selected issues (foreign-trade volume).

TABLE 7

RATIO OF IMPORTS RECEIVED FROM REMITTING COUNTRY TO TOTAL IMPORTS
OF RECIPIENT COUNTRIES IN SELECTED YEARS
(in percent)

Country	Average of Three Years Prior to start of Reparations	Average of Years 1963-65
<i>From Germany:</i>		
Israel	1.6	8.7
<i>From Japan:</i>		
Burma	17.8	24.0
Cambodia	17.7	19.6
Indonesia	14.8	27.1
Laos	17.9	5.9
Philippines	6.0	20.4
South Vietnam	20.0	10.0
Thailand	13.5	32.6

Sources: Tables 1-3 (reparations); UN and IMF, *Direction of Trade*, selected issues.

TABLE 8

RATIOS OF REPARATIONS RECEIVED TO NATIONAL INCOME
AND IMPORTS OF RECIPIENT COUNTRIES

(amounts in millions of dollars; ratios in percent)

Country	Years When Reparations Received	Amount of Reparations Received	Average Annual Ratio of Reparations to:		
			National Income	Imports	Foreign Trade Volume
<i>From Germany:</i>					
Israel	1953-65	1,738.6 ^b	12.8	27.1	19.7
<i>From Italy:</i>					
Ethiopia ^a	1956-65	40.2	0.5	4.9	2.6
Greece	1949-60, 1962 (1950-52)	107.9 (76.0)	0.7 (2.6)	2.3 (7.5)	1.4 (5.7)
Yugoslavia	1951-52, 1955-65	100.2	0.4	1.4	0.9
<i>From Japan:</i>					
Burma	1955-65	205.4	1.6	7.8	3.9
Cambodia ^a	1959-65	4.0	0.1	0.6	0.3
Indonesia ^a	1958-65	147.2	0.2	3.0	1.5
Laos ^a	1959-60 1962-64	2.8	0.5	2.2	2.1
Philippines	1956-65 (1957-60)	196.7 (107.9)	0.7 (1.1)	2.8 (4.1)	1.5 (2.3)
South Vietnam	1960-65 (1961-62)	39.0 (25.9)	0.7 (1.3)	2.4 (5.0)	1.9 (2.0)
Thailand	1962-65	11.2	0.1	0.4	0.2

^a GNP, rather than national income, for the following: Cambodia, Ethiopia, Indonesia, Laos.

^b Includes both cash payments for personal indemnifications and restitutions to persons resident in Israel, and transfers of goods and services to the Government of Israel under the Luxembourg Agreement, net of payments to Jewish organizations abroad made by the Government of Israel under that Agreement.

Sources: Tables 1-3 (reparations); IMF, *International Financial Statistics*, selected issues (national income and imports); IMF, *Balance of Payments Yearbook*, selected volumes (Israel reparations data).