

# Congressional Record.

SIXTY-EIGHTH CONGRESS, FIRST SESSION.

## The Indebtedness of France to the United States.

SPEECH  
OF  
**HON. ROBERT L. OWEN,**  
OF OKLAHOMA.  
IN THE SENATE OF THE UNITED STATES,  
January 17, 1924.

Mr. OWEN. Mr. President, on yesterday the Senator from Idaho [Mr. BORAH] commented upon the apparent European propaganda looking to the possible repudiation by the European countries of the indebtedness due to the United States. It is very difficult indeed to believe that the Governments of France or Great Britain really contemplate anything of that sort, although certain unofficial individuals have been heard in the public press to make the comments quoted by the Senator from Idaho. France has been having a difficult time since the

war, and I called on the Federal Reserve Board for some figures with regard to the conditions there. I think it worth while to present them to the Senate.

The French budget for 1913 showed receipts of 4,907,000,000 francs and expenditures of 5,072,000,000 francs, making a deficit of 165,000,000 francs.

When they got into the war in 1914 this deficit ran up to 6,000,000,000 francs; in 1915, to 17,000,000,000 francs; in 1916, to 31,000,000,000 francs; in 1917, to 38,000,000,000 francs; in 1918, to 49,000,000,000 francs. Since the war they have not avoided this annual deficit, which ran to 42,000,000,000 in 1919, 38,000,000,000 in 1920, 30,000,000,000 in 1921, and 24,000,000,000 in 1922. So that the total deficit in all these years amounts to 279,000,000,000 francs. In addition their excess of imports over exports has been very large.

Without reading the whole of that, I ask to have printed in the CONGRESSIONAL RECORD this table prepared by the officers of the statistical division of the Federal Reserve Board.

The PRESIDING OFFICER. Is there objection?  
There being no objection, the table was ordered to be printed in the Record, as follows:

### Government finances.

[In millions of francs; 000,000 omitted.]

	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	Total, 1914-1922.	1923	1924
<b>BUDGET.</b>													
Receipts.....	4,907	4,196	4,130	4,930	6,186	6,791	11,586	19,821	21,543	24,691	103,876	(1)	
Expenditures.....	5,072	10,371	22,120	36,848	44,661	56,649	54,213	58,143	52,023	48,720	383,748		
Deficit.....	-165	-6,175	-17,990	-31,916	-38,475	-49,858	-42,627	-38,322	-30,480	-24,029	-279,872		
<b>EXPENDITURE.</b>													
Ordinary budget.....	5,066	9,891	19,009	29,997	37,597	48,584	35,345	30,772	27,886	25,136	264,217	23,438	23,438
Special (recoverable budget).....		372	1,914	2,947	4,081	5,952	15,481	22,279	21,423	23,084	97,533	25,970	21,665
<b>FOREIGN TRADE IN MERCHANDISE.</b>													
Imports.....	8,421	6,402	11,036	20,640	27,554	22,306	35,799	49,905	22,068	23,901			
Exports.....	6,880	4,869	3,937	6,214	6,013	4,722	11,879	26,895	19,772	20,642			
Excess of imports.....	1,541	1,533	7,099	14,426	21,541	17,584	23,920	23,010	1,296	2,259			

<sup>1</sup> Final figures for 1923 will show expenditures of about 23,000,000,000 francs and a small surplus above estimates. The 1923 ordinary budget is carried over for 1924 with small changes.

Ten months, 1924:  
Imports..... 25,621  
Exports..... 24,376

Mr. OWEN. The total indebtedness of France on April 30, 1923, was:

	Francs.
Internal debt; funded.....	171,000,000,000
Floating.....	82,000,000,000
Total.....	253,000,000,000

The external debt, which of course is measured in gold, fluctuates as the French franc goes down, so that the external debt in terms of gold would be multiplied so that on the basis of the present French franc the outstanding indebtedness would amount to something over 450,000,000,000 French francs as of this date, or a total of about \$20,000,000,000. If the French bring the franc back to par, it would cost the taxpayers the difference between 4½ cents gold on 253,000,000,000 francs internal debts and 19.3 cents gold, or about \$39,484,000,000 of additional gold payments. It seems to me Europe should valorize its currency at an equitable arbitrary figure and redeem all old currency on that basis and issue a new currency in American principles that would assure its future stable value in gold and at an agreed per capita basis by European conference, so as to facilitate commodity exchanges.

Of course the going down of the French franc is due to both the internal and external indebtedness, because the people who

speak in terms of francs naturally think in terms of the solvency of the government which is issuing the franc, imposing and collecting taxes, and either living within its income or not living within its income. That is a perfectly natural thing. It is not due to anything except financial mathematics. It is just a question of the fiscal law of gravity.

The French statesmen apparently have been leading the French people to feel that they would soon be getting very many billions from the German reparations, and therefore big armies, great expenditures, loans to others, and extravagance was justified. Those billions are not materializing in a satisfactory manner apparently, and now it has come to a point where, in order to keep the franc from tobogganing downward, as the German mark has done, the French leaders are compelled to raise the rate of taxation. The papers announced that they did this a day or two since by raising the average of taxation 20 per cent. I think it is pretty well understood that the wealth of France has not paid the heavy taxation which the wealth of Great Britain has paid or that of the United States has paid; but the time has come when, in order to save the franc from further depreciation, it is absolutely necessary for the French people to recognize the actual verities relating to their fiscal condition; and I have no doubt that they have the wisdom to do that, because the French are really very able and their fiscal management is conducted with great intel-

ligence in normal times. The emotion of war has upset the whole world and led the French Government into error which is now being reflected on the French franc unavoidably. I will put this statement of the French indebtedness into the Record without reading all of the details.

The PRESIDING OFFICER. Is there objection to the insertion of the table in the Record?

There being no objection, the matter was ordered to be printed in the Record, as follows:

Public debt of France.  
[In millions of francs.]

	July 31, 1914.	Dec. 31, 1918.	Sept. 30, 1920.	May 31, 1921.	Mar. 31, 1922.	Apr. 30, 1923.
<b>Internal debt:</b>						
Funded.....	32,579	67,739	121,306	136,072	155,058	171,681
Floating.....	1,609	49,135	81,257	86,132	87,050	82,821
Total.....	34,188	116,874	202,563	222,204	242,108	254,502
<b>External debt:</b>						
Funded.....		15,127	49,796	44,604	41,438	56,037
Floating.....		15,471	33,477	30,560	33,438	30,517
Total.....		30,598	83,273	75,164	74,876	1103,584
<b>Grand total....</b>	<b>34,188</b>	<b>147,472</b>	<b>285,836</b>	<b>297,367</b>	<b>316,984</b>	<b>361,086</b>

<sup>1</sup> The external debt varies with every fluctuation of the exchange. For this table, its value in gold francs has been multiplied by 3 to represent the approximate situation on April 30, 1923. At the present time, with the franc at about \$0.04, it would be nearly 50 per cent higher.

On July 31, 1923, the total debt was 430,000,000,000 francs, according to the Department of Commerce, United States.

RECENT LOANS.

In June and October, 1923, the French Government issued bonds to the sums of 9,778,000,000 francs and 6,040,000,000 francs, respectively. To a considerable extent these were funding issues representing the conversion of maturing notes and treasury bills. The costs to the government were, respectively, about 7 per cent for the former and 8 per cent for the latter. The total special budget for 1923 was 25,970,000,000 francs, to be entirely covered by receipts from Germany or by loans. Practically nothing was received from Germany during the year, and the deficits in this budget were covered by the receipts from the loans mentioned above and by loans issued by private groups and guaranteed and assumed by the government. The special budget (recoverable) for 1914 is 21,665,000,000 francs. Anticipated treasury borrowing for 1924 amounts to 13,000,000,000 francs.

Mr. OWEN. A later memorandum up to January 1, 1924, puts the French internal debt at 269,000,000,000 francs (worth at 5 cents about \$13,350,000,000 gold owned by the French people) and 126,000,000,000 francs in external debt, or about \$6,000,000,000 gold due foreigners.

If the French Government will demobilize and be economical, it can in due time pay its debts.

There is no just reason to ask the cancellation of the debts due the United States by France—and the people of the United States will never permit it. I thought it worth while to call the attention of the Senate to this matter, because the franc has gone down from January, 1919, after the war, when it was worth 18.3 cents, to about 4½ cents. Under the reparation management, and under the wonderful treaty of Versailles, which was going "to save the world," we see all of the currency of Europe going down, more or less. Great Britain did retrieve its currency by cutting down the John Bradbury notes and dimin-

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ishing the currency, and rigidly maintaining its credit, but the other nations have suffered very severely from the depreciation of their currency and neglect of their credit. Some of the neutral countries have not suffered very severely. Sweden, for instance, has done very well. The franc, going from a value of 18.3 cents in 1919 to less than 4.5 cents in January, 1924, has a vast significance. That is a matter of grave international consequence and tells the story of the world's impaired confidence in the management of the policies of the French Government.

What Europe needs is restoration of "production." A restoration of production is impossible without a restoration of "confidence." Some measure of confidence is required in order to have a "stable currency." They are talking about giving Germany a stable currency. If people have not any confidence in the stability of the German Government or its continuity, statesmen can not give a stable currency to Germany through German sources, because, after all, the stability of that currency will depend upon the confidence in the stability of government. It must have stability. The French statesmen have not realized this truth, but have done much to break down the government of Germany.

The Senate will recall that in 1918 I presented a plan which would have given a stable gold-secured and commodity-secured currency for all of Europe, to the extent of their requirements and desires—a plan still entirely available—simply by extending the Federal reserve system to Europe by a Federal reserve foreign bank, issuing Federal reserve bank notes of that particular bank against commercial bills secured by merchantable nonperishable commodities, and backed by the usual personal and banker's credit, as we require for the Federal reserve notes of this country. So that behind every such note would be 100 per cent of commodity values, 100 per cent private credit, 100 per cent bankers' credit, and in addition there should be set apart a gold fund equal to approximately 20 per cent, which would be sufficient, in my judgment, to assure daily redemption of such notes. In that way all the European countries could be supplied with a stable currency within a very short time.

We have idle gold laying in our vaults amounting to many times more than would be required and which could be used without any injury to our own system at all to provide this redemption fund, and such a redemption fund would earn a sufficient amount to replace itself within a few years. So there is no insuperable difficulty about giving them a gold-secured currency if they have the wit to take it and really want it. I think America would be fully justified if it helped Europe. But Europe must make it safe for America by making Europe safe for peace instead of moving it toward war. Production must be based on a balancing of the Budget on a stable currency by which men can measure contracts. They can not measure contracts and can not go into large production without contracts, and they require for the making of contracts a currency which will be a stable measure of value.

The French and German press and the leaders should open up a propaganda of good will and understanding.

The French should get out of Germany. The war myth of Germany's exclusive guilt should be frankly abandoned and an era of good will and mutual cooperation and helpfulness started.

The foreign office of France should be put under control of the French Chamber of Deputies.

The foreign office of the British Empire should be put under the House of Commons, as Ramsey MacDonald, the new British Premier to be, is quoted as demanding. The unhappy old secret diplomacy under which a dozen men led the world to war should be ended for all time.