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LOANS TO FOREIGN GOVERNMENTS

RÉSUMÉ

OF THE LAWS UNDER WHICH LOANS WERE MADE
TO FOREIGN GOVERNMENTS DURING
AND SINCE THE WAR

AND

THE MAIN FEATURES OF THE LOANS AS
DISCLOSED BY CORRESPONDENCE BETWEEN
THE PRESIDENT, THE STATE DEPARTMENT,
THE TREASURY DEPARTMENT, AND FOREIGN
GOVERNMENTS SUBMITTED TO THE
COMMITTEE ON THE JUDICIARY



PRESENTED BY MR. REED

DECEMBER 6, 1921.—Ordered to be printed

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SIXTY-SEVENTH CONGRESS, FIRST SESSION.

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UNITED STATES FOREIGN LOANS DURING THE WAR AND SINCE THE WAR.

Résumé of the various laws under which loans were made to foreign Governments; loans made to foreign Governments during the war and since the war; and the outstanding features of these loans as disclosed by the investigation of all of the foreign-loan correspondence left with the United States Senate Judiciary Committee.

PREPARED FOR THE COMMITTEE BY DON M. HUNT.

During the progress of the war Congress passed four acts known as the four Liberty loan acts. Shortly after the close of the war Congress passed an additional act known as the Victory loan act.

The provisions of the first Liberty loan act are practically the same as those in the second, third, and fourth Liberty loan acts. The following are the important sections of these acts relative to the making of foreign loans:

AN ACT To authorize an issue of bonds to meet expenditures for the national security and defense, and for the purpose of *assisting in the prosecution of the war*, to extend credit to foreign Governments, and for other purposes.

SEC. 2. That for the purpose of more effectually providing for the national security and defense and prosecuting the war by establishing credits in the United States for foreign Governments, the Secretary of the Treasury, with the approval of the President, is hereby authorized, on behalf of the United States, to purchase at par, from such foreign Governments *then engaged in war with the enemies of the United States*, their obligations hereafter issued, bearing the same rate of interest and containing in their essentials the same terms and conditions as those of the United States issued under authority of this act, to enter into such arrangements as may be necessary or desirable for establishing such credits and for purchasing such obligations of foreign Governments and for the subsequent payment thereof before maturity, but such arrangements shall provide that if any of the bonds of the United States issued and used for the purchase of such foreign obligations shall thereafter be converted into other bonds of the United States bearing a higher rate of interest than 3½ per cent per annum under the provisions of section 5 of this act, then and in that event the obligations of such foreign Governments held by the United States shall be, by such foreign Governments, converted in like manner and extent into obligations bearing the same rate of interest as the bonds of the United States issued under the provisions of section 5 of this act. For the purposes of this section there is appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$3,000,000, or as much thereof as may be necessary: *Provided*, That the authority granted by this section to the Secretary of the Treasury to purchase bonds from foreign Governments, as aforesaid shall cease upon the termination of the war between the United States and the Imperial German Government.

These sections are from the first Liberty loan act approved April 24, 1917 (40 Stat., p. 35).

The second Liberty loan act approved September 24, 1917 (40 Stat., p. 288), contains substantially the same clauses relative to making

loans to foreign governments and accepting their obligations. It increases the amount and in section 2 provides that the obligations to be received from foreign governments must *mature* at a date not later than the bonds of the United States issued under and by virtue of the authority of the two Liberty loan acts.

Under and by virtue of this authority so granted the Secretary of the Treasury made the loans and accepted obligations from foreign governments. *The obligations so accepted, however, were not drawn in accordance with the terms of the Liberty loan acts, which provide that they shall bear the same rate of interest and contain in their essentials the same terms and conditions as those of the United States issued under the Liberty loan act.*

On the contrary, all obligations of foreign governments, accepted by the Treasury Department have been *demand obligations*, none of them having a fixed maturity.

Because of the fact that the Treasury Department had already accepted demand obligations from foreign governments under the first Liberty loan act, they had the following sections adopted in the second liberty loan act.

SEC. 3. The Secretary of the Treasury is hereby authorized, from time to time, to exercise in respect to any obligation of foreign governments acquired under authority of this act or of said act approved April 24, 1917, any privilege of conversion into obligations bearing interest at a higher rate provided in or pursuant to this act or said act approved April 24, 1917, and to convert any short time obligations of foreign governments which may have been purchased under the authority of this act or of said act approved April 24, 1917, into long-time obligations of such governments, respectively, maturing not later than the bonds of the United States then last issued under authority of this act or of said act approved April 24, 1917, as the case may be, and in such form and terms as the Secretary of the Treasury may prescribe; but the rate or rates of interest borne by any such long-time obligations at the time of their acquisition shall not be less than the rate borne by the short-time obligations so converted into such long-time obligations.

The act then provides that the Secretary of the Treasury may sell the obligations of foreign governments and apply the proceeds on account of the principal loaned them.

The third Liberty loan act increases the appropriation made in the second Liberty loan act to \$5,500,000,000. (Approved Apr. 4, 1918, 40 Stat., p. 502.)

The fourth Liberty loan act increases the amount appropriated or provided for by \$1,500,000,000 making a total of the four Liberty loan acts of \$10,000,000,000 for the purposes set forth in the act. The fourth Liberty loan act was approved July 9, 1918 (40 Stat., p. 844).

The Victory loan act, approved March 3, 1919 (40 Stat., p. 1309), after the date of the armistice, provides that the Secretary of the Treasury can, with the approval of the President, establish credits for foreign governments for the purposes *only* of providing for the purchase of property owned directly or indirectly by the United States and for the purchase of wheat which has been guaranteed by the United States.

We, however, need pay no attention to the Victory loan act in considering these foreign loans, as the Secretary of the Treasury states in his report for 1920 that no obligations of foreign governments were accepted under the Victory loan act.

In addition to the authority granted in the acts above referred to for the acceptance of obligations of foreign governments, Congress

passed an act which authorized the Secretary of War to sell surplus war materials remaining in Europe after the war to foreign governments and accept their obligations in payment thereof. (Act May 10, 1918, 40 Stat., p. 548.)

Congress also passed an act providing \$100,000,000 for European relief. (Act of Feb. 25, 1919, 40 Stat., p. 1161.) Congress also provided that the United States Grain Corporation should supply flour and wheat for the relief of European peoples to the extent of \$50,000,000. (Act Mar. 30, 1920, 41 Stat., p. 548.) Under these two acts last referred to numerous obligations of foreign Governments were accepted. The above acts constitute all of the authority under which the Secretary of the Treasury could act on the acceptance of European obligations.

Under the Liberty loan act, up to the date of the armistice, November 11, 1918, approximately \$8,000,000,000 had been loaned to foreign Governments.

Since the date of the armistice approximately \$1,500,000,000 has been loaned to foreign Governments.

Credits have been established for foreign Governments, on which advances have not as yet been made, to the extent of approximately \$129,000,000.

Of the original \$10,000,000,000 provided for by Congress, approximately \$300,000,000 over and above the \$129,000,000 already referred to remain. If the present Secretary of the Treasury takes the same position as the former Secretary of the Treasury, namely, that he has the right under the law to continue making these loans, then the \$300,000,000 and the \$129,000,000 above referred to are still available for this purpose.

On November 15, 1920, the latest available report, various foreign Governments were indebted to us for interest on these obligations to the extent of approximately \$693,000,000.

On November 15, 1920, the sum total of foreign obligations received on account of sales of surplus war supplies amounted to \$563,000,000.

Foreign obligations received from the American Relief Administration on account of relief rendered pursuant to the act approved February 25, 1919, and held by the Treasury as custodian, amount in all to \$84,000,000.

From the correspondence and data available to this committee, copies of which are attached hereto, it appears that *Treasury Department officials of the United States were aware of the fact that they had no legal authority to continue the loaning of money raised from the people of the United States by the sale of Liberty bonds and by taxation to foreign Governments, for the purpose of prosecuting the war, after all hostilities had ceased.* As evidence of this fact, the following paragraph appears in the report of the Secretary of the Treasury for 1918, page 37:

On the morning of November 15, 1918, there remained an available authorization for the establishment of credit in favor of foreign governments amounting to \$1,828,023,334. To what extent these governments will require further credits before the termination of the war depends upon factors that can not now be determined. It is important that our foreign loans be discontinued as soon as may be, having due regard to the conditions of our industries and the essential needs of the foreign governments; in the meantime they should be held down to a minimum. Nevertheless, until certain of the allied countries can resume their normal activities the United States should be prepared to

sell them on credit, even after the declaration of peace, foodstuffs, raw materials, and manufactured products of which they may be in need. *I shall recommend the enactment of legislation extending the authority to establish credits in favor of foreign governments for a reasonable period and within reasonable limits for these needs growing out of the war.*

In accordance with the statement made in the 1918 report above referred to, Secretary McAdoo did appear before the House Committee on Ways and Means on December 12, 1918, and asked for legislation to extend his authority to make foreign loans. He stated in part:

It seems to me the part of prudence and wisdom, as well as enlightened self-interest, to make the balance of the existing appropriation for the purchase of obligations of foreign governments, available for advances for purposes growing out of war needs.

The purposes to which I particularly refer, as growing out of the war situation, and which I had in mind in making this recommendation, are the supplying of foodstuffs and materials for such time and to such extent as may be necessary *to tide allied countries over until they are able to resume the purchase of food supplies through the ordinary channels, to aid in the reconstruction of the devastated areas of Belgium, Northern France, Italy, and elsewhere, generally to assist in restoring the economic life of those allied countries most seriously affected by the war.*

It is impossible to determine the amount of the aid which it may be desired to give until both the extent of their requirements and the extent to which the countries themselves can be financed in other ways have been investigated. I do not recommend that one and a half billion dollars be placed at the disposal of the Allies; *I only ask that the Treasury be put in a position to make advances up to that amount for purposes which may be approved, with of course the approval of the President always, and coming within the terms of the bill, at such times and under such conditions as the circumstances may call for.* * * *

The amount that is estimated be made available under the existing appropriation is, as indicated in my letter of December 5, 1918, about \$1,500,000,000. In considering this sum, it is pertinent to observe that before the war the annual investment by Great Britain in Colonial and foreign securities and ventures was estimated at not less than \$1,000,000,000. *The proposed additional advances of \$1,500,000,000 constitute only a small proportion of the needs of France and Belgium for the work of restoration, but with judicious management the advances made by our Government, to the extent they may be made at all, will make possible the tiding of these nations over the period of transition.*

Now, gentlemen, this suggestion about the enlargement of the power to make loans out of the present available appropriation for that purpose, to foreign governments, is largely a counsel of prudence. I do not know that anything will be required. Certainly if the Congress should not be in session after March, next (and it won't be for a short time, at any rate, I imagine, because even if an extra session were instantly called, it would take a reasonable time for the Congress to organize), if in the interval any exigency arose where it was obviously to our interest to make further loans to foreign governments, certainly the Treasury ought to be put in a position to meet those exigencies. * * *

Then, again, there are reconstruction questions which are coming up all the time and which will become more and more urgent with the return of peace, questions of food supply, etc., which will have to be decided instantly. And if the occasions should arise, where it was in our own interest (even if we did not care about the interest of these other people, but in our own interest), to protect us in our economic situation, to make this advance, and we had no power to do it, we might bring some injury to ourselves. *And, therefore, I think we ought to have the power necessary, so that we can act if an exigency arises.* * * *

The purpose of this amendment is to enlarge the power so that you may lend for other purposes than those necessitated by the war * * *

If we are given the authority in the proposed amendment here to lend money to the allied Governments for reconstruction purposes, food, or any other purpose contemplated by the amendment to the extent such loans may be

made in the fiscal year 1920, we might have to sell more bonds or war savings stamps or short-time certificates.

Mr. TREADWAY. It is entirely indefinite at the present time; no applications have come forward from representatives of governments which you have in mind?

Secretary McAdoo. Belgium, Serbia, and France have all made intimations they would like to know if we would make such loans. * * *

I have answered we have no power to consider such loans now; we have no authority to make such loans. I do not know that we shall have to at all, even if this authority is granted.

Shortly after the above testimony was given in the House Ways and Means Committee, on December 16, 1918, Secretary McAdoo resigned and Secretary Carter Glass took his place.

Secretary Glass appeared before the Committee on Ways and Means of the House of Representatives, February 15, 1919, on a hearing on the fifth Liberty bond bill, known as the Victory loan bill.

At the outset of his testimony before this committee he presented to the committee a tentative draft of a bill which gave him the additional authority referred to in the McAdoo testimony, namely, the authority to continue the loans authorized for war purposes during peace time for reconstruction and food relief. On page 17 of the fifth Liberty bond bill hearing Secretary Glass states:

For these reasons I urgently ask the authority to broaden the purposes for which the loans to foreign governments may be made. I do not ask an increased appropriation, and it would not be my purpose to avail of the authority where commercial loans or the powers of the War Finance Corporation could, in my judgment, be used to meet the requirements. I do, however, feel very strongly that before the Congress adjourns powers should be given sufficiently broad to enable the situation to be dealt with. We are creditors of the European Allies to the extent of over \$8,000,000,000, and we have a very real interest in the early restoration of their economic life and their ability to enter upon foreign trade. * * *

I am convinced that exports must be greatly curtailed unless the Government for the present emergency (and only during that emergency) lends financial aid along the lines I have indicated. I view with the greatest concern the task of raising the funds needed by the Government this year; but I am, nevertheless, willing somewhat to increase those needs for this purpose, being satisfied that the resultant effect will be such that the task as a whole will thereby be lightened.

At the same hearing, page 36, Mr. Rathbone, Assistant Secretary of the Treasury, testified as follows:

At the present time our authority to advance is limited to the purpose of the national security and defense and the prosecution of the war. The authority we ask now is to make advances for the purpose of promoting commerce.

Again, on page 39, Mr. Rathbone states:

This bill (the proposed bill drawn by the Secretary of the Treasury) extends the time for the making of the loans and the purpose for which the loans may be made. In selling railway material, or in selling cotton, you can hardly say now that would be in aid of the prosecution of the war, or for the national security and defense. Now, we are limited in making advances to aid in the prosecution of the war and for the national security and defense, and that is the reason we inserted the provision we might make loans to promote foreign commerce.

The House Ways and Means Committee did not agree with either Secretary McAdoo or Secretary Glass, and refused to grant the authority requested. The result was that they drew a new bill, which passed substantially as drawn and which differed radically from the

bill as proposed by Secretary Glass. The new bill culminated in the Victory loan or fifth Liberty loan act.

The attitude of the House Ways and Means Committee was shown by the speech of Congressman Kitchin, chairman of the committee, in the House of Representatives on February 25, 1919, found in the Congressional Record, on page 4273, of that date, which is in part as follows:

Section 7 (the section extending the authority for foreign loans) needs a little explanation. *Secretary McAdoo, before he left the Treasury Department, and Secretary Glass asked the Ways and Means Committee to authorize the Secretary of the Treasury to establish credits in the United States in behalf of foreign Governments to the amount of the unexpended balance of the amount that we authorized in former acts, which is about one billion and a half dollars. In other words, they asked that we should loan our allies one year after the termination of the war one and one-half billion dollars.* By that we would have to go out in these Liberty or Victory loan campaigns and ask the people to subscribe a billion and a half dollars more than was necessary to meet the debts of our Government, that we might lend it to foreign Governments, so that the foreign Governments could lend it to their citizens to buy from our citizens, or the foreign Governments could buy direct from our people or from our Government what they desired.

The committee thought we ought not to do that, and I think the committee was unanimous in the opinion that certainly this was not the time for the Government to loan a billion and a half dollars more to the Allies, especially when we had to go and get it from taxation of the people or by selling bonds to the people to get the money. To say the least, we felt that to provide for such a loan at this time was premature.

It is sufficient to say that the authority was not granted, but the Treasury Department continued making the loans to foreign Governments for reconstruction purposes after all hostilities had ceased.

The following are some of the more important facts as disclosed by the correspondence between the Treasury Department and foreign Governments:

Note: The citations given here refer to sections of this brief which follow:

No. 1. Approximately \$1,500,000,000 was loaned to foreign Governments after all hostilities ceased. This money was raised from the American people by Liberty Loan drives and taxation and *was authorized to be used for the purpose of the prosecution of the war and loaned to Governments then engaged in war with enemies of the United States.* (See Treasurer's Report, 1920, pp. 342-347; secs. 101, 116, 147.)

No. 2. Treasury Department officials were aware of the fact that they had no authority to make such loans after hostilities had ceased. (See data above referred to; also secs. 8, 118, 119, 125, 135a, 137, 151, 186.)

No. 3. Millions of dollars worth of products purchased with United States money loaned to foreign Governments were sent directly to Germany with our sanction. In other words, money raised from the American people for the purpose of the prosecution of the war against Germany found its way into Germany with the sanction of the Treasury Department of the United States, while Germany was yet our technical enemy. (See correspondence under England on the sale of American pork products to Germany; secs. 16, 19, 20.)

No. 4. Forty-eight millions of dollars of the American people's Liberty loan money was used for the purpose of sending supplies into

Austria, which country was then our enemy. (See English, French, and Italian files; secs. 27, 168.)

No. 5. Millions of dollars of this Liberty loan fund was loaned to foreign Governments and by them loaned to various relief and reconstruction organizations, thus circumventing the act of Congress. (See Belgium file; also secs. 25, 29, 31, 33, 128, 147, 151, 162.)

No. 6. Money was loaned by the United States to these various Governments so that they could repay it to the United States as interest on loans already made. (Secs. 129, 188, 19.)

No. 7. Millions of dollars of this Liberty loan money were loaned to Great Britain, after all hostilities had ceased for the purpose of allowing her to build up her export trade and return to a normal basis. Thus the money raised from the American people to prosecute the war was used by Great Britain in competition with American foreign trade. (See sec. 7.)

No. 8. One hundred thousand dollars of America's Liberty loan money was used for expenses of the Russian delegation at the peace conference. This with the approval of the Treasury Department. (Sec. 73.)

No. 9. Twenty-six thousand dollars of America's Liberty loan money was used as expenses of the delegates from Liberia to the peace conference. This with the approval of the Secretary of the Treasury and President. (Sec. 143.)

No. 10. Millions of dollars from this fund were loaned to Governments not then actually in existence. Czechoslovakia was not a nation until it was created by the treaty of peace of June, 1919. Serbia had no parliamentary form of government during the time it received loans from this country. (Secs. 116, 170, 172, 182.)

No. 11. Moneys from this fund went with the approval of the Treasury Department to the aid of three separate de facto governments in Russia, namely, the Kerenski government, the Kolchak government, and the Wrangel government. (Secs. 82-93.)

No. 12. The Treasury Department continued making advances to foreign Governments while, at the same time, it was holding consultations and parleys with foreign Governments on a possible cancellation of all debts as proposed by these Governments; see secs. (3-a) 30, 36, 37, 39, 41, 42, 43, 44, 46, 47, 134b, 165.

No. 13. Various branches of the United States Government made payments of cash to foreign Governments, which Governments were indebted to the United States both on loans and interest, when those payments should have been made to the United States Treasury and credited to the account of the Government to which they were due. (Secs. 23, 66, 91, 98.)

No. 14. Numerous loans were made from this fund for the purpose of increasing our influence in the European political situation at the peace conference; not for the purpose of the prosecution of the war. In this instance see Greece, sec. 99; see also secs. 3b, 115.

No. 15. The Treasury Department allowed the payment out of this fund of interest and bonds of foreign Governments held by private citizens of the United States. These private loans were given preference over the United States loans. (Secs. 61, 67.)

No. 16. The Treasury Department continued making these loans to Governments supposed to be engaged in war with enemies of the

United States for the purpose of prosecution of the war after the peace treaty was signed and after January 10, 1920, when the formal procès verbal of ratification was deposited, and the Governments receiving the money were actually and technically at peace with Germany.

No. 17. Most of the money loaned to foreign Governments was used to make purchases in the United States. By continuing the making of loans to foreign Governments after the armistice so that they could return to normal, the Treasury Department prevented the United States from returning to normal, because the purchases made in the United States with such loans kept the prices in the United States at a war instead of a prewar level. (See secs. 10, 11.)

No. 18. The Treasury Department accepted demand obligations from foreign Governments for all of the loans they made when all of the sections of the acts, authorizing these loans, provide for obligations of the same tenor and effect as the particular Liberty loan by which the money was raised. The demand obligations, above referred to, having no maturity date and no definite interest-paying date, made it an easy matter for the foreign Governments to defer the payment both of principal and interest, as the whole matter was left in a very indefinite and uncertain state. (See secs. 3-6.)

No. 19. Throughout the entire correspondence between the State Department, the Treasury Department, the President, and various foreign Governments, submitted to the committee, there is no record or mention that any of the departments of this Government requested an opinion from the Attorney General as to their authority to continue making loans for the purpose of the prosecution of the war after all hostilities had ceased. In fact there is no record showing that any legal opinion was ever asked in regard to this matter.

The countries to which the United States loaned money are taken up in this brief in the following order:

Great Britain, sections 1 to 47, inclusive.

Russia, sections 48 to 98, inclusive.

Greece, sections 99 to 115, inclusive.

Czechoslovakia, sections 116 to 133, inclusive.

France, sections 134 to 140, inclusive.

Cuba, sections 141 to 142.

Liberia, section 143.

Rumania, sections 144 to 145.

Belgium, sections 146 to 155, inclusive.

Italy, sections 156 to 169, inclusive.

Serbia, sections 170 to 192, inclusive.

GREAT BRITAIN

SECTION 1.

Great Britain.

Under the various Liberty loan acts which authorized the Secretary of the Treasury, with the approval of the President, to make loans to foreign Governments *then engaged in war with enemies of the United States for the purpose of the prosecution of the war*, a sum of \$4,277,000,000 was loaned to Great Britain. Up to November 15, 1920, the latest available report, Great Britain was indebted to the United States for interest on this loan to the sum of \$314,582,824.97. Approximately \$3,950,000,000 of credit was established for Great Britain prior to November 11, 1918, the date of the armistice, and approximately \$330,000,000 of credit was established to Great Britain since that date. We hold no obligations of Great Britain for surplus munition or for food supplies sold to her after the armistice.

The following are some of the outstanding facts concerning the loans to Great Britain, as shown by the correspondence attached hereto:

None of the money paid by the United States to Great Britain for the transportation of troops was credited to the account of Great Britain as a partial payment on her loan or interest. All of it was paid directly to the British Government.

Large sums of money were loaned to Great Britain and by her reloaned to France, Italy, and Belgium. Some of these reloans contained the express provision that the produce and merchandise purchased with these loans was to be purchased from Great Britain.

Money raised from the American people by Liberty loans and taxation found its way ultimately into the hands of the enemy. The correspondence shows that this was first done when Great Britain purchased a large amount of pork products in this country and, with the approval of the Treasury and State Departments of the United States, resold this pork product to Germany for German relief. The correspondence also shows that \$48,000,000 of this sum was loaned to England, France, and Italy, and by them reloaned to Austria, which country was our enemy.

The correspondence shows that large sums of this money were loaned to England for the express purpose of allowing her to return to normality. The correspondence shows that in at least one instance the officials of the Treasury Department recommended loans to England, so that she could compete with the United States in foreign trade, and so that England could build up her merchant marine to prewar level, so that the money of the United States was used against the United States in developing England's merchant marine and export trade.

The correspondence shows that while we were loaning these enormous sums to Great Britain, so that she could return to normality,

she was using large sums of money to obtain a world-wide monopoly in oil and oil fields. The report of Mr. Skinner, the American commercial attaché, shows that some of this British money gained control of the Royal Dutch oil interests, which company has large holdings in the United States, Mexico, and South America. (See sec. 9.)

The committee will undoubtedly be interested in the attached correspondence showing the various communications and proposals received from Great Britain in regard to a cancellation of all loans:

SECTION 2.

Situation of English and American Loans November 2, 1918.

NOVEMBER 2, 1918.

DEAR SIR HARDMAN: Your letter of the 28th instant has been duly received, presenting an approximate estimate of the *cash position* of the British Treasury in the United States for the month of November and the estimated expenditures of the British Treasury in the United States for that month.

In order to have these figures accord with the plan that the bank balances in the United States of the British Treasury should average \$50,000,000, the advance to your Government from the United States Treasury on Thursday, the 7th instant, should be \$10,000,000 instead of \$20,000,000, as stated in your preliminary figures. If you find that the disbursements of the British Government to the United States have to be met more rapidly than you now anticipate, I shall be glad if you will advise me accordingly, with a view of increasing the advances to your Government from the Treasury so as to maintain the average bank balance at \$50,000,000. On the other hand, I should like it understood that if as a result of the expenditures of your Government in the United States proceeding less rapidly than you now anticipate, or of other receipts of the British Government in the United States not included in your estimates, the bank balances of your Government in this country are increased beyond the average of \$50,000,000, you will advise this department accordingly, with a view of decreasing the proposed advance to your Government from the Treasury during the current month.

I am, my dear Sir Hardman,
Very truly, yours,

ALBERT RATHBONE.

SIR HARDMAN LEVER,
The Plaza Hotel, New York City.

BRITISH WAR MISSION,
OFFICE OF THE BRITISH TREASURY REPRESENTATIVE,
23 Wall Street, New York City, November 29, 1918.

HON. ALBERT RATHBONE,
Treasury Department, Washington, D. C.

DEAR MR. RATHBONE: I have pleasure in presenting the following approximate estimate of the *cash position* of the British Treasury in the United States of America for the month of December (figures in millions):

December 2.	Balance in hand (estimated)-----	40
	Estimated expenditure December 2-----	-10
		<hr/>
December 3.	Balance in hand-----	30
	Receipts	
	United States Treasury-----	20
	France-----	10
		<hr/>
		30
	Estimated expenditure December 3 and 4-----	24
		<hr/>
		+6

FOREIGN LOANS AND AUTHORITY FOR MAKING SAME. 15

December 5.	Balance in hand	-----	36
	Receipts:		
	United States Treasury	-----	30
	Italy	-----	6½
			<u>36½</u>
	Estimated expenditure December 5 to 9	-----	42½
			<u> </u>
			—6
December 10.	Balance in hand	-----	30
	Receipts:		
	United States Treasury	-----	25
	France	-----	10
			<u>35</u>
	Estimated expenditure December 10 and 11	-----	24
			<u> </u>
			+11
December 12.	Balance in hand	-----	41
	Receipts:		
	United States Treasury	-----	30
	Italy	-----	6½
			<u>36½</u>
	Estimated expenditure December 12 to 16	-----	40½
			<u> </u>
			—4
December 17.	Balance in hand (carried forward)	-----	37
	Receipts:		
	United States Treasury	-----	20
	France	-----	10
			<u>30</u>
	Estimated expenditure December 17 and 18	-----	22
			<u> </u>
			+8
December 19.	Balance in hand	-----	45
	Receipts:		
	United States Treasury	-----	30
	Italy	-----	6½
			<u>36½</u>
	Estimated expenditure December 19 and 23	-----	44½
			<u> </u>
			—8
December 24.	Balance in hand	-----	37
	Receipts:		
	United States Treasury	-----	10
	France	-----	10
			<u>20</u>
	Estimated expenditure December 24	-----	12
			<u> </u>
			+8
December 26.	Balance in hand	-----	45
	Receipts:		
	United States Treasury	-----	30
	Italy	-----	6½
			<u>36½</u>
	Estimated expenditure December 26 and 30	-----	44½
			<u> </u>
			—8

December 31. Balance in hand-----	37
Receipts:	
United States Treasury-----	10
France-----	10
	20
Estimated expenditure December 31-----	12
	+8
January 2. Balance in hand-----	45

The expenditure coming in course of payment during December, particularly in respect of food and cereals, is considerably above the average.

The balances stated include all the cash resources of the British Treasury in the United States, leaving no further funds available for the purpose of meeting capital liabilities. I beg to request on behalf of my Government that advances be made by the United States Treasury on the dates named. The figures of the advances will be reduced by any further sums which may be reimbursed by Italy during the month in respect of British claims still outstanding.

I am, dear Mr. Rathbone,

Yours, sincerely,

S. HARDMAN LEVER,
Financial Secretary to the Treasury.

SECTION 3.

Demand Obligations Were Taken by Treasury Department as a Temporary Measure.

LONDON, November 30, 1918.

SECRETARY OF STATE,
Washington:

Urgent 4189. November 30, 8 p. m.

McAdoo from Crosby, 802. Referring to Treasury's addressed to Sir Hardman Lever, date not given, in which attention is called to the fact that the Secretary of the Treasury is under no commitment to convert existing obligations into long-time obligations. The chancellor writes me as follows: "Will you be so good as to inform the Secretary of the United States Treasury that while I am, of course, aware that the British treasury obligations held by the United States Treasury are at present in form and in fact demand obligations, my understanding of the position is that he has only wished to keep them in this shape pending the final determination as to the most appropriate form of funding bonds into which they are to be ultimately converted and that there is not, in fact, any intention on his part to demand payment from us or to take any other advantage from the present form of the obligations except to retain a free hand as to the manner in which they shall be eventually funded.

"The above had, of course, always been the informal understanding between the responsible representatives of both Governments, but in view of the letter communicated by Sir Hardman Lever I think it better to put it in writing." Hope your personal views on this subject will be indicated to either the borrowing Governments or to your subordinates before January 1, next.

LAUGHLIN.

SECTION 3-A.

First Cancellation Proposal, December 4, 1918.

LONDON, December 4, 1918.

SECRETARY OF STATE,
Washington, D. C.:

Important, 4307, December 4, 6 p. m.

McAdoo from Crosby, 811. Chancellor revived suggestions made before of possibility of cancellation of all loans made by one associated Government to any other for the conduct of the war. I stated that so far as I know such an

idea had never for a moment been entertained by you and the subject was dropped. Similar suggestions in unofficial but important quarters are not infrequent in London and Paris.

Second. Keynes has suggested in several conversations theory that future aid to Allies should now be taken over by us so that as nearly as possible our loans to Allies should equal those of the British. This thought appears also in letter from the chancellor to me received to-day referring to Italian situation in which statement is made that chancellor called attention of Stringher to fact that aggregate of British Government loans to Italy were double those of the United States and that their further action toward Italy must be determined by Italian arrangements with us.

Third. It seems not improbable that war debts of allied countries and future credits will figure at the peace conference in an endeavor to conciliate rival claims for large indemnities and other advantages.

Fourth. Under these circumstances it appears probable that by now insisting upon our obligations as being not only technically but in every sense true demand obligations we may thus cause considerable friction and increase the probability that a situation considered dangerous by the borrowing Governments would be presented to the peace conference as a matter for adjustment at its hands. The contention will no doubt be made that in lending to treasuries known to be empty we could not legitimately expect immediate payment on demand and that any use of the technical position by us for obtainment of other objectives could be construed as an act of bad faith.

Fifth. If you desire to keep the financial relations free from such possibilities and unless political department of our Government prefers to preserve existing situation for such use as President may determine, I have to suggest, in addition to recommendation conveyed in my No. 802, that a somewhat more definite statement be made to the allied borrowing Governments of your views on this subject. Think all allied Governments, especially British and French, desire a frank discussion, with the view of agreeing upon the earliest maturities at which they could be expected to liquidate their obligations, with the necessary provisos for protecting dollar exchange and other conditions appearing in draft of bond prepared and shown to allied financial representatives in the summer of 1917 [only date]. Davis and Cravath agreed with above views.

LAUGHLIN.

SECTION 3-B.

Norman H. Davis Advises Against Discontinuing Foreign Loans, as It Would Affect Our Influence at the Peace Conference.

SPECIAL UNITED STATES COMMISSIONER OF FINANCE IN EUROPE,
Sunderland House, Curzon Street, London, W. I., December 5, 1918.

DEAR RATHBONE: In continuance of my letter written to you yesterday, I understand that Italian prewar total imports amount to 6,000,000,000 lire and their total exports to 4,000,000,000 lire. In addition to this, they received about 1,000,000,000 lire from tourists' trade and a like amount from Italian emigrants. It is apparent, therefore, that Italy will have to improve considerably its prewar trade in order to obtain sterling and dollars with which to pay the interest on their debts to the United States and England. I think, therefore, that we will have to carry their interest for them for probably two or three years in addition to granting certain credits during the next few months for the purchase of raw materials with which to start their export trade. As the \$6,500,000 transferred weekly by Italy to England covers principally cereals, it certainly will not be necessary to continue this, or at least very much of this, after the 1st of February next, having already been taken care of in the loan for the wheat. Italy is to get a credit of 18,000,000 florins from the Dutch, and is also to have 40,000,000 pesos of the credit which is practically closed with Argentina, and this should assist most materially in covering their neutral requirements.

I have had a talk with Keynes regarding the \$10,000,000 a week advanced to France for transfer to the British. He is reluctant to see this stopped, but I told him of your views regarding this matter and advised him informally not to make any further advance commitments expecting to be covered from this

source. Roughly speaking, as I remember, about half of this amount is required to cover foodstuffs purchased from us which Keynes admits has been substantially taken care of from February 1 in the loan made for the purchase of the 100,000,000 bushels of wheat. Most of the other half of this amount is used for neutral tonnage and insurance on same, and, as I explained to Keynes, the francs purchased by our nationals should give them sufficient dollars or sterling to cover this amount. Keynes, of course, is afraid of our shutting off on this, because they have probably been using some of the funds received from the sale of francs for American and British private requirements to meet some of their expenditures here, which has prevented them from the necessity of borrowing for some time from the British, except for payment of interest. They have, however, I judge, been covering most of their requirements here from the sale of their own war bonds, which has been done with the approval of the British Treasury.

From the Treasury standpoint it is advisable, of course, to cut off as soon as possible our advances to the allied Governments. But, on the other hand, from a political standpoint it may be advisable not to cause too much anxiety just before the peace conference. As I have already advised you, the British treasury has notified the French and Italian treasuries that they are through making advances to them. They have either done this in order to force them on us or for political reasons in order to force their opinions at the peace conference in consideration of then agreeing to additional advances. The British treasury attitude regarding relief has changed considerably from what it was when I left here in October. In discussing the question of relief to Belgium and Serbia, Keynes told me substantially that he had changed from his original idea of dividing the financial assistance into three parts, because in view of the fact that they have advanced considerably more than we have to these countries, we should be willing to finance practically all of the relief. I told him that we might be willing to finance the relief to the extent of the supplies furnished from the United States, but it would not be because they had advanced more or less to these countries than we have, and that we would not even discuss any arrangements on the basis of what they had done before we came into the war, nor should we take the position that the war should be continued for a year or two in order to enable us to loan as much to the other Governments as the British had loaned them.

McAdoo's resignation has increased the uncertainty and unsatisfactory situation here, which makes me want to go home. Auchinloss, however, has expressed a definite desire to have me remain in Paris with the peace delegation for financial work, and I shall return to Paris at the end of this week and have a further talk with him. In the meantime I hope to hear something from you which may clarify the situation.

With best regards, I am,

Sincerely, yours,

NORMAN H. DAVIS.

HON. ALBERT RATHBONE,
Assistant Secretary of the Treasury.

P. S.—Hoover and Hurley are not in agreement as to the administration of the enemy tonnage if procured for the relief requirements. Hurley returned here last night and Hoover returns to-morrow, but I suppose the difference will be adjusted.

Hoover seems quite prepared to follow the views of the Treasury in regard to the financing of relief.

I suppose you have already considered the possibility and advisability of applying whatever sums we have to pay for the German ships and for the enemy property taken over by the custodian (and which will probably be payable to France and Belgium as indemnity) to the liquidation of French and Belgian obligations.

DECEMBER 6, 1918.

DEAR RATHBONE: Keynes told me yesterday that Lever had reported an interview with you and your refusal to advance funds to take up their February 1 maturities. He seemed very much worried about it, and stated, in substance, that they could not possibly be in a position to pay this off by that time and that he thought we ought to make the advance. I told him that this was essentially a matter which must be handled in Washington, because the changed conditions had necessarily altered the position of the Treasury. *I assume that you naturally doubt the power of the Secretary of the Treasury or the advisabil-*

ity of making such an advance. It seems to me they should be able to float a renewable loan in the United States, provided this does not conflict with any of Leffingwell's plans for domestic finance. Keynes took the position that even in normal times the only possible way they could pay this off would be to sell sterling against dollars or to ship gold, and that as they have to apply all of the dollars received from the sale of sterling to meet their purchase requirements, and that as they can not spare the gold, it is rather difficult to know what to do. I merely call your attention to the fact that if they can not place a new loan and you wish to assist them in the matter, our Army will owe the British, according to present estimates, about \$400,000,000, a part of which might be applied for the above purpose. I realize that this would be a certain camouflage if they are still borrowing from us at the time these accounts are paid. I do not remember the class of securities that are back of this loan or how rapidly they could be sold to pay off the loan, but it had occurred to me that you might make a definite short-time loan against those securities for later treatment, but not knowing the conditions at home I could not give a definite opinion, even if it were desired.

Another word about Italy. I am told our total prewar exports to Italy amounted to about \$160,000,000 per annum. If this is correct, it would seem that, aside from advancing them the money to liquidate their war contracts in the United States and the \$90,000,000 already advanced for wheat, they should not require very much more from us.

I inclose herewith copy of a letter and statement received from the British treasury regarding Italian neutral expenditures. [Not received for file with this letter.]

Sincerely, yours,

NORMAN H. DAVIS.

HON. ALBERT RATHBONE,
Assistant Secretary of the Treasury.

SECTION 4.

In Possible Repayments Advances for Food and Clothing Were to Be Considered the Same as Advances for Reconstruction.

DECEMBER 13, 1918.

AMERICAN EMBASSY, *London.*

For Crosby from Rathbone. Treasury 637. Embassy's 4505, December 11, 10 a. m. Your 829. First. In our 627 to Paris referring to continuation of your numbers 811 and 814, and particularly to paragraph 3, we asked you to advise British, French, and Belgian treasuries that before any arrangements are effected making British loans to Belgium charge against indemnities United States Treasury desires to be informed of terms and scope of any such contemplated arrangements and an opportunity to present its views before any such arrangements are entered into. Treasury feels that the policy of asking a lien on indemnities not yet arranged presents many difficult questions and that it can not express an official opinion without full consultation with other departments. It may be that provisions governing the question could be more conveniently and equitably arranged after or contemporaneously with the determination of the amount and form of indemnities. I suggest you discuss situation with the British Treasury and advise as to the reasons which lead it to consider action now desirable and whether it proposes to suggest the application of the same principle to advances for reconstruction to France or other countries.

Second. I should be glad if meanwhile British Treasury should find it practicable to postpone taking the step indicated, but do not feel warranted in asking it to do so. In general it should be understood and accepted by Great Britain and by any countries to which Great Britain and United States may both have made or be making advances that if any charge or lien is given to Great Britain the United States shall be entitled on demand later to receive an exactly similar lien for advances of the same general character.

Third. We may desire to claim that our advances for food and clothing should be regarded for these purposes as falling in same general class as advances

for reconstruction, and we are certainly not prepared to do anything that would constitute an admission to the contrary.

Fourth. To the extent that France uses for reconstruction dollars which under present arrangements would be applicable to reduction of France's net indebtedness to us, the indebtedness which would have been retired becomes an advance for reconstruction. This applies to all our special credits to France.

ALBERT RATHBONE,
Assistant Secretary of the Treasury.

SECTION 5.

Two Hundred and Fifty Million Dollars Credit to England to Meet Outstanding Commitments and Make New Purchases Until Normalcy Is Restored.

DECEMBER 18, 1918.

AMERICAN EMBASSY.

London:

For Crosby from Rathbone. Treasury, 651.

First. The following letter delivered to British representatives:

"In accordance with your request the Secretary of the Treasury is prepared to establish special credits in favor of the British Government up to \$250,000,000, to be made available from time to time as may be agreed, against the duly executed obligations of your Government in substantially the form inclosed herewith. These special credits will be so established and advances made therefrom on the understanding (1) that your Government, in payment for sterling hereafter furnished by your Government at the request of the Secretary of the Treasury (whether in pursuance of a request heretofore of hereafter made), will accept the surrender to its representatives in the United States of an equivalent principal amount of its obligations hereafter executed in the form inclosed, your Government, at the time of the surrender to its representatives of such obligations to make payment in dollars of the interest accrued thereon; (2) that your Government will from time to time, up to July 1, 1919, at the request of the Secretary of the Treasury, and on such dates as he shall request, deposit sterling to the credit of the Treasurer of the United States or to the credit of such other person as the Secretary of the Treasury may indicate, with the Bank of England, or with such other depository or depositories in the United Kingdom as the Secretary of the Treasury may from time to time designate, up to an amount equivalent at the fixed rate of \$4.76 $\frac{1}{2}$ to the pound sterling, to \$250,000,000; (3) to the extent that the Secretary of the Treasury may cause reimbursement to be made in cash (dollars) to your Government for any sterling hereafter furnished at his request (whether in pursuance of a request heretofore or hereafter made) the special credits hereinbefore mentioned will be reduced by a corresponding amount.

"It is the expectation of the Secretary of the Treasury that the dollar funds provided to your Government through the use of these special credits will be sufficient to enable it not only to meet its outstanding commitments in the United States, but also such other purchases as it may desire to make in the United States until the normal peace channels of finance will be available for the purposes of your Government."

Second. British representatives have agreed to understandings numbered one, two, and three in said letter, but further state that chancellor regards it as certain that some additional advance over the \$250,000,000 will be required by British Government, and that chancellor is considering question and will communicate at an early day as to amount of such further requirements.

Third. In view of arrangement made as above we no longer require British to obtain approval before entering into American contracts, and accordingly embassy's 4667 from London, December 17, 10 a. m., your 841, and embassy's 4669, December 17, 10 a. m., your 842, sent by Cook, requires no action or consideration on our part.

ALBERT RATHBONE,
Assistant Secretary of the Treasury.

BRITISH WAR MISSION,
OFFICE OF THE BRITISH TREASURY REPRESENTATIVE,
New York City, December 18, 1918.

Hon. ALBERT RATHBONE,
Treasury Department, Washington. D. C.

DEAR MR. RATHBONE: In reply to your letter of the 18th of December, I have pleasure in formally confirming on behalf of my Government the request that I made to you that a special credit of \$250,000,000 be opened in favor of the British Government on the understanding that advances thereunder will be liquidated by means of sterling credits furnished in London to the United States Government within the above total, as and when required by the Secretary of the Treasury.

I agree on behalf of my Government to the understandings numbered 1, 2, and 3 in your letter, subject to which the special credit of \$250,000,000 will be established by the Secretary of the Treasury and advances thereunder made by him.

In regard to the last paragraph of your letter, I note that the Secretary of the Treasury's expectation that the dollars provided by means of this special credit will suffice to enable my Government not only to meet its outstanding commitments in the United States but also to make such other purchases in the United States as may be required until normal peace channels of finance are available. On this I confirm what I said to you verbally, that the chancellor of the exchequer regards it as certain that some additional advance over and above this \$250,000,000 will be required by the British Government in order to meet its needs in the United States during the period of transition to normal peace conditions. The chancellor of the exchequer is carefully considering this question and will communicate with you at an early date as to the amount of such further requirements.

Yours, very truly,

S. HARDMAN LEVER,
Financial Secretary to the Treasury.

SECTION 6.

Form of Certificate or Obligation Taken from All Foreign Governments.

CERTIFICATE OF INDEBTEDNESS—SIXTH SERIES.

The Government of the United Kingdom of Great Britain and Ireland, for value received, promises to pay to the United States of America, or assigns, the sum of _____ on demand, with interest from the date hereof, at the rate of 5 per cent per annum. Such principal sum and the interest thereon will be paid at the Subtreasury of the United States in New York, or, at the option of the holder, at the Treasury of the United States in Washington in gold coin of the United States of America of the present standard of weight and fineness, or, at the option of the holder, at the Bank of England, London, England, in pounds sterling at the fixed rate of \$4.76 $\frac{1}{8}$ to the pound sterling, and at any such place of payment without deduction for any British taxes, present or future.

This certificate will be converted by the Government of the United Kingdom of Great Britain and Ireland, if requested by the Secretary of the Treasury of the United States of America, at par, with an adjustment of accrued interest, into an equal par amount of five per cent convertible gold bonds of the Government of the United Kingdom of Great Britain and Ireland conforming to the provisions of acts of Congress of the United States known respectively as second Liberty bond act, third Liberty bond act, and Fourth Liberty bond act. If bonds of the United States issued under authority of said acts shall be converted into other bonds of the United States bearing a higher rate of interest than four and one-half per cent per annum, a proportionate part of the obligations of the Government of the United Kingdom of Great Britain and Ireland of this series acquired by the United States under authority of said acts shall, at the request of said Secretary of the Treasury, be converted into obligations of said Government of the United Kingdom of Great Britain and Ireland bear-

ing interest at a rate exceeding that previously borne by this obligation by the same amount as the interest rate of the bonds of the United States issued upon such conversion exceeds the interest rate of four and one-half per cent but not less than the highest rate of interest borne by such bonds of the United States.

*For the Government of the United Kingdom
of Great Britain and Ireland.*

Dated this ____ day of _____, 1918.

SECTION 7.

Legal Right of the United States Treasury to Loan Money After Cessation of Hostilities Questioned—Great Britain Desired Loans Continued Until Their Export Trade Returned to Normal—Wanting the United States to Loan Them Money to Allow Them to Compete with the United States in Foreign Trade.

DECEMBER 26, 1918.

Memorandum.

The British claims against Italy have been brought up to date; their account with France up to the end of October has also been sent to the French financial representatives in the United States. It shows a somewhat heavy deficit (over \$60,000,000) against France at the end of October. Provided, however, that the weekly payment of \$10,000,000 is continued up to, say, the end of April, 1919, this deficit may be largely liquidated, since cereal payments, which have been very heavy lately, will have practically come to an end.

The chancellor of the exchequer accepts the understanding that the special credit of \$250,000,000 will not be used to alter the present rate of sterling exchange. It is possible, however, that he may desire to fix a slightly wider margin between the paying and selling rates, but no change of the mean rate is contemplated in the near future.

The India office is anxious to take delivery of the balance of the 200,000,000 ounces of silver and would like arrangements made for it to be shipped as fast as possible in instalments not exceeding 10,000,000 ounces. The British Government's ability to agree to delivery being taken depends, however, on the amount of the further advance which the United States Treasury may agree to make to it. The chancellor of the exchequer is anxious to agree to the balance of silver being taken as he regards it as important, if not vital, to the stability of the Indian currency system, and he hopes that the Secretary of the Treasury will provide us with the necessary funds to take the silver. In putting the general requirements of the British Treasury before the United States Treasury, however, the Chancellor of the Exchequer thinks it convenient to separate silver for India under the Pitman Act from our general requirements as he feels that some undertaking from the United States Treasury as to its willingness to finance silver purchases is essential before he can finally commit himself to take it.

In estimating our future requirements, the chancellor of the exchequer feels great difficulty in looking ahead for more than three months, it being impracticable at present to make any estimate for a period later than that which is much better than a guess. In view of the expressed desire of the Secretary of the Treasury, the chancellor of the exchequer names a figure below and explains, so far as he can, the assumptions on which it is based, but he points out that it may be wide of the mark either in excess or in defect. If the urgency of the United States Treasury to have a final estimate from him at the present time is based on questions *as to its legal power to make the advances in the future*, he trusts that they will open credits on a liberal scale trusting to the British Treasury not to draw any more than the circumstances show to be its immediate minimum requirements.

The two principal unknown factors in forming a judgment on the situation are first of all the date at which *British export trade may be expected to revive to its normal dimensions*. Even after industry is fully reestablished an interval must necessarily elapse before the recovery is reflected in *our export returns*. The assumption on which the chancellor of the exchequer proceeds below is

artificial, viz, that up to June, 1919, British export trade will not have shown any important revival, although the prospective diminution in our purchases is fully allowed for, and that, after that date, it will have revived so completely as to render it unnecessary for him to ask further assistance from the United States Treasury.

In point of fact, the revival will of course be gradual and some relief may be expected before June, 1919, but a *normal state* of affairs can hardly be reached before the end of the year. But for the purpose of a rough estimate the above assumption is likely to lead to as trustworthy a result as any other.

The second great unknown factor is the extent to which the United Kingdom will be required to finance the Allies and to take a hand in providing, temporarily at least, liquid resources for reconstruction in the rest of Europe. The magnitude of this task is in itself obscure, but even apart from this obscurity the share which is likely to fall upon the United Kingdom is largely dependent upon the policy which is pursued by the United States Treasury. Broadly speaking, the more ample the assistance which is afforded by the United States Treasury to France, Italy, Belgium, and other European countries the less will be the assistance which the British treasury will require from the United States Treasury. In particular, the burden that falls upon sterling exchange is determined mainly by the balance of indebtedness in favor of the United States from the rest of the world as a whole. It is dependent only in a secondary degree upon the level of British purchases in the United States. It is impossible, therefore, until the future policy of the United States Treasury as regards loans to countries other than the United Kingdom is known, to make a useful guess as to the extent to which the United Kingdom will be able to support itself by purchase of dollars over the commercial exchange.

Subject to the above observations and on the assumption that dollar reimbursements will be received from France and Italy for expenditure already incurred and for cereals, the chancellor of the exchequer suggests a figure of \$500,000,000 for the further advance required by the British treasury to cover its outgoings in respect of food, sugar, cereals, oil, leather, tobacco, silver (exclusive of the Pittman Act silver), additional cotton, Canada interest other than interest payable to the United States Treasury, or, in other words, an advance of \$500,000,000 plus the net amount required for Pittman Act silver and for interest payable to the United States Treasury up to the 30th of June, 1919.

The chancellor of the exchequer concludes, as he began, with the conjectural character of this figure and repeating that it may possibly prove wide of the mark either in excess or in effect.

SECTION 8.

Treasury Department Admits That Loans Can Be Made Only to Prosecute the War—British Commitments on December 1, 1918, After the Armistice Were \$154,000,000.

DECEMBER 31, 1918.

DEAR SIR HARDMAN: The memorandum of December 26, 1918, which you handed me last Friday, has received the careful consideration of this department.

I regret that the United States Treasury is not in a position, *even if the existing legislation permitted it*, to advance to your Government \$500,000,000 in addition to the balance of the \$250,000,000 special credit which still remains available to your Government.

Now that the war is virtually ended and the attention of our people is being more and more concentrated on private endeavor, the meeting of our own large war expenditures and the advances in the nature of relief which this Government is being called upon to make to countries that are utterly unable to care for their necessary expenditures for this purpose imposes a burden upon the United States Treasury which can not be extended to meet the suggested additional advance to your Government.

Even were such not the case, *the existing legislation authorizing the loans to be made by the Secretary of the Treasury to foreign Governments does not contemplate advances for some of the purposes indicated by the memorandum.*

You will recall that the only loans which the Secretary of the Treasury may make to foreign Governments are for the purpose of our national security and defense and the prosecution of the war.

In the judgment of this department a large part of the outstanding obligations of your Government maturing February 1, 1919, will be converted in accordance with the option given the holders thereof. It should be possible for your Government to float a loan on our market at this time on terms it could accept and sufficient in amount to provide for the payment of such of the obligations of your Government as mature on February 1, 1919, and are not converted and to leave a substantial balance to meet other requirements of your Government in the United States. It is probably possible to increase the amount of your treasury bills outstanding. You have already been informed of the view of the Treasury that it does not see its way in any event to make advances to your Government to meet these maturities, or to make advances to your Government for other purposes, which could be met by your Government if its maturities are refunded and not paid.

You will recall that your estimate as of December 1, 1918, showed that, apart from maturities and commitments for food and cereals, the outstanding commitments of your Government less estimated cancellations aggregated \$154,000,000. During the month of December your Government has received:

Loans from this Government.....	\$186,000,000
In reimbursement for sterling furnished this Government.....	45,029,000
Reimbursement in dollars from the Italian Government (exclusive of the \$6,500,000 per week on account of cereal purchases).....	20,000,000
Total.....	251,029,000

Of the special \$250,000,000 credit recently established in favor of your Government, there still remains available \$193,981,000.

In addition, your Government has received dollar reimbursement from France and has claims against other foreign Governments for dollar reimbursement aggregating many millions of dollars. It will also be in control of dollar funds arising from sales of wool, ocean transportation of troops, sales of securities, sales of materials, and other proceeds of liquidation of war activities.

It is the view of this department that many of the requirements of your Government in this country can be met through the private credits ordinarily extended by private interests in normal times and conditions. Since many of the purchases of your Government are, I understand, now made on the basis of immediate payment, the change to a commercial basis allowing a reasonable interval between purchase here and payment should afford marked relief in a situation which is essentially of a temporary character.

I also wish to refer again to the American and neutral securities which are available for sale by your Government, or which it may make available for sale. Foreign currencies realized upon such sales could in many instances be advantageously exchanged into dollars at the present exchange rate, or they might be utilized in defraying the cost of raw material entering into commodities that your Government may desire to purchase in the United States.

I sincerely hope, and I have no reason to doubt, that by effective use of the method suggested and others the financial requirements of your Government can be met without undue strain.

The Treasury would have been glad if it could have seen its way by advances to make the task easier, but I am sure you will appreciate the heaviness of the burdens which the Treasury has to bear, and will realize both the legal and the practical difficulties which prevent its acceding to your request.

I will write you later regarding the sale of silver to your Government under the authority of the Pittman Act, and also regarding the dollar payments which have for some time been made weekly by the French Government to the British treasury.

Very truly, yours,

ALBERT RATHBONE.

Sir S. HARDMAN LEVER,
c/o The Plaza Hotel, New York City.

SECTION 9.

England's Attempt at World Oil Monopoly—Royal Dutch Co. Purchase.

(No. 6917. 600.4117/7.)

AMERICAN CONSULATE GENERAL,
London, England, October 15, 1918.

Subject: The British Government and the Royal Dutch Co.

The honorable the SECRETARY OF STATE,
Washington.

SIR: I have the honor to refer to the department's No. 2774 of September 5, 1918 (600.4117/6), on the subject of the acquisition by the British Government of debentures of the Royal Dutch Co. The department brings to my attention a memorandum prepared by the legal adviser of the Standard Oil Co. and also a memorandum from the Treasury Department of the United States. I beg leave to report on the whole subject as follows:

The view expressed by the Treasury Department that the legal staff of the Standard Oil Co. are entirely in error in describing the disposition of securities deposited with the American Dollar Securities Committee is no doubt correct. I am unable to find that any of the securities taken over by the American Dollar Securities Committee in this country have been employed as collateral for advances from the United States Government. As the whole world knows, certain prewar loans of the British Government were secured by shares of this kind, and since the United States has come into the war American and other securities have been acquired by the British Government for the stabilization of exchange in various countries. It is altogether likely that shares of some classes have been acquired by the British Government with *ulterior* objects in view, and there seems to be no reasonable doubt that this is the case as to the Royal Dutch concern.

It is a matter of common knowledge that the British community is very greatly interested at present in securing control of oil production in various parts of the world not only for domestic purposes but for the alimention of the mercantile and military fleets. Expensive research work is being undertaken at this moment in the United Kingdom under the direction of Lord Cowdray and efforts are being made to obtain and hold financial control in the case of producing properties in Persia, Mexico, Venezuela, the United States, Java, and very likely in other regions. It is not possible, of course, to know the precise details either as to existing or contemplated organizations. These comprehensive plans, to which I have alluded, constitute a very important link in the chain of defensive commercial measures undertaken with a view to making the United Kingdom completely independent of all other countries for the operation of its fleets, and the maintenance of its essential industries. To this end, as I have already reported (see my No. 6278 of June 7, 1918) a provision has been introduced in the defense of the realm regulations, which is specifically applicable to any oil field, which sets out that "A person shall not, without the consent of the board of trade, transfer or agree to transfer to or for the benefit of an alien or a foreign controlled company any interest in any property or undertaking to which this regulation applies." It follows from this that in so far as the Royal Dutch Co., or the Shell Transport and Trading Co. (Ltd.), to which it is allied control oil properties in California and Oklahoma or anywhere else it is forbidden, under severe penalties, that the ownership in those enterprises, or any portion thereof, shall be purchased or sold by an American citizen. No doubt the department will desire to inquire very closely into this legislation whereunder a British-owned company obtains possession of oil fields in the United States under such circumstances that it is unlawful for an American citizen to acquire any interest therein.

Now, with respect to the Royal Dutch Co., the situation appears to be that this concern is a very valuable portion of the total interests of the Shell combination which seems to be the British rival of American oil interests. The Royal Dutch Co. is, indeed, domiciled legally in the Netherlands, and its shareholders and directors are largely Dutch, but at the same time the control is intertwined with the Shell Transport & Trading Co. (Ltd.), and the ultimate control, without any reasonable doubt, is entirely British, if not vested in the British Government itself. The fusing of these interests is admitted without the slightest concealment. In an official circular of the company, which is now under my eyes, the following statements appear:

"The various properties of the Shell Co. and those of the Royal Dutch Co. were pooled as from the 1st January, 1907, being from that date vested in various subsidiary companies, in all of which the capital is held in the proportion of 60 per cent, by the Royal Dutch Co. and 40 per cent by the Shell Co.

"Apart, therefore, from the return received on private investments and loans, the whole of the yearly income of the Shell Co. is drawn from dividends declared by the various subsidiary companies.

"The amount of income so received and the dividends paid since the amalgamation are given below:

Income from the subsidiary companies:	Shell dividends free of tax.
1907 -----	£556,001 15
1908 -----	632,952 20
1909 -----	601,408 22½
1910 -----	668,690 22½
1911 -----	591,212 20
1912 -----	1,038,215 30
1913 -----	1,506,903 35
1914 -----	1,533,484 35
1915 -----	1,647,234 35
1916 -----	1,613,724 35
1917 (not yet published).	

"At the date of the amalgamation the interests of the Royal Dutch and Shell Cos., apart from tank steamers and distributing agencies, were mainly confined to oil producing properties in the Dutch East Indies, and even now practically the whole of the revenue is drawn from this source, it still being considered good policy to husband the bulk of the profits earned by subsidiary companies operating in other parts of the world.

"The subsidiary companies holding either direct or through further subsidiaries the interests of the amalgamation in the Dutch East Indies and the fleet of tank steamers are the Bataafsche Petroleum Maatschappij and the Anglo-Saxon Petroleum Co. (Ltd.). The balance sheets of neither of these two companies for the year 1917 were available at the date of the Shell meetings, but during 1916 £750,000 had been allocated to insurance and war risk funds and no less than £2,500,000 allowed for depreciation before the declaration of the yearly dividend. Since 1907 a total sum of £11,000,000 has been allowed for depreciation alone by the Bataafsche and Anglo-Saxon Cos. The financial position of the Bataafsche is enormously strong, cash in hand and sundry debtors amounting together, on the 31st of December, 1916, to no less than £7,300,000. The private holding of the Shell Co. in British Government securities amounted to £2,400,000, and, altogether, the Royal Dutch-Shell combine, either direct or through their subsidiary companies, at the present time controls liquid assets of the value of at least £20,000,000.

"There is not space in a pamphlet of this description to give a full account of the combine's subsidiary companies operating in all parts of the world, but below are a few remarks on the better-known holdings."

The few remarks just referred to include descriptions of interests of the combination in Russia, Egypt, Mexico, Rumania, Venezuela, Trinidad, and the United States.

As to the United States it is remarked:

"In the United States, through the Shell Co. of California and the Roxana Petroleum Co., the Royal Dutch Shell Combine has invested some £7,000,000 in the purchase of oil properties in California and Oklahoma and in the building of refineries and pipe lines. On this investment no return has yet been received, though there is not the smallest doubt that the results of last year's trading would have justified a very substantial dividend. From the properties in California alone the production of the combine's subsidiary was more than 4,800,000 barrels, or roughly 700,000 tons, while the price of oil has trebled since the acquisition of the properties. Now that the combine's refining and distributing organization in the United States is complete, a revenue of from £2,000,000 to £3,000,000 per annum seems very possible from the properties there."

I am in a position likewise to contribute the following notes respecting the activities of this combination:

"The Anglo Persian Co. owns a concession expiring in 1961 from the Persian Government, giving them the right to search for and deal with petroleum, natural gas, asphalt, and ozocerite throughout a large portion of the Persian Empire.

The company also owns a large majority of the shares of the First Exploitation Co. (Ltd.) and the Bakhtiari Oil Co. (Ltd.), the whole of the shares of the British Tanker Co. (Ltd.), the British Petroleum Co. (Ltd.), the Homelight Oil Co. (Ltd.), and the Petroleum Steamship Co. (Ltd.). The company's fleet as of the close of 1917 numbered 22 vessels.

"In 1914 a contract was entered into to supply the British Government with oil fuel, and in May, 1914, the Government agreed to subscribe for 2,000,000 ordinary and 1,000 preference shares and for debenture stock up to a total of £199,000. The Government has the right to appoint two ex-officio directors (without share qualification) to the board of the company and its subsidiary companies, and the said directors can negative any resolutions of the board, subject, however, to the right of the board to appeal to the Government.

"The total capitalization of the company consists of 3,000,000 ordinary and 2,000,000 participating preference shares of £1 each, fully paid.

"From this ownership of the British Government, it will be observed that the Government controls the company.

"Our opinion is obtained from stock-exchange houses and financiers in the city that the British Government has been buying shares of Royal Dutch in New York, the general opinion being that these purchases and further acquisition of oil company shares are made with the purpose of insuring a sufficient fuel supply to the vessels of His Majesty's navy."

If the department desires to continue the investigation of this matter and will suggest the particular points in which it is interested, I shall be very glad to proceed with the inquiry.

I have the honor to be, sir,

Your obedient servant,

ROBERT P. SKINNER,
American Consul General.

(711.3.)

SECTION 10.

Davis Advises Loans to Foreign Governments Until the High-Priced Goods in America Are Disposed of, Thus Keeping Up the Prices to the American Consumer.

2 RUE ST. FLORENTIN,
Paris, 7th January, 1919.

DEAR RATHBONE: In telephone conversation with Keynes, primarily in reference to British purchases of pork in the United States, he expressed considerable concern over their present relations with the American Treasury. I could not understand quite clearly all he said, but, in substance, it was to the effect that Lever was having a lot of trouble with the Treasury and they were worried because of the \$250,000,000 credit established in their favor, to be repaid in sterling, would not be sufficient to meet their requirements. I told him that such matters were now being handled entirely in Washington, but as nearly as I could gather, the American Treasury was adopting about the same policy as the British treasury had adopted with the Allies. He told me he thought they would not be able to use this money for the purchase of pork in accordance with the January and February program, because this money would have to be used for more urgent requirements. I intimated to him that their worry was probably due to the fact that the British treasury has not kept in close touch with the American Treasury (as was recommended some time ago), because its representative in New York could not very well by an occasional visit to Washington or by letter keep fully conversant with the views and policy of the American Treasury, which must necessarily change with changing conditions and which made it more necessary for such matters to be handled now in Washington. I told him, however, that although it is now manifestly impossible for the American Treasury to continue advances as heretofore and that all purchases and financing should be restored to normal channels at the earliest possible moment, my personal opinion was that the American Treasury would be as reasonable and just as possible under the circumstances and would be inclined to make advances for a short time yet to cover approved purchases in the United States which could not be otherwise financed.

It is more and more evident every day that if we ever expect to obtain a satisfactory peace settlement, it will be necessary for the various departments of our Government to coordinate their policies with those of the Peace Com-

mission. The allied Governments, and especially England, appear to be greatly concerned lately about their future financial position, and aside from the fact that it is not good policy, at least at present, to increase their worry by withdrawing financial assistance too rapidly and radically, it is, in my opinion, good business to make advances rather liberally until we can get rid of the large surplus stocks of high-priced guaranteed food products. Otherwise, the price must drop with the consequent disturbance and a loss to the producers and to the country of probably more than would have to be loaned to tide over the situation during the next two or three months. Most confidentially, I am satisfied that to-day it would be difficult to negotiate a satisfactory peace. The British are considerably disturbed over the proposed purchase by our Government of the International Mercantile Marine. They have the impression from various statements that we are deliberately attempting to destroy their mercantile marine and they are all the more disturbed about this proposed purchase, because they can not understand why we would want to pay such a ridiculous price for this stock unless there is something other than the actual acquisition of the property back of it, and until this matter is disposed of satisfactorily, it will be a waste of time to sit down at the peace conference. The British have just made a contract with the Belgians to sell them (the Belgians) 500,000 tons of new ships at \$110 a ton, and Hurley says that we will have to shut down at some of our shipyards because we will have no need for the tonnage, and it is therefore difficult to see why we should acquire the Mercantile Marine stock on the basis of about \$200 a ton. I am inclined to think, however, that this deal will be dropped immediately.

In my opinion, we should by no means give in to the British or anyone else on questions of vital importance where we are in the right, but we can make a more determined successful stand where we are right if we do not first get into difficulties over questions where we are in the wrong.

Another thing which has disturbed the British has been the announcement that the increase in the American Navy will not be a burden to America as it will be sustained by English taxation paid to use as interest on their debt. Some of the British are now saying that they have no intention of collecting their Italian and French loans because they can not afford to put themselves in the position now of taxing the peoples of those Governments to pay the British. If the British intend to cancel those loans, my own opinion is that it will be for some other reason, and that in their present state of mind they would take this high position in order to try to cause embarrassment to us. In spite of the fact that the President and the Secretary of the Treasury are of the opinion that the discussion of our obligations should not and will not come up at the Peace Conference, I myself can not see how it can be avoided unless we pursue a very careful policy in order to prevent it. It may even be advisable to agree to postpone the collection of the interest for a year or so until trade gets adjusted and they can meet same without the shipment of gold, which they can not do without weakening their positions considerably.

I have had several talks with Col. House along the lines indicated in this letter and find that my opinions are substantially the same as his. I have also told Col. House that, in my opinion, it would be very advisable, at least a little later on, for either you or Leflingwell to come over here in order to see the situation from this viewpoint and discuss the general problems of finance in relation to the whole question at issue. I realize that it would be very difficult for either one of you to get away, but I think it will be necessary and that the Peace Commission will so request. As you are probably aware, the President has, upon the recommendation of Col. House, designated Hoover, Hurley, McCormick, Baruch, Col. House, and myself as a council, to be presided over by the President, and in his absence by Col. House, with a view of coordinating the different activities and of determining policies to be pursued in the peace negotiations. Under the plan proposed, you and Leflingwell would also sit on this council while here. I realize the advantages of your plan to force all financial discussions to Washington, but on the other hand, if you desire to settle up a lot of these questions amicably, you could do so more easily and effectively by a discussion here with the heads of the various treasuries than by dealing with their representatives in Washington. Col. House fully realizes the importance of official Treasury representation at the Peace Conference, and the President will no doubt do likewise as the situation develops, and if you can get away from Washington some time in the near future and will so advise me, I will take the matter up with Col. House with a view of having the President or the Peace Commission request it.

Crosby's experience and knowledge, of course, could be used to considerable advantage, but his determination to publish his book on the League of Nations may

prevent it. This, I understand, will be decided by the President to-day or to-morrow.

This peace proposition is going to be a tough one and will eventually get down to a question of negotiation just like that in the formation of a syndicate or any other business undertaking and can never be put over any other way.

Very sincerely, yours,

NORMAN H. DAVIS.

HON. ALBERT RATHBONE,
Assistant Secretary of the Treasury.

SECTION 11.

Secretary Glass Does Not Accept Davis's Stand.

(Charge to Treasury Department.)
American Embassy, Paris:

JANUARY 8, 1919.

(For Davis from Glass, Treasury.)

Embassy's 6635, January 6, 10 p. m. Your 922.

First. Our 689 to Crosby contained the following: "Are unwilling to agree to extend further credits to British as an inducement to them to purchase pork they do not need. Even if legal power existed, we could not make loans for purposes which would tend to prevent artificially a reduction of price of food to our domestic consumers. Believe if British negotiate loan on this market, increase amount of their Treasury bills, sell American securities, and avail of ordinary channels for private credits, they will be able to finance their needs here until restoration of normal conditions. If after resort to such means British find some of their requirements here are not provided for, we are prepared to consider applications for further advances to British."

Second. In establishing \$250,000,000 special credit for British, which in effect is an exchange of pounds for dollars and not a loan, it was understood British could use dollars as they pleased, provided they asked for no further loans from Treasury.

Third. We had not understood that program of foreign Governments had binding effect, but that is for Food Administration to decide. It must be of great importance to us that some of our contracts abroad should be canceled. Further, think it important to bear in mind that the attitude of our governmental departments in regard to cancellations of contracts and provisional orders of foreign Governments here is likely to have bearing on the attitude of foreign Governments regarding the cancellation of our contracts abroad.

Fourth. If pork is held at an artificial price the cost of living is maintained at an unnecessarily high level, with a reflex effect on all industry. Many cases have arisen in which maintenance of prices by artificial means has been urged, in order to avert losses or loss of profits to Government agencies or to industries whose production has been stimulated for war purposes. The Treasury has consistently taken the position that a general readjustment of prices was inevitable and in the interests of the entire people desirable, and that it could not be a party to any plans designed or tending to retard the process artificially. It has held that any legal or moral commitments of our Government should be met by direct appropriation and direct payment, and not by indirect protection of prices. That this position is sound is recognized by Food Administration in its joint communication to Congress regarding wheat guaranty. The Treasury can not now take any different attitude in regard to hog products.

Fifth. If Italy were purchasing here meats other than pork we should be prepared to urge that she take instead the meat of which we have a surplus. We understand from Food Administration this is not the case, and we can not press purchases of pork upon Italy, though prepared for a time to make advances to cover supplies thereof Italy may require.

Sixth. If Italy is not willing to execute contract for definite purchase of its proportion of 100,000,000 bushels of wheat, Treasury prepared to refuse further advances for Italy's current cereal purchases until its share of 100,000,000 bushels so far as Italy has already paid therefor has been exhausted. See our 650.

CARTER GLASS,
Secretary of the Treasury.

SECTION 12.

Great Britain Loans Belgium \$45,000,000, This Loan to Have Preferential Payment Over All Other Loans.

(Paraphrase of a cablegram from the American ambassador at London, England. Dated January 9, 1919, at 8 p. m. Received 4.20 a. m., January 10, 1919. No. 218. Routine.)

The following is very confidential (from Crosby, No. S68, for the Secretary of the Treasury):

1. An agreement has been reached by the treasury of Great Britain to establish in favor of the Government of Belgium a credit of £9,000,000, and this is to include the credit of £4,000,000 against repayment from enemy indemnities reported in my No. 904, which is referred to at the present time as being on condition that the American and French Governments agree to the proposed course and agree to the provision of similar facilities, "mutatis mutandis," up to the same limit in each case.

2. The borrowings will be represented by treasury bills of Belgium of short date, renewable until the receipt of compensation from the enemy powers shall enable them to be discharged in accordance with the following conditions, namely, the first receipts which accrue to the Government of Belgium in respect of compensation or indemnity from the enemy powers shall be applied to the liquidation of the treasury bills mentioned above Paris with the liquidation of any other similar advances received from any of the associated Governments, always subject to such general principles as the peace conference may lay down with reference to the disposition to be made of the assets which the enemy powers make available.

3. It is stated that the object of this credit is the facilitation of the task of the Government of Belgium and of nationals of Belgium in placing orders for the manufactures and produce of the United Kingdom necessary for restoring Belgium, pending the receipts of compensation from the enemy powers. The prime minister of Belgium has made voluntary representation as to quick action and has requested a larger credit than that granted by the International Exchange.

4. The British treasury advises me that the Government of France has opened in favor of the Belgian Government a 100,000,000-franc credit for purposes of reconstruction. Presumably similar conditions as to priorities with reference to enemy indemnities will be adopted by the Government of France as those appearing above in formal agreement with British.

5. It is further stated by the treasury of Great Britain "that they are not willing to take any action in which claims upon the German indemnity would be involved without the full knowledge and consent of the American and French Governments" and also "that they however recognize the need for an increased and immediate provision if Belgian industry is to be restored." It is apparent that they consider that the condition recited above in paragraph No. 2 is enough safeguard with reference to the disposition to be made of the assets which the Central Powers may make available.

6. It is held by this British treasury that the indemnity funds which Belgium and France may collect should not be considered as available for the purpose of paying future or existing debts of the Government of Belgium contracted for purposes other than reconstruction, and that they will not urge that indemnities of this character if obtained shall constitute a part of the general assets of Belgium to which Great Britain will look to cover general advances. It appears that this position at least is tenable with reference to that portion of the indemnity which will actually be expended in reconstruction although if any greater amount should be obtained Belgium's general creditors may properly hold that such excess should be available for the extinction of general indebtedness.

7. If this point of view is adopted by you the only objection we could have to the procedure would be based upon the Belgian Government's failure to observe the request made: that no arrangement of the character in question should be entered into without first permitting you to express your views thereon. I made this request known to them in an official letter, a copy of which was sent to the treasuries of Great Britain and France.

8. The arrangement of the treasury of Great Britain, it appears, has been published in Berlin, and that grave concern would be created by any suspension in the execution of it.

9. I shall, however, in view of the facts, referred to above, and of the further fact that you likely hold that no reconstruction loans can be made by us under the present statutes if altered, that we make no request for suspension of the agreement just entered into by the British, request the finance minister of Belgium to observe in the future the request to which reference is made in the seventh paragraph above.

10. Some financial institutions of the United States contemplate negotiating with Belgian interests for credit for reconstruction work. I have ascertained that the establishment of credit by the British Government has had the natural effect of delaying private initiative. Belgium does not prohibit such inquiry, but the finance minister of Belgium holds, as British treasury officials report to me, that the Government of Belgium fears that exchange will be injuriously affected by the shortcomings on the part of Belgian nationals in the establishment of private credits, and therefore it is their desire to have a fund, through credits recently established by France and Great Britain and a similar one to be sought from America, covering urgent public needs as for railways and permitting money to be advanced by the Government to applicants at practically gold parity of exchange. The parties obtaining such credit would be presumed to have an advantage through exchange rate in the final cost of reconstruction plans over others would hastily do their own financing, and the advantage referred to is supposed to have a deterrent effect upon unwise private initiative. Apparently this reasoning is not sound, as the result would be a general demand for governmental finance and has already led to the delays mentioned above.

11. However, we are not seriously concerned with reference to this aspect of the matter, although it illustrates the possible embarrassment from a large resort to governmental credits for private purposes.

12. A Belgian finance official has inquired of me whether the United States would permit a Belgian Government loan from the American public through bankers? In view of the fact that I had no knowledge of your views on this subject, I would not express an opinion to him, but I wish to say that it is my opinion that this is probably the best way out of the reconstruction problem in Belgium, if the Government of Belgium insists upon endeavoring to finance Belgian nationals and provided always that you would not consider that our own financial operations would be inconvenienced by such loan. It is thought probable, at least, that the matter will be promptly presented through American bankers, who may have been, or will be, approached by the Government of Belgium on this loan.

13. The agent of the Belgian Government here is not ready as yet to submit new estimates for army but makes the statement that the Belgian Government contemplates increasing its army by approximately 100,000 men. The result will be the demobilization of approximately 100,000 men who have seen service at the front, but the taking on of approximately 200,000 young men of military age who have not seen service. While there are domestic reasons for the procedure outlined, it appears to me impossible to suppose that such an increase of military strength is necessary to prosecute the war against Germany. The treasury of Great Britain is disturbed by considerations of a similar character, but will, no doubt, pass the Belgian requisition for an increased number of uniforms, supplying such uniforms from old stocks in Great Britain, of small value otherwise.

14. The independent determination of governments of Europe of demonetization (demobilization), and, generally, organized military organizations, must present very difficult questions in so far as the support of these organizations by American funds is concerned. I will report, in conformity with the views which were expressed in my No. 920, to our political representatives in Paris, as I now report to you in regard to the proposed increase in the strength of the Belgian army. At the present time my personal recommendation would be against the support of increased numbers, British here to express a final opinion on the subject, since it is connected with considerations of a political character not in my hands.

DAVIS.

LONDON, *January 9, 1919.*

SECRETARY OF STATE,
Washington, D. C.:

(195. Jan. 9. For Rathbone from Cook. Routine.)

No. 864. Your 761. It is not expected that any large quantity of hog products will be sold to Swedish Government, nor am I advised at present what amount

they will require. At present British are attempting to sell about 12,000 tons to Holland; understand sale has not been consummated. Heretofore trades with neutrals have been at market rate of exchange. Will keep you advised if hog products purchased by British in America are sold to Sweden.

DAVIS.

SECTION 13.

Norman H. Davis on Continuation of Loans, January 16, 1919.

PARIS, *January 16, 1919.*

SECRETARY OF STATE,

Washington, D. C.

Important 6781. January 16, 6 p. m.

For Glass from Davis No. 937. Your 694. First. I am in general agreement with your economic principles and think that at the earliest possible moment all governmental financial support or control of trade should be withdrawn and all sales and purchases placed in private hands as before the war. While I think it inadvisable to make loans or maintain restrictions now which would tend to prevent artificially a reduction of price of food to our domestic consumers I also think it inadvisable to cause an artificial reduction in the price of feeds which would happen unless control of purchases is likewise withdrawn. The pork producers and manufacturers have been working under governmental control with limited profits and the manufacturers have upon certain assurances purchased and laid down pork for January shipments and part of February upon programs handed in on fifteenth of December which were in orders.

Second. Hoover informs me that our exportable surplus of pork products for January and February is about equal to our domestic consumption, in which case the gain to the domestic consumer in any reaction in price would be a corresponding loss to the producer of hogs, the manufacturer of hog products, and to the country, and a corresponding gain to the foreign purchaser irrespective of the question of the objects involved. Hoover and I have been endeavoring to get all control withdrawn but as normal fair prices can not be negated by withdrawing artificial control or support on one side without the corresponding withdrawal on the other, we have suggested to the Allies that they take only the surplus stocks held under assurance as to disposal and price for shipment in January and part of February and that by the latter part of February all control over sales be withdrawn in the United States and that simultaneously the allied governments discontinue purchasing through the one allied purchasing agency and turn all purchases back into the hands of private merchants and importers.

Third. Understand British are willing to purchase such portion of their January pork program as may be desirable provided we will advance the funds for same as was contemplated by them when program was prepared and submitted.

Fourth. Keynes claims that the credit of \$250,000,000 which has been established in their favor to be repaid in sterling will not give them sufficient funds to meet this purchase and take care of other more immediate requirements. Because while they will need the pork shortly, they can allow their stocks to run below normal and withdraw from the market temporarily. This of course would cause an artificial break in market and they could purchase much cheaper, which they feel justifiable if we withdraw our financial assistance.

Keynes also contends that we should not remove control and finance on one side until the other is actually and effectively in a position to resume independent private trade, and that during at least early part of peace negotiations war can not be over. Furthermore, that if we are satisfied our associates are doing their best to get independent as soon as possible, we should not press them further, making it clear, however, that while a continuation of assistance on previous basis is strictly temporary it is not to be brought to a sudden conclusion; also that general policy here during conference and complicated economical position of Allies and the rest of Europe (?) it quite unjust to preserve a strict and unadulterated treasury policy with regard to other considerations and the position as a whole. Keynes apparently agrees with your general principles that all trade and finance should be placed in private channels as possible, but contends that just at this particular moment it is embar-

rassing to them from many standpoints to be forced so suddenly to negotiate largely private loans. I told Keynes that such questions must necessarily be handled in Washington, and merely transmit this for your information.

Fifth. So far as I can ascertain from Hoover there is no commitment to any food producer except in respect to pork, which expires in March, but which can be canceled end of February, provided advances are continued normally for January and February, and also in respect to wheat, which can be considered several months hence.

Sixth. In substance, while I am opposed in principle to high artificial prices I do not see how a normal and unartificial price can be obtained unless the markets are thrown open to the producer, and, as the producer has been under governmental control, I doubt if control should be entirely withdrawn until there is a free market for the disposal of his products.

BLISS.

JANUARY 16, 1919.

Memorandum for Mr. Rathbone.

Referring to the attached cable No. 868, I do not see how we can submit to the segregation of indemnities for the security of British loans to Belgium unless upon the understanding that we are to make no further loans to Belgium.

R. C. LEFFINGWELL,
Assistant Secretary of the Treasury.

SECTION 14.

Reply to Belgium on British and French Loan—Our Advances for Food and Clothing After the Armistice Were to Be Treated as Though for Reconstruction.

JANUARY 18, 1919.

AMERICAN MISSION, *Paris.*

For Davis from Rathbone. Treasury 716.

Embassy's 6780, January 16, 6 p. m. Your 936.

First. Refer to Crosby's 868 regarding Belgium.

Second. Secretary has written Belgian minister as follows: "I have before me your letter of the 16th instant addressed to Mr. Rathbone in reply to his letter of January 3, and note that the negotiations in London referred to were not with banks but with the British Treasury, and that the draft of the understanding which was arrived at had been communicated to Mr. Crosby on January 7.

"The Treasury has just received cables from Europe, from which I understand that the British Treasury has agreed to establish in favor of your Government a credit of £9,000,000 for the purchase of reconstruction supplies in Great Britain on condition that the first receipts which accrue to the Government of Belgium in respect of compensation or indemnity from enemy powers shall be applied to the liquidation of the Treasury bills to be issued against such credits *ravi rassu* with the liquidation of any other similar advances received by your Government from any of the associated Governments, subject nevertheless to such general principles as the peace conference may lay down with reference to the disposition to be made of the assets which the enemy powers make available. It is not entirely clear from these cables whether the arrangement mentioned is conditional upon the United States and French Governments agreeing to the proposed course and to the provision of similar facilities.

"I am informed that your Government is negotiating for the establishment of a credit in its favor on similar conditions by the French Government.

"*It is the view of the United States Treasury that advances made to your Government after the cessation of hostilities and the reoccupation of Belgian for food, clothing, and other relief purposes must be regarded as in the same category as advances for reconstruction of physical properties, distinguishing advances falling within this category from advances for military purposes. It follows therefore that the United States Treasury must take the position that the advances which it has made to your Government for food and relief*

purposes during this period must receive treatment as favorable as that accorded to advances which may be made to your Government by the British or French Governments for reconstruction purposes, and I am unable to see my way to continue to make advances to your Government for food and relief purposes beyond the commitments which have already been entered into by the Food Administration unless this principle is accepted by your Government.

"I am sending a copy of this letter to the United States Food Administration so that it may be governed accordingly, and to the representatives of the British and French Treasuries for their information."

Third: Guaranty trust with Treasury approval consented to negotiate regarding placing Belgian loan on our markets. These negotiations were broken off by Belgium about time agreement with British Treasury was made. Have asked Belgian Minister to ascertain why negotiations were broken off in view of United States Treasury's desire that allied Governments should so far as possible provide for their needs in United States from private sources.

Fourth: It is important that Treasury's position as indicated in paragraphs second and third be brought before our peace mission. It should be made clear to them that we have sought to avoid this issue, but our hand was forced by arrangements negotiated between British and Belgium Governments and it is deemed imperative that Treasury should immediately secure its position in order to adequately protect the advances we are making Belgium for food and relief purposes. The monthly advances for these purposes have been largely increased since the signing of the armistice.

Fifth: Referring to paragraph 15 of Crosby's 868 it is essential that in present circumstances our advances to allied Governments for military purposes should be rapidly cut down and wholly cease at an early date. This applies to Belgium as well as other allied countries. Outside of commitments for food we are not approving Belgian applications for purchases for military purposes except in comparatively small amounts.

ALBERT RATHBONE,
Assistant Secretary of the Treasury.

SECTION 15.

Secretary Glass's Reply to Norman H. Davis on British Loans.

[Not by wireless.]

JANUARY 20, 1919.

AMERICAN MISSION, *Paris*.

For Davis from Glass. Treasury 728. Your 937.

First: I am glad to have your full statement of views as while I am clear regarding the essential principles to be followed I desire to give full weight to your recommendations and the views of other departments in applying such principles.

Second: It is the settled policy of Treasury to discourage efforts to maintain high prices. Where legal or moral commitments exist to producers they should be met by direct appropriation by Congress and not by continuation of high prices through artificial means with resulting maintenance of high cost of living and other economic evils of utmost gravity. I am not willing to make loans to allied Governments in order to assist other departments of Government to continue artificial high prices in pursuance of a policy of which I emphatically disapprove. I am not willing to force upon Great Britain a loan for which she has not made application in order to enable Food Administration to force upon her the purchase of pork which she is unwilling to buy at artificial prices. Treasury has never refused loan to British required to meet their purchases in United States.

Third: Treasury was not consulted in advance either by British or Food Administration regarding financing of ultimate purchase of stocks laid down by packers or regarding assurances given to packers. Before negotiating special credit arrangement with British we asked Food Administration if there were any impending questions between it and British which it thought should be taken into account in these negotiations and were advised that there were not.

Fourth. I am satisfied British underrate their financial resources apart from United States loans. No information furnished by British to indicate that

credit of \$250,000,000 is inadequate to meet their needs if supplemented as it should be by other means, such as loans and employment of private credits. Reimbursements from other Governments will also aggregate a large sum.

Fifth. Referring Keynes statement of British position which you transmit can not consider any further loans to British without evidence of their requirements in reasonable detail and statements as to what they are prepared to do to provide funds from other sources. Upon such a presentation should feel bound to give request for loan careful consideration notwithstanding the burdens of the Treasury. See our 689.

Sixth. Hoover cable 24 to Richard creates impression that extraordinary efforts are being made to support market prices and that case is not one of market being artificially broken by failure of British to give expected order. Understand proposed British order only 23,500 tons, which would seem to be too small to break any market except one being artificially supported.

Seventh. Consider British situation governed by entirely different considerations from those relating to continental situation where question of maintaining order paramount.

CARTER GLASS,
Secretary of Treasury.

SECTION 16.

Hoover's Cable on Surplus Pork Supply.

From: Ammission, Paris.

To: Opanv.

Food 262. Food Administration as the result of conversations we have to-day proposed following contract to British. We omit preamble which recites moral obligations involved and that it has not been presented to our Treasury pending views British food ministry. We anticipate ultimate entire sale 100,000 tons to Germany and northern neutrals and thus perhaps with temporary advances from our Treasury it would be carried through without substantial extension credits. "It is agreed as follows: One, the British Government will place orders for 100,000 tons of pork products (hereafter referred to as the February order) in the United States before January 25 for February delivery or payment. Two, the above February order or such quantities as may be supplied in advance from the present current United Kingdom stocks shall be considered available for resale in Europe under the following conditions: (a) In case orders for February shipment between this date and end of February from neutral countries shall be placed in the hands of the British authorities for purchase or shipment from the United States, portions of the February order shall be transferred by apoc to the agents of such neutrals in the United States, who will pay directly therefor to the American producers; (b) in case advances have been or should be made from current stocks in the United Kingdom to neutral countries before the end of February, then the British Government shall arrange that an equal portion of the February order shall be paid for by neutral buying agencies in the United States directly to all American producers; (c) in case of any orders from Germany for February shipment between this date and the end of February the cash provided by Germany therefor shall be transferred to the United States in payment for an equal portion of this February order; (d) in case advances are made from the United Kingdom from existing current stocks to Germany, the cash realized therefrom shall be transferred to the United States in payment of similar portion of the above February order; (e) in case of shipment to liberated countries by the British Government from this February order (or advance shipments from existing United Kingdom stock to liberated countries) or such amounts as may be reserved out of the February order for the use of the United Kingdom, then the United States Treasury will advance the necessary amounts to pay therefor in the usual manner. Three, the British and United States Governments mutually agree to withdraw all import and export restrictions on pork products, beef, and condensed milk on February 28, 1919. The British Government agrees to abandon all purchases of pork products through the Government and allied purchasing agencies after February 28 and the United States Government agrees to withdraw its requirements of governmental approval of such purchases or support of American prices at the same date, to the intent that normal trade relations are reestablished in these commodities. Four, if the British Government

shall have stocks of pork products February 28 which they dispose of abroad for receipts effective as exchange, they will refund in dollars to the United States Treasury the amounts realized from such sales, or with the consent of the United States Treasury use such funds for additional purchases of food in the United States. Five, the United States Food Administration has en route 20,000 tons of pork products to the northern ports of Europe. These 20,000 tons are held in reserve for Belgium use, or any excess thereof for sale to Germany or neutrals or relief purposes, and such excess as there may be over Belgian needs shall be dealt with pro rata with any amounts dealt with from the above February order of the United Kingdom.

HOOVER.

AMERICAN MISSION, PARIS, *January 23, 1919.*

Op-19. Food Administration.

Mr. Snyder responsible for answer.

Copies sent to Richard, Gray, Whitmarsh, Mitchell, Hallowell, Snyder.

American Mission, Hoover Cables Incoming.

SECTION 17.

Summary of Great Britain's After-the-War Attitude on Trade and Finance.

AMERICAN EMBASSY,
OFFICE OF THE COMMERCIAL ATTACHÉ,
London, November 22, 1918.

BRITISH TRADE ATTITUDE TOWARD THE UNITED STATES.

Memorandum for Mr. Irwin Laughlin, American Chargé d'Affaires: Following your suggestion, I shall try to summarize briefly in the form of this memorandum information relating to the British trade attitude toward America, which I have in the past few days talked over with you. Mr. Edward Price Bell, who is in charge of the European service of the "Chicago Daily News," has told me that he had reason to fear that well informed American official opinion was likely to be unduly suspicious of British ambitions for sea power and trade domination.

To counteract what he considered a mistaken attitude on the first point, he sent a long cable to his paper on November 6, in which he tried to show that Great Britain was entitled to her predominant naval power. His main argument was substantially that stated at a recent meeting of the American Lunch Club by Admiral Sims, who said that Great Britain's lines of communication are sea routes and that her position is, therefore, different from that of the United States or any other great power. Mr. Bell also tried to give assurance that Great Britain always had and always would use her naval power for ends in which the United States had a common interest. A qualification which occurs to me is that America may soon possess merchant tonnage equivalent to that of Great Britain and have a foreign trade of greater relative importance to our national prosperity and of more serious competitive character as concerns Great Britain. We may, therefore, have greater interest in sea routes and may be brought into more severe competition with Great Britain, and our interests instead of being largely supplementary as formerly may be to an extent opposed to one another.

Mr. Bell also wrote a memorandum intended to allay trade suspicion of Great Britain, which the visiting delegation of editors of the American daily press propose to present to the President and ask that permission be granted to give it wide publicity in America. Mr. Bell denies that there is any unfriendly spirit in Great Britain toward America and tries to disabuse our people of any idea of this kind. He is, no doubt, correct in a general way. Any American who has been here recently has had plenty of personal evidence of the hospitality and genuine cordiality of the British people. Just how far this sentiment will make impossible conflicts of economic interests is another matter. Mr. Bell's attitude is to get rid of suspicion and take as genuine the obvious good will toward America. Let us hold on to this good will by all means, but let us also examine for our own guidance just what sort of a trade attitude Great Britain would like to have America adopt. Whether or not British good will is dependent upon our falling in with her plans or not may be considered later.

FINANCE.

Great Britain must furnish work for the demobilized soldiers. To do this an early revival of the export trade is essential. There is also the desire to make as much profit as possible in order to hold up exchange and relieve the present weakened financial position. It is hoped here that America will not enter the field as a financial competitor. The British financial position at present is not a very strong one, because they have a highly inflated currency and are faced with great burdens in the way of taxation. The demands of labor, which can hardly be avoided, will make it difficult for Great Britain to early put herself again in a sound financial position. If America, in a strong financial position, were to have the ambition to compete outright and try to take away the chance of profitable financing previously held by this country, it would not be an easy position to meet. If, on the other hand, American financiers are ready to go in with the British, who have had more experience, this would leave the machinery largely in the control of British banks and financial houses, but it might result in the greatest profit to both countries. During the war, American financiers have taken the position that they would not consider any financial expansion abroad of a commercial character until the war obligations were satisfied. During the past year I have had correspondence with a number of leading American bankers who are in position to establish business overseas. As indicating at least one point of view, there is a letter which I have just received from Mr. Archibald Kains, president of the American Foreign Banking Corporation, which has been organized by 16 or more large American banks in different cities. I had pointed out to Mr. Kains the advisability of establishing an American branch bank in Australia rather than making connections with existing banks. Mr. Kains replied that all the world was coming to America for financing and that we would have plenty to do without going out for business. He also said that for American banks to try and compete openly with British banks reminded him of the small boy who had tried to teach his grandmother to suck eggs. If this is typical of American banking opinion, we would not use our present financial strength to try and get hold of the world's financial machinery. This would be very satisfactory to the British.

If, however, American banks are ever going to compete outright with British banks in the financing of foreign commerce, the most favorable opportunity is now, when our trade adjustments are being made and when we have a relatively strong financial position. If our banks are content to finance our foreign trade through British banks our commerce will be under a certain handicap. With our normal high rate of wages we can not confidently suffer higher costs of doing foreign business. I am in favor of going ahead without delay in establishing branches of American banks abroad and stabilizing dollar exchange. It is a question of degree. Shall we make a substantial start or go slow and play safe? It is no time for over-extension certainly, but if we believe in the future of our foreign trade we should have the courage of our convictions.

MERCHANT MARINE.

It would be shutting our eyes to the obvious if we were to try to believe that Great Britain has no apprehension of the potential competition of the new American merchant marine. I have recently talked quite frankly with the editor and publishers of the well-known British shipping journal "Fair Play," as well as with others who are informed as to the feeling of shipping interests here. British shipping has been self-supporting and a productive national asset. The principal points which are in the minds of British shipping men in viewing the future American competition can be summarized, partially, at least, as follows:

1. Mr. Hurley made a statement regarding American railway rates, in which he inferred that export differentials could be utilized to develop the American merchant marine. They fear here that such export differentials may be made for American-owned ships and not for British ships. Presuming that American railways and American ships are both operated by the Government, it is feared that a through rate from an inland point to an oversea point might be made, which would give American ships an advantage over British ships in competing for cargoes. Seeing that Mr. Hurley's statement was not in detail they read this interpretation into what he said. This interpretation is not un-

natural, seeing that Germany and adjacent countries were accustomed, prior to the war, to give railway export differentials in favor of their own shipping.

2. During the war a large number of British ships have been diverted from normal trade routes to carry American troops and supplies to Europe. At the same time it is said that markets previously supplied from Great Britain had been supplied in increasing measure by direct shipments from America. We have, of course, made a special effort to increase our exports in markets where the exchange has been running against us, and our export figures to such markets as South America have greatly increased. At a time when British ships have been taken from some of these routes, there is a feeling that America has been fortunate in getting a foothold in British markets as a result of the war.

3. British shipyards have been working to a certain extent on repairs for warships, which has cut down the output of merchant tonnage and has made it impossible for Great Britain to keep up with the great increase in tonnage in America. It is felt that this fact should result in a certain amount of appreciation on the part of America when it comes to a question of keen competition in shipping.

4. There is considerable anxiety regarding the general statement that certain trade routes belong to America. It is feared that this is meant to imply that the South American market is one which the United States is especially entitled to. Seeing that the bulk of trade in this market has been British trade and that all trade has been carried largely by British ships, this position, if it was maintained, would meet with disagreement. British ships have previously run on all the trade routes of the world and they can not see why any particular route should be considered as the special province of America.

5. At least 250 British merchant marine officers have been loaned to America. Their salaries have been doubled. It can not be expected that they will freely return to the British merchant marine at this great salary disadvantage, and it is feared that this loan may work out in an embarrassing way to the British merchant marine. British officers and British seamen have helped in the development of the American merchant marine, where wages and conditions of living have been better. It is feared that this competition may result injuriously to the British merchant marine.

The British shipping people have been in the game a long time and are interested in the return that they get on their investments. They are business people and are very anxious that they should not suffer as the result of changes made by the war. They probably would be very glad to go into pooling agreements with American ships, which would result in a fair profit being obtained for both.

A movement has been under way for some time toward a consolidation of British shipping interests. For example, the P. & O. Co. has purchased the Union Steamship Co. of New Zealand and the New Zealand Steamship Co., thereby gaining a firm hold on liner tonnage to Australia and New Zealand. Prominent officials of this consolidated company were influential in British shipping circles. When I left Australia in September, 1917, the prime minister, Mr. W. M. Hughes, told me confidentially that these officials in the Ministry of Shipping, who were primarily concerned with the development of the P. & O. communications to Australia and New Zealand direct from Great Britain, were adverse to an increase in shipping across the Pacific from Australasia to American ports. Other combinations have since been perfected in British shipping circles and probably there is the same desire to protect former lines of British shipping communications to other parts of the world. Carrying out this tendency toward consolidation may be cited a United States Army Intelligence report which has just come to my attention, which is as follows:

"Lieut. Col. H. D. Behrend, of Liverpool, a retired British Army officer, largely identified with the shipping industry in Liverpool, left for London November 19, 1918, to complete the purchase of five ships to be added to the Scandinavian service in which his firm are interested.

"The ships are new, just having been completed in British yards, average tonnage 4,500 and the price to be paid for them is about £145,000.

"Col. Behrend informs the writer that, in his belief, the day of the English tramp steamer is done, and that in the future the shipping industry of England will be conducted by large companies formed from the consolidation of existing lines; in other words, he predicts an English shipping trust covering water transportation to and from the United Kingdom as conducted by British ships."

"J. D. WHELPLEY."

TRADE.

The trade interests in this country, that is, the manufacturers and exporters, are desirous of securing as early return to favorable conditions for private business as possible. They desire, for instance, that British ships may be put back on normal routes as soon as possible. They also feel that protection for a certain period at least should be given to British industries during the period of reconstruction. As an example, American motor cars have ceased to come to this country for the retail trade, and in addition to the restrictions there is at present a duty. Great Britain munition firms, such as Vickers, are going to be able to change their plants over to the manufacture of low-price motor cars. If they have a certain time they can possibly obtain a firm grip on the British market for low-price motor cars, so that it will be difficult, if not impossible, for American cars previously sold in this market to regain their position. There are many industries which have enjoyed temporary protection during the war which desire sufficient protection during reconstruction and possibly afterwards. In some instances control has gone farther than this, as is the case of the nonferrous metals industry. The Overseas Trade Department and commercial interests generally, I think, look upon an imperial preference tariff as a matter of domestic policy. These instances which I have mentioned are illustrations of things in which the commercial interests in this country are interested, and on which probably they wish American opinion to look as just local British problems. The idea of no economic barriers they feel has got to be whittled down to a point where this principle will not interfere with ambitions which particular interests have in mind.

France, Belgium, and other countries which are going to be in particular need of essential materials for reconstruction, hope that arrangements will be made to give them these supplies under war conditions; that is, with priorities in shipping and manufacture and with credit for what they purchase. As an example of this, I can give you a confidential incident. The French Government applied to representatives of the American War Industries Board in Paris for 70,000 tons of steel rails per month during 1919. They endeavored to get this order in under war conditions a few days before the armistice was signed. I talked with a committee of Belgian industrialists in Paris who I know had the same idea; that is, that they should be taken care of first. If the United States is to pour out its resources in the way of providing materials for reconstruction in Europe for a year or two and at the same time is quite willing to suffer the cessation of normal exports of finished goods, for which we have had an established trade good will, we will be pursuing a policy of generosity. Nothing, it seems to me, is more important than the fact that we should remain true to the motives which have been sincere. The last thing that we should do would be to try to take any commercial advantage of the war, which we could through out strong position. If, however, we are negligent of our financial machinery, our shipping machinery, and the normal organization of our foreign trade, as operated by individual firms and on special and favorable lines, we will be giving our Allies a head start. It therefore is a policy to keep America quiescent, whereas our Allies, who have suffered more than we have, are eagerly trying to get their industries and trade in shape, there is no reason why we should not do this with our eyes open.

This also, I should say, again is a matter of degree. If American commerce is held back for generous motives when our Allies are forging ahead, the day may come when American commerce will reap great disadvantage. We can be generous where generosity is due and firm where our own commercial interests are entitled to their due. I think that Allied friendship can stand this strain as it ought to.

TRADE PROPAGANDA.

The British Ministry of Information has been active in setting the British point of view before our people at home, and have, as well, entertained various delegations of editors in this country. What are their motives?

Sir Arthur Steel-Maitland, Bart., M. P., Parliamentary Secretary of the Department of Overseas Trade, welcomed the American delegation of trade journalists on November 12 at a luncheon given by the English-Speaking Union. He said quite frankly that he believed that every possible effort ought to be made to obtain better acquaintance and understanding between trade interests

in America and Great Britain. In the problems of peace now arising we would have to realize that human nature was not perfect and that there are many difficult, particular questions which would have to be settled. With sympathetic understanding between British and American trade interests we could feel more sure that our great objects would be obtained without permitting these practical adjustments to have a major influence. In making these remarks he saw me sitting not far away and took occasion to say, in a laughing way, that he had already talked these matters over with a friend who was sitting on his right. In explanation I may say that some six or eight months ago I had a number of conversations with Sir Arthur about an exchange of visits between American and British commercial organizations. This was something which Dr. Page had asked me to attempt to bring about. At this time I became quite well acquainted with Sir Arthur and with other men in the Overseas Trade Department and we talked rather frankly about the situation. I remember saying that at least in certain quarters in America British after-the-war plans for trade were creating anxiety. Sir Arthur replied that in Great Britain they thought that we were going much farther than they had and he cited the American International Corporation as an example. He was very anxious that these visits should not be merely social affairs but that they should actually get ahead with certain definite things. He believed, for one thing, that it would be a good thing to have financial cooperation between the United States and Great Britain, and that in other instances we might get together and divide contracts in South America and in other places. The British Board of Trade and commercial organizations in this country have been very favorably attracted by the idea of combination since the war. There have been a great many combinations here in industry. They are occurring almost weekly. An export corporation is now being formed in Manchester which will have \$1,000,000 a year to spend in promoting foreign trade. They have not our traditional dislike for combination as represented by political sentiment in America. They are favoring combination in Great Britain and they probably would be glad to have us work with them.

Sir Arthur Steel-Maitland has recently told the American Chamber of Commerce in London that the British Government is anxious for close cooperation between Great Britain and the United States in all matters which must for some time remain subject to Government control. Their chief interest is in the control of raw materials after the war, and the earliest possible understanding between the two Governments is desired. Sir Arthur suggested that the American Chamber of Commerce in London ask the United States Government, through the Chamber of Commerce of the United States of America, to indorse the early appointment of an allied international commission to deal with the distribution of raw materials after the war.

It must be quite evident that Great Britain feels that America has been holding back during the war and that it is now essential for America to come out in favor of allied commercial control. There has probably been no direct attempt to influence America in this direction, but it has probably been considered all to the good if American public opinion has been put in a frame of mind to approve this kind of close economic cooperation.

My opinion is that there is every reason for allied economic control as long as it is necessary to have a lever to make Germany live up to the peace terms. It may also be necessary to safeguard the interests of our allies who have been invaded. I have reason to believe that British hopes go farther than this. They wish to have a head start in reconstruction as far as their own industries are concerned, and to receive high prices for the raw materials they have to sell, which may restore the financial position of the country.

I am in favor of allied control of economic goods as long as it is necessary to coerce Germany and help our less fortunate allies. When this is accomplished I believe that an early return to free conditions of private buying and selling will obviate possible international misunderstandings and be the best all around for effective industry and commerce. American business will not stand being fettered any longer than patriotism requires. Then I am opposed to international government trusts which will entirely alter our economic system and give advantage to the Government which can bargain most shrewdly. This is not a kind of international relation which can be faced with hope for future security and good will.

CONCLUSION.

Can we bargain for our own interests and maintain the good will of Great Britain?

They may say that we are letting Germany down too easy and that we have not suffered a long war. British labor, however, which is coming to be a most important factor, is for a liberal settlement. The British Government can not go too far in standing for the objects of special interests. If we are diplomatic and yet firm, I think that we can carry our liberal case a long way toward attainment. We may have to make concessions for a period of transition, but we can narrow this period down to some reasonable limit. It will be necessary for us to have a solid understanding of our own case and to put it forward. When we make concessions it must be understood by our allies that they are concessions. We need to look at these great issues in proper proportion. It is not necessary to be suspicious because our allies are going to be rather determined to get what they want. It is certainly unwise to ignore these economic issues and trust blindly to good will. We must be prepared for commercial bargaining. If we are steady and true to our national interests, as well as to great principles of international policy, we will gain respect, which is the best basis for any permanent international good will.

PHILIP B. KENNEDY,
American Commercial Attaché.

SECTION 18.

United States Money for Food in Belgium to Be Treated the Same as Money for Rehabilitation.

PARIS, February 6, 1919.

SECRETARY OF STATE,
Washington, D. C.:

616, February 6, 11 a. m.

D-23. For Rathbone. Referring to your dispatch of January 18 to Baron De Cartie, I transmit herewith copy of letter addressed by British Treasury to Comte de Grunnei, of Belgian commission.

"I beg to confirm our telephonic conversation of to-day with reference to the proposal of the United States Government that advances made by that Government for the Commission for Relief in Belgium on account of food and relief for the Belgian people should be considered as ranking with the 'similar credits' which, under the agreement between His Majesty's Treasury and the Belgian Government, are to rank *pari passu*, repayment out of the first installments of any payments for reparation or indemnity made by Germany to Belgium.

"His Majesty's Treasury is prepared to regard American C. R. B. advances at present date as 'similar credits' in the above sense on condition that the British C. R. B. credits are also regarded and that the British Treasury shall receive the same proportion of the amount recovered out of the indemnity as the British gross contribution, whether made in cash or in bonds, to America bears to the total cost of the contribution of the leading powers for Belgium relief. In so far as recoveries are made in cash, the British Treasury would, of course, be prepared to apply the proper proportion of that cash toward redeeming the corresponding bonds given by them to the Government of the United States."

In transmitting to Hoover a copy of above letter from British Treasury dated February 1, the Belgian delegate, Baron Hymen, states that he has instructed Belgian Minister in Washington to accept the proposals of American Treasury. Am informing Baron Hymen that this matter must be dealt with you in Washington, but that, in my opinion, you will probably insist that the advances, which will rank *pari passu* between the American, French, and British Governments as a claim against German indemnities, must be those made for relief and reconstruction purposes on and after November 11 last, instead of February 1, as proposed by British. Davis.

AMERICAN MISSION.

SECTION 19.

England Sold Pork Supplies, Purchased in This Country with United States Liberty Loan Money Loaned for the Purpose of Prosecution of the War, to Our Technical Enemy, Germany, with the Approval of the Treasury Department—The Gold Received Was Placed in the English Treasury and Not Credited on the English Debt Here—Thus the Money Raised from the American People to Prosecute the War Went to the Aid of the Enemy with the Treasury Department's Sanction.

[Paraphrase of cablegram.]

From: American Mission, Paris, France.

Dated: February 21, 11 p. m.

Received: February 22, 2 a. m.

Number: 848.

For Rathbone, No. D-71. A statement has been submitted by Hoover to the effect that the British have sold 30,000 tons of pork products to Germany and 12,000 tons to neutrals. In order to enable England to dispose of some old stocks, Hoover consented to this sale. Hoover could have made these sales himself, and intended to do so, but allowed British to make them in order that old stocks which might have become stale might be worked off. Hoover consented to this sale upon condition that corresponding orders be placed by British in the United States or else return cash advanced by the Treasury to them for the original payment of stuff resold. As agreed, British have placed order for 12,000 tons replacement and Hoover has telegraphed his [willingness?] to remove control on pork market. That this information be kept confidential for a few days is earnestly desired by Hoover. If found pressing in the meantime, British to place order for balance of twenty [five?] thousand tons so that withdrawal may be announced by him of his *staille* ration of pork products without risk of a demoralized market, thus leading to an orderly return to uncontrolled market. Hoover has also requested that a ruling that unified buying in the United States is illegal be issued by the Attorney General. Claiming that no time limit was placed on this replacement order and seeking to attach conditions making Hoover guarantee maximum prices during the next six months. Hoover states that the British are delaying replacing order for 25,000 tons sold to Germany. Hoover contends that they should return cash or place this order at once in accordance with agreement, and requests that notification to this effect should be made to the British Government by the Treasury Department. He is anxious to have the matter settled by February 24 in order to make announcement. Taking the situation as it stands, the suggestion of Hoover may be the best way to secure a prompt and orderly return to natural market.

Following is for your information: Arrangement was made whereby England is to receive from Germany in payment of above food 25,000,000 marks in neutral currencies and 100,000,000 marks in gold. The neutral currencies in which payment is made are none of them currencies which are required by us at this time and they are not taken at the par of exchange. With reference to the gold, the conditions are outlined in your 758 (?) acceptable to the French Government, they have waived any claim that the gold be turned over to them, for some reason not disclosed to us. The arrangement of Hoover with the British Government was made independently, producing no disadvantage in it to us.

AMERICAN MISSION.

SECTION 20.

Hoover Approves of the Sale of Pork to Germany.

[Paraphrase of a cablegram.]

From the American Mission at Paris, France.

Dated March 4, 1919, at 2 p. m.

Received 3:11 p. m.

No. 1021.

The following is for Rathbone, No. D-96, reference to his No. 834, filed March 1, 1919.

1. Your understanding is correct that our suggestion was not accepted by the French and that they waived claim to gold.

2. However, gold is not available to us on account of the fact that the British made sale of the food in question to Germany and the gold is to be received by them on the understanding that the British shall use the dollar equivalent for replacement order in the United States in accordance with agreement made *with Hoover without our approval being previously obtained, but it was not thought by Lamont, Strauss, and myself that it would be wise to make any objection because it was not our opinion that we were badly in need of gold but that if should take it*, the opposition would only be increased which has been manifested here by the Allies, based on our readiness to transact business in comparison with Allied unreadiness. Negotiations to lift blockade and to make possible to Germany to pay for, are being hampered by this feeling. The sale of Army assets in Spain to assist us in meeting our maturities has been suggested to Hollas. Lamont and Strauss are going to Spa this evening and will be gone until Friday. Davis.

AMERICAN MISSION.

SECTION 21.

Loans to Serbia to Be Secured by First Lien on German Indemnities to Serbia.

MARCH 8, 1919.

MY DEAR MR. BLACKETT: The United States Treasury has received an application from the Kingdom of the Serbs, Croats, and Slovenes for a credit of \$40,000,000, or 200,000,000 francs, to enable the purchase by that Government of certain commodities from the American Expeditionary Forces. In connection with this application, the Government above mentioned has offered to secure the repayment of advances made against such credit by that part of the war indemnity to be paid by Germany which will be allotted to the Kingdom of the Serbs, Croats, and Slovenes, with the understanding that the reimbursement of the advance should be made out of the said indemnity.

Before acting upon this offer, the United States Treasury would be glad to be informed whether the giving of this security would, in the judgment of your Government, in any way prejudice the interest which it has in the indemnity to be awarded the Kingdom of the Serbs, Croats, and Slovenes by reason of the fact that your Government has made advances to said Government during the war. The United States Treasury does not desire to take, as against your Government or the other Governments which have made war advances to Serbia, any advantage through the acceptance of security for the advances it has made, or may make Serbia or the Kingdom of the Serbs, Croats, and Slovenes.

I shall be glad also for suggestions from your Government as to whether it might not be advisable for the United States Treasury to accept such security, in case the Treasury decides to establish such credit and make advances therefrom, with the distinct understanding with the Kingdom of the Serbs, Croats, and Slovenes that such security shall be held for the benefit of such advances as have been made, or may be made to Serbia, or the Kingdom of the Serbs, Croats, and Slovenes, by the Governments associated in the war, in such proportion as shall be determined by such lending Governments, or as may be decided at the peace conference, or in accordance with principles thereat determined.

I am, my dear Mr. Blackett,
Very truly, yours,

ALBERT RATHBONE.

MR. BASIL BLACKETT,
23 Wall Street, New York City, N. Y.

SECTION 22.

United States and British Treasury Understanding on Serbian Loan.

MARCH 27, 1919.

MR. BASIL BLACKETT,
23 Wall Street, New York, N. Y.

DEAR MR. BLACKETT: I have received your letter of the 26th instant in reply to my letter of March 8 regarding an application received by the United States Treasury from the Kingdom of the Serbs, Croats, and Slovenes for a credit of \$40,000,000, or 200,000,000 francs.

I understand from your letter that it is the opinion of the British Treasury that all advances made by the various Governments associated in the war to the Servian Government, or to the Kingdom of the Serbs, Croats, and Slovenes, from the date of the armistice until the signing of peace should rank equally as a first lien on the indemnity to be received by that country from the enemy. This view would not seem to be entirely in accord with the resolution which I understand has been passed by the supreme economic council, to the effect that relief and reconstruction credits to Serbia and certain other countries should be made a first charge against receipts on account of reparation and indemnity. Mr. Davis cables that such general principle has been approved by the allied governments in respect of the particular countries mentioned.

In the judgment of the United States Treasury, the question of the liens for advances made to the various allied governments by the governments associated in the war upon indemnities to be received from the enemy is one that had best be discussed in Paris. I am, therefore, communicating the views of the British Treasury, as set forth in your letter, to Mr. Davis, asking him to discuss the matter in Paris with the representatives of your Government and the representatives of the other Governments concerned.

In the meantime I take pleasure in informing you that the United States Treasury has advanced to the Czecho-Slovak Government \$22,350,000, all of which was advanced after November 11, 1918. The Treasury has not, however, acted on the application for the \$40,000,000 credit before mentioned.

I am, my dear Mr. Blackett,

Very truly, yours,

ALBERT RATHBONE.

MARCH 27, 1919.

[Not by wireless.]

AMMISSION,
Paris.

For Davis from Rathbone. Treasury 924.

See our 921, paragraph 2.

First. British in reply to our letter (see par. 11, our 862) state character of advances made or contemplated to be made by British Treasury to Serbia since date of armistice, and states opinion of British Treasury that all of its advances between date of armistice and date of peace should rank equally for purposes of claims upon indemnity with any advances made by United States to Serbia, and, further, that all advances by United States or British to Serbia made before signature of peace should rank equally as a first lien on indemnity and take precedence of any advances made after signature of peace.

Second. Advising British (A) its view apparently not in entire accord with resolution of supreme economic council (see your 151, par. 3); and (B) that questions of liens on indemnities should be discussed in Paris (see our 780, par. 4).

Third. French have informally stated no preference in respect of indemnities awarded Serbia should be given to advances made by associated governments since armistice over French advances to Serbia during war.

Fourth. British position regarding lien of advances to Serbia apparently not precisely same as its position regarding lien of advances to Belgium (see our 780, 774, and 716), nor lien of advances to Italy (see our 901, par. 1).

ALBERT RATHBONE,
Assistant Secretary of Treasury.

SECTION 23.

The United States Paid Great Britain Over \$90,000,000 for the Transportation of Our Troops March 27, 1919, when the Business-Like Thing to Have Done Would Have Been to Credit Great Britain on Her Debt or Interest with This Amount.

TREASURY DEPARTMENT,
Washington, March 27, 1919.

Memorandum for Mr. Rathbone:

I spoke to Gen. Hines to-day in regard to the amount due the British Government for transportation. He informed me that his latest figures show a total amount due of about \$90,000,000, on account of which \$35,000,000, roughly,

has been paid, leaving \$55,000,000 due for the transportation of troops. There will also be a payment on account of cargo, but he does not estimate this at more than \$2,000,000 or \$3,000,000. The final figures are now being compiled by months and as the amounts are determined payment is to be made to the British Government. I will make sure that we are currently kept informed in regard to these payments.

GEORGE O. MAY.

HOTEL DE CRILLON,
March 29, 1919.

DEAR ———. 1. I have received advices to the effect that, at the request of the British, French, and Italian Governments, the United States Treasury Department is prepared to establish credits in favor of each of these Governments to the extent of \$10,000,000 to each, for the payment of food purchased in the United States, and used by these respective Governments, up until September 1 next, for relief in Austria to prevent the further spread of anarchy.

2. In order to put this arrangement into effect and to secure payment from Austria to the allied governments for this food supplied to Austria, the allied governments are to make an agreement substantially along the following lines:

(a) The Austrian Government will formally agree, and at once proceed to proceed to place at the disposal of Great Britain, France, and Italy, the state forests, salt mines, and certain other of its assets satisfactory to these countries.

(b) Great Britain, France, and Italy will undertake to supply German-Austria with food commodities not to exceed \$30,000,000 in all, which is the estimated amount, at least, necessary to keep that country supplied until the next harvest.

(c) Up to the amount of \$30,000,000, these advances to Austria will be a first charge to be repaid before any reparation payments which the peace treaties may require Austria to make.

3. The above credits are established upon the understanding that the Governments of Great Britain, France, and Italy will apply the proceeds of any funds received by them under this arrangement to the repayment of their obligations incurred to the United States for the purchase in the United States of foodstuffs supplied to Austria.

4. The funds so provided may be applied only for the payment of foodstuffs transported and distributed under the direction of the supreme economic council through the office of the director general of relief, and the allied commissions operating under his direction.

Very sincerely, yours,

United States Commissioner of Finance.

A true copy:

HENRY C. BRECK,
Secretary to Finance Commissioner of United States.

SCHEME FOR THE REHABILITATION OF EUROPEAN CREDIT AND FOR FINANCING RELIEF
AND RECONSTRUCTION.

APRIL, 1919.

1. (i) German bonds to be issued to a present value of £1,000,000,000 and to a face value of £1,200,000,000 carrying interest at the rate of 4 per cent per annum and sinking fund at the rate of 1 per cent per annum as from January 1, 1925, these payments to have priority over all other German obligations whatever, including additional claims for reparation not covered out of the above, the difference between the face value and the present value representing the funding of interest from January 1, 1920, up to January 1, 1925.

(ii) Austrian, Hungarian, and Bulgarian bonds to be issued to the present value of £125,000,000, £170,000,000 and £50,000,000, respectively, on similar conditions. (N. B. Turkey to be dealt with separately.)

(iii) Rumanian,¹ Polish, Czecho-Slovakian Jugo-Slav,¹ and Baltic States bonds to be issued to the present value of £15,000,000, £40,000,000, £20,000,000, £15,000,000, and £10,000,000, respectively, on similar conditions.

¹ Rumania and Serbia also to receive a share of reparation.

2. Interest on each of the issues of enemy bonds under 1 (i) and (ii) above to be guaranteed jointly and severally by the other enemy states, in the event of any one of them failing to provide the payments due.

3. In the event of the failure of the above guaranties, interest at 4 per cent on all the above bonds to the aggregate present value of £1,500,000,000 (or £1,800,000,000 as from January 1, 1925), to be guaranteed by the principal allied and associated governments, by the three Scandinavian Governments, and by the Governments of Holland and Switzerland.

4. In the event of the guaranty under (3) becoming operative, the guaranteeing Governments to be responsible in proportions determined in advance, as set forth in the accompanying schedule A.

5. In the event of any of the guaranteeing Governments failing to meet their guaranty, the remaining guaranteeing Governments to make good this failure in the same proportions among themselves as under (4), but in no event shall any one of such guaranteeing Governments be liable for more than double its original proportionate share.

6. A failure of any Government to meet its guaranty under the above clauses to be considered by the financial section of the League of Nations, and if judged by them to have been avoidable shall be punished by such penalty of forfeiture of a financial, economic, or commercial character as the League of Nations may determine.

7. The bonds to be free of all taxation in all the issuing or guaranteeing States.

8. Of the £1,000,000,000 bonds to be issued by the German Government £724,000,000 shall be paid to the allied and associated governments on account of sums due for reparations; £76,000,000 shall be utilized for the discharge of existing debts to the three Scandinavian countries, Holland, and Switzerland, and the remaining one-fifth of the total, namely, £200,000,000 shall be left in the hands of the German Government to be made available for the purchase of food and raw materials.

9. Of the bonds amounting to £345,000,000 in all to be issued by the Austrian, Hungarian, and Bulgarian Governments, four-fifths in each case shall be paid over to the allied and associated governments on account of sums due for reparation, the remaining one-fifth being left in the hands of these Governments for the purchase of food and raw materials.

10. The bonds amounting in all to a present value of £1,000,000,000 to be received by the allied and associated governments on account of reparation to be divided between them in the proportions determined upon by them for the division of reparation receipts generally.

11. The bonds to be accepted at their par value plus accrued interest in payment of all indebtedness between any of the allied and associated governments.

12. The bonds to be acceptable as first-class collateral for loans at the central banks of all the issuing or guaranteeing States, subject to such terms and limitations as may be in force with these institutions from time to time.

Schedule A.

	Per cent.
United Kingdom.....	20
United States.....	20
France.....	20
Italy.....	10
Japan.....	10
Belgium.....	5
Norway, Sweden, Denmark, Holland, and Switzerland.....	15

AMERICAN COMMISSION TO NEGOTIATE PEACE,

HOTEL DE CRILLON,

Paris, April 1, 1919.

Mr. J. H. KEYNES,

Treasury Chambers,

London, S. W. I., England.

DEAR KEYNES: With reference to your letter of March 18 relative to the replacement order for pork, I do not see the necessity for your pursuing the matter further unless it is ascertained that the replacement order has not been

made in New York in accordance with the understanding. If this is not done I assume that I shall hear something further about it and if so shall advise you.

Sincerely yours,

NORMAN H. DAVIS.

SECTION 24.

British Proposal to Have German Bonds Accepted at Par by All the Allies as Payment of All Indebtedness—New Credit Established.

APRIL 2, 1919.

Dear Mr. BLACKETT:

I have received your letter of March 26, 1919, regarding further advances to your Government from the United States Treasury beyond the undrawn balance of the special credit established during December, 1918, in favor of your Government by the Secretary of the Treasury, now amounting to \$24,323,824.75. I understand from our talks on the subject that the assurances as to further advances which your Government now desires to receive will in its judgment cover all the advances which it will require from the United States Treasury other than for United States purchases as British share of European relief, and it is on that understanding that I am replying to your letter and setting forth the following arrangement which the United States Treasury is prepared to make:

(1) For all future advances to your Government from the United States Treasury, whether made from the undrawn balance of the special credit of last December or otherwise, your Government will give its demand obligations, payable in dollars, or at the option of the holder in sterling at the cable buying rate on the New York market at noon of the day of demand [as fixed (determined) by the Federal Reserve Bank of New York.]

(2) Your Government will from time to time, at the request of the Secretary of the Treasury, and on such dates as he shall request, deposit sterling to the credit of the Treasurer of the United States, or to the credit of such other person as the Secretary of the Treasury shall indicate, with the Bank of England or with such other depository or depositories as the Secretary of the Treasury may indicate up to £55,000,000 sterling.

(3) For sterling so deposited at the request of the Secretary of the Treasury your Government is to receive in payment thereof either, as the Secretary of the Treasury may elect:

(a) Dollars credited to your Government at the Federal Reserve Bank of New York at the sterling cable buying rate on the New York market at noon of the day of deposit of such sterling as fixed by the Federal Reserve Bank of New York, or

(b) The surrender of obligations of your Government then held by the United States to the representatives of your Government in Washington or New York, or appropriate notation thereon of payment on account of the principal of any such obligations if not fully paid, such surrender or notation, as the case may be, being regarded as equivalent to due demand of payment of the principal of the obligation surrendered or of the part of the principal set forth in any such notation as of the date of such deposit of sterling; the accrued interest on any such obligation so surrendered or upon the portion of the principal thereof set forth in any such notation to be paid in dollars simultaneously with the surrender thereof or the making of such notation thereon, as the case may be, by the deposit of the amount of such interest to the credit of the Treasurer of the United States with the Federal reserve bank of New York.

(4) To represent the interest which shall become due during April and May, 1919, on obligations of your Government now or hereafter held by the United States, except interest on such of said obligations as shall be surrendered or upon which notation of partial payment shall be made, in payment for sterling deposited as above provided, the Secretary of the Treasury will accept demand obligations of your Government bearing 5 per cent interest and payable in dollars or at the option of the holder in sterling at the buying rate on the New York market at noon of the day of demand as fixed by the Federal Reserve Bank of New York. It would be intended by the Secretary of the Treasury to use these obligations after their receipt for the payment of sterling thereafter furnished at the request of the Secretary of the Treasury

with the view of having such obligations paid in full in this manner at the earliest practicable time.

(5) The Secretary of the Treasury will from time to time establish credits in favor of your Government in the aggregate amount of \$150,000,000, in addition to the unexpended balance of \$24,323,824.75, to be availed of from time to time against obligations of your Government in a corresponding amount, to such extent and for such purposes as shall be approved by the Secretary of the Treasury. Said amount of \$150,000,000, whether before or after its establishment in whole or in part as an additional credit, and said unexpended balance of the credit heretofore established, are to be reduced by the following amounts:

(a) All dollars paid after March 26, 1919, for sterling deposited by your Government at the request of the Secretary of the Treasury;

(b) All amounts paid after March 26, 1919, under the agreements mentioned in your letter of March 26, 1919, covering transportation of troops and cargo for the United States Government and for the sale of Australian wool, and all other amounts paid after March 26, 1919, in dollars by the United States Government or any department or agency thereof to the British Government or to any department or agency thereof in the settlement or partial settlement of claims;

(c) The amounts at which all gold delivered after March 26, 1919, to the Secretary of the Treasury, pursuant to the arrangement set forth in Lord Reading's letter of May 28, 1918, shall be received by the Treasury; and

(d) The amount of all dollars paid in reimbursement after March 26, 1919, to the British Government by other Allied Governments, except to reimburse payments made after March 26, 1919, by the British Government for such other Governments with the approval of the Secretary of the Treasury.

(6) To the extent that any payments of the character mentioned in (a), (b), (c) and (d) of paragraph (5) shall be received by the British Government after the credits hereinbefore mentioned shall be availed of such amounts shall forthwith be paid by the British Government to the Secretary of the Treasury, to be by him applied toward the payment of the principal of obligations of the British Government held by the United States.

(7) At the election of the Secretary of the Treasury the British Treasury will accept obligations of the British Government held by the United States, or appropriate notation thereon of payment on account of the principal thereof, at par in payment of all claims of the British Government or any department or agency thereof against the Government of the United States or any department or agency thereof. If payment of any such claim is to be made in sterling obligations of the British Government payable only in dollars, or notation thereon as aforesaid accepted in payment of such claims, will be accepted in Washington or New York as the equivalent of sterling at the cable buying rate on the New York market at noon of the day of surrender or notation, as the case may be, as fixed by the Federal Reserve Bank of New York. The accrued interest on all obligations, or upon the portion of the principal thereof set forth in any such notation accepted in payment of any such claims, is to be paid in dollars simultaneously with the surrender thereof or the making of such notation, as the case may be, by the deposit of the amount of such interest to the credit of the Treasurer of the United States with the Federal Reserve Bank of New York.

I understand that the foregoing arrangement has been accepted by your Government, and shall be glad if you will accordingly confirm the same.

SECTION 25.

The United States Loaned England Money to Take Care of Her Share of European Relief.

APRIL 2, 1919.

(Not by wireless; charge to Treasury Department.)

AMERICAN MISSION,

Paris.

(For Davis from Glass. Treasury 943.)

First. Unexpended balance of credit in favor of Russian Provisional Government in amount of \$137,270,250 has been withdrawn with authority of President heretofore given.

Second. British credits authorized by President but not yet established approximate two hundred million.

Third. Unexpended balance of British credits heretofore established approximate twenty-four million.

Fourth. British estimate cash requirements during April substantially one hundred twenty-five million, exclusive interest payment due United States that month, about fifty-six million.

Fifth. Discussing with British establishment of further credit of between one hundred and fifty million and two hundred million, and in addition to arrange method to take care of their interest payments to United States during April and May, approximating eighty million, by establishment of additional credit or otherwise. Proposing that new credits established are to be reduced by amounts of sterling furnished us, gold received under Pitman silver arrangement, wool payments, and charge for transportation of troops paid to British Government and possibly certain dollar reimbursement from allied governments.

Sixth. Treasury obligated to establish additional credit in favor of British to care for its United States food purchases made to furnish British share of European relief. See paragraph 7 our 921.

Seventh. Please obtain President's approval to my establishment of further credits to British beyond amounts previously approved by him up to one hundred fifty million. Cable when such approval obtained and forward approval by mail.

Eighth. Do not commit Treasury to above arrangement with British, as details affecting amounts, etc., are being worked out here with Blackett.

Secretary of the Treasury.

SECTION 26.

New Agreement on British Credits.

APRIL 14, 1919.

DEAR MR. BLACKETT:

I have received your letter of March 26, 1919, regarding further advances to your Government from the United States Treasury beyond the undrawn balance of the special credit established during December, 1918, in favor of your Government by the Secretary of the Treasury, which on the date of your letter amounted to \$24,323,824.75.

Since the date of your letter substantially all of said credit balance has been advanced to your Government against its obligations payable in dollars or at the option of the United States in sterling at the cable-buying rate on the New York market at noon of the day of payment, as determined by the Federal Reserve Bank of New York. In addition, a further credit was established in favor of your Government on April 9, 1919, in the amount of \$20,000,000, all of which has been advanced to your Government against its obligations in like form as those last mentioned. It was intended when this credit was established that it should form part of a larger arrangement which has now been perfected and made, for convenience as of March 26, 1919, and this \$20,000,000 is to be considered as included in said larger arrangement.

I have now received through you the estimate of the British Treasury that its requirements for dollars in the United States through the month of June next, exclusive of the amount of interest due on the obligations of the British Government held by the United States, will approximate \$250,000,000.

The arrangement herein set forth is designed to take the place of any existing commitments of the United States Treasury to establish credits in favor of your Government. The following is my understanding of the arrangement which has been made and I shall be obliged if you will be good enough to confirm it:

First. For all future advances to your Government from the United States Treasury your Government will give its demand obligations, payable in dollars, or, at the option of the holder, in sterling at the cable-buying rate on the New York market at noon of the day of demand, as determined by the Federal Reserve Bank of New York.

Second. Your Government will from time to time, at the request of the Secretary of the Treasury, and on such dates as he shall request, deposit sterling to the credit of the Treasurer of the United States, or to the credit of such other person as the Secretary of the Treasury shall indicate, with the Bank of England or with such other depository or depositories in the United Kingdom as the Secretary of the Treasury shall designate, up to £55,000,000 sterling.

Third. For sterling so deposited at the request of the Secretary of the Treasury your Government is to receive in payment thereof either, as the Secretary of the Treasury shall elect, (a) dollars credited to your Government at the Federal Reserve Bank of New York at the cable-buying rate for sterling on the New York market at noon of the day of deposit of such sterling, as fixed by the Federal Reserve Bank of New York; or (b) obligations of your Government then held by the United States at par of principal, either surrendered to representatives of your Government in Washington or New York, or indorsed with appropriate notation showing payment on account of principal if not fully paid; such surrender or notation, as the case may be, being regarded as the equivalent of due demand of the payment of the principal of the obligations surrendered or of a part of the principal set forth in any such notation, as of the day of such deposit of sterling. Accrued interest up to the date of such deposit of sterling on any such obligations so surrendered or upon the portion of the principal thereof set forth in any such notation, to be paid by your Government in dollars simultaneously with the surrender of such obligations or the making of such notation thereon, as the case may be, by the deposit of the amount of such interest to the credit of the Treasurer of the United States with the Federal Reserve Bank of New York.

Fourth. The Secretary of the Treasury will from time to time establish credits in favor of your Government in the aggregate amount of \$200,000,000 (the \$30,000,000 credit established in favor of your Government on April 9, 1919, to be deemed a part of said credit of \$200,000,000) to be availed of from time to time against obligations of your Government in a corresponding amount, at such times as shall be approved by the Secretary of the Treasury. The aforesaid obligation of the Secretary of the Treasury to establish credits in favor of your Government is subject to reduction as hereinafter set forth.

Fifth. Your Government has received dollars since March 26, 1919, and may in the future receive dollars from the following sources:

(a) In payment for sterling deposited by your Government at the request of the Secretary of the Treasury;

(b) Under the agreements mentioned in your letter of March 26, 1919, covering the transportation of troops and cargoes for the United States Government, and for the sale of Australian wool, and through other payments by the United States Government or certain of its departments or agencies to the British Treasury, in settlement or partial settlement of claims;

(c) From the United States Treasury for gold delivered to the Secretary of the Treasury pursuant to the arrangement set forth in Lord Reading's letter of May 28, 1918;

(d) From certain allied Governments in settlement of claims of the British Government for dollar reimbursement.

All dollars received by the British Government from any of such sources in excess of \$50,000,000 and exclusive of (1) dollars received in reimbursement from other allied Governments for payments made after March 26, 1919, by the British Government for such other Governments, with the approval of the Secretary of the Treasury; and (2) dollars received by the British Treasury which are essentially reimbursements of sums spent by it prior to April 6, 1917; shall, if the Secretary of the Treasury shall so request, be forthwith paid by the British Government to the Secretary of the Treasury, to be by him applied and as he shall determine toward the payment of the principal of or interest upon obligations of the British Government held by the United States, or in case the Secretary of the Treasury shall so determine, from time to time such amounts may be retained by the British Government and the Secretary of the Treasury in such event may in his discretion reduce by a corresponding sum his commitment under this arrangement to establish credits in favor of the British Government.

Sixth. The Secretary of the Treasury may, at his option, reduce his commitment to establish credits in favor of your Government under this arrangement by the sum of \$43,750,000, or such portion thereof as the Secretary of the Treasury shall deem fair, in the event of the failure of the British Government to reach an agreement with the Grain Corporation regarding the delivery of and

payment for the 100,000,000 bushels of wheat purchased of the Grain Corporation by the Wheat Export Company for account of the British, French, and Italian Governments.

Seventh. At the election of the Secretary of the Treasury the British Government will accept its obligations held by the United States, or appropriate notation thereon of payment on account of the principal thereof, at par in payment of all claims of the British Government or any department or agency thereof against the Government of the United States or any department or agency thereof. If payment of any such claims is to be made in sterling, obligations of the British Government payable only in dollars, or notation thereon, as aforesaid, accepted in payment of such claims, will be accepted in Washington or New York as the equivalent of sterling at the cable buying rate on the New York market at noon of the day of surrender or notation, as the case may be, as determined by the Federal Reserve Bank of New York. The accrued interest on all obligations, or upon the portion of the principal thereof set forth in any such notation, accepted in payment of any such claims will be paid by the British Government in dollars simultaneously with the surrender of such obligations or the making of such notation thereon, as the case may be, by the deposit of the amount of such accrued interest to the credit of the Treasurer of the United States with the Federal Reserve Bank of New York.

Eighth. The existing credit balance in favor of your Government in the amount of \$323,824.75 is to be withdrawn.

I appreciate that this arrangement does not fully assure your Government of the provision for all its estimated requirements for dollars through June, 1919. The Secretary of the Treasury does not, however, feel that so far in advance he could properly assure your Government of the establishment of credits in its favor to meet all of said requirements. However, under the arrangement as made the Secretary of the Treasury will have authority in the light of the circumstances as they may then exist to permit, if he shall then so determine, the use of dollars accruing to your Government from any of the sources mentioned to meet the dollar requirements of your Government in the United States. However, if after the credits assured your Government by the arrangement set forth have been availed of your Government desires to apply for a further extension of credit in its favor any such application will receive the careful consideration of the Treasury. I should, however, point out in this connection that such credits can not, except for the limited purposes set forth in the Victory Liberty Loan Act, be established after the termination of the war, and further that the limitations of the appropriation provided by the Congress may make it impossible for the Secretary of the Treasury to establish either before or after the termination of the war credits in favor of your Government in addition to those provided for in the foregoing arrangement.

I am, my dear Mr. Blackett,

Very truly, yours,

ALBERT RATHBONE.

MR. BASIL P. BLACKETT,
23 Wall Street, New York City, N. Y.

SECTION 27.

United States Loaned a Total of \$16,000,000 Each to Great Britain in France and Italy for Foodstuffs to Be Sent to Austria. These Loans Were Made in This Way to Circumvent the Acts of Congress. Thus \$48,000,000 of the American People's Liberty Loan Money, Raised to Prosecute the War, Was Loaned for the Aid and Comfort of Our Enemy Austria.

APRIL 23, 1919.

SECRETARY OF STATE,

Washington, D. C.

(1755. April 23, 11 p. m.)

D-241. For Rathbon. One. Reference your 963, paragraph one.

I quote herewith reply received from Keynes to my letter of March 29 in regard to the \$30,000,000 Austrian relief credit:

"I have submitted to Sir John Bradbury your letter of 29th March in which you state the conditions on which the United States Treasury Department is

prepared to establish credits in favor of the British, French, and the Italian Governments to the extent of \$10,000,000 to each for the payment of food purchased in the United States and used before September 1 next for relief in Austria. Sir John Bradbury authorized me to transmit to you the acceptance of these conditions by the British Treasury subject to the two observations: One, that as you are aware no formal agreement on the proposed lines has yet been made with the Austrian Government and that the offer of the United States Treasury would not, according to our understanding, fall through if for any reason our best efforts fail to secure an agreement precisely in the form indicated; and, two: As regards paragraph 3 of your letter, that the funds received by us in repayment from Austria may not necessarily be dollars or readily convertible into dollars and that, according to our understanding, we shall not be required to reply unless and until we ourselves receive payment in a form readily convertible into dollars.

"I take this opportunity to say with reference to Mr. Hoover's proposal that our loan of \$10,000,000 to Austria should be increased to \$15,000,000, and that the chancellor of the exchequer has signified his approval to this proposal (the additional \$5,000,000 to be taken as was the case with the original \$10,000,000, out of our apportionment of £12,500,000 for relief) subject to France and Italy, also agreeing to a similar increase and subject to the United States Treasury agreeing to apply the arrangement set forth in your letter now under reply to the increased figure of \$15,000,000.

"I. M. KEYNES."

2. Hoover now estimates that it will require \$15,000,000 additional to care for Austrian relief until next crop and I therefore recommend that an additional credit of \$5,000,000 to each England, France, and Italy, a total of \$15,000,000, be established on the same condition as the \$30,000,000 credit. Please [advise] immediately about this.

3. Referring to Keynes's letter, paragraph 2, subsection 2. I suggest that you authorized me to inform the British that their proposal is accepted with the understanding that our Treasury shall have the option of accepting repayment from the British either in dollars or at our option in whatever funds Austria may use to pay England, should the British consider it impossible to convert these readily into dollars.

DAVIS,
American Mission.

APRIL 23, 1919.

DEAR MR. BLACKETT:

Have you been able to obtain figures showing the advances of the British treasury to Italy for its purchases without the British Empire during the period from July 1 to December 31, 1918, both dates inclusive? I expect very shortly to receive from Mr. Alliata the final figures of Italian purchases in neutral countries chargeable against the credit for such purchases established by the United States Treasury in favor of the Italian Government during the year 1918. If both sets of figures can be obtained it should be possible to dispose of the claims of the British treasury against Italy for dollar reimbursement on account of British advances for Italian neutral expenditures during the period mentioned. I should be glad to get this matter out of the way, and I assume that you would also.

Very truly yours,

ALBERT RATHBONE.

MR. BASIL P. BLACKETT,
23 Wall Street, New York, N. Y.

PARIS, May 2, 1919.

SECRETARY OF STATE.
Washington.

(D-269. For Rathbone. Reference your 1005.)

President has approved establishment of additional credits of \$5,000,000 to each of the governments of Great Britain, France, and Italy. These credits to be used for the purchase of food in the United States and supplied by them for the relief of Austria. Formal letter being forwarded to Secretary of Treasury.

DAVIS.
American Mission.

[2600. June 16, 8 p. m. D-346. For Rathbone. One.]

SECRETARY OF STATE,
Washington.

According to estimates estimate now supposed to be final, the \$45,000,000 already provided for Austrian relief by the establishment of credits of \$15,000,000 to each England, France, and Italy, will fall short by approximately \$3,000,000 of completing the Austrian relief program until harvest. I recommend the establishment of an additional credit of \$1,000,000 in favor of each England, France, and Italy, upon the same terms and conditions as the credits aggregating \$45,000,000 already established for Austrian relief. This entire \$48,000,000 credit will be used exclusively for dollar expenditures. Additional expenditures for supplies, freights, and expenses, which now represent dollar expenditures, will be met by England, France, and Italy from their own resources.

Two. Relief administration is completing accounts as to expenditures so far incurred, and I shall furnish this to you within a few days.

DAVIS,
American Mission.

SECTION 28.

All Advances for Relief and Reconstruction to Have Priority of Payment.

[Paraphrase of a cablegram from the American Mission at Paris, France, dated Apr. 30, 1919, at 8 p. m., received May 1 at 3 03 a. m., No. 1878.]

The following is for Rathbone, No. D-261:

1. Reference is made to the third paragraph of my No. D-151 and the fourth paragraph of my No. D-199, and I have to report that on the 14th day of April this resolution was referred to the Supreme Economic Council for more definite interpretation and referred back to the finance section with full power to interpret and act. The following is the act of the finance section of April 24:

"It was agreed: (1) That all advances made to those countries, namely, the advances detailed in the resolution of the Supreme Economic Council during that armistice for reconstruction and relief shall be entitled to such priority. (2) By relief must be understood all advances for raw materials, clothing, drugs and hospital supplies, and railway material; reconstruction includes the provision of such things as horses, lubricating oil, leather belting, vehicles, and other transportation means not required for military purposes, but reconstruction does not include miscellaneous articles of industry. Reference must be made to the finance section of all doubtful cases, as for example in certain circumstances the provision of machinery for purposes of agriculture before they can be included in the categories of reconstruction and relief. The right was reserved by Mr. Collier to bring up at a later date the matter of extending the definition of relief."

2. With reference to your Nos. 947 and 924, the first and fourth paragraphs thereof, and paragraphs two and three of my No. D-199, I have to state that the action stated above settles any doubt as to the position of Great Britain. Refer to my No. 212 and paragraph four of my No. 240 and note that Belgium is included in the list of countries whose payment for reparation and indemnity are subject to this lien. It should also be noted that the advances made between the date of the armistice and the 1st of February are included. The matter has again been mentioned to Keynes, who agrees to make it clear to the treasury of Great Britain.

3. With reference to the third paragraph of your No. 924 and the third paragraph of my No. D-199, it is admitted by the French that this priority is now settled. The reservation made by them above might accompany report by more detailed definition of the terms of relief and reconstruction.

4. The minutes of the meetings at which this action was taken will confirm this cable.

DAVIS,
American Mission.

SECTION 29.

The Belgian Account for the Commission for Relief in Belgium.

BRITISH WAR MISSION,
OFFICE OF THE BRITISH TREASURY REPRESENTATIVE,
New York City, May 5, 1919.

The Hon. ALBERT RATHBONE,
% of The Federal Reserve Bank,
New York City.

DEAR MR. RATHBONE: Referring to your letter of April 16 regarding the British Government's claim for dollar reimbursement on account of Belgian relief expenditure, I have now received from the treasury, London, further information as requested in your letter, which will I hope enable the final disposition of these claims now to be made.

(1) *Wheat Commission claims for flour, beans, etc.*—I am informed that of the total claims of \$4,837,959.58 the amount which refers to the crop year 1917-18 is \$1,278,475.01. As this amount is less than the figure of \$1,681,000 mentioned in your letter I assume that no further question will arise as regards this claim.

(2) *Value of specified articles in 20,000,000 rations.*—I have pleasure in confirming your assumption that the specified articles referred to represent American food products contained in the rations and computed at the f. o. b. values at American ports as specifically approved on behalf of the United States Treasury before the rations were issued.

(3) *Ministry of Shipping claims for expenditure in the United States of American port dues, etc.*—A full schedule is being mailed to me showing the sums recoverable. As regards that part of the services which was rendered in 1917, if the claim had been promptly paid by the Commission for Relief in Belgium it would necessarily have been paid for out of the dollar funds of the Commission for Relief in Belgium as at that time the United States was financing all the expenditure of the Commission for Relief in Belgium. The fact that there has been delay in payment does not appear to modify the principle on which the claim is justified.

(4) *Boots, cotton, etc., items.*—The item \$476,500 for cotton material and hosiery, etc., subsequent to the German retreat was specifically agreed to on behalf of the United States Treasury before the goods were supplied. All the other cases of supply were approved on the specific condition that they should be paid for by dollar transfers by the Commission for Relief in Belgium and it appears to the British treasury that it is only just that the commission should now carry out its undertaking. For example, on February 12, 1918, in response to a most urgent application, the approval of the British treasury was given for an expenditure on boots in the following form:

"Approved on the condition that the Commission for Relief in Belgium transfer dollars equivalent to £150,000 out of their United States funds to the British treasury account with Morgans in New York. At a time when we are importing leather from the United States the above is clearly a proper claim on American funds." (The actual expenditure on boots in this case appears eventually to have been somewhat less than originally approved.)

(5) *Ministry of Food services prior to 1918.*—This claim for \$176,251.51 represents supplies of fish made to the Commission for Relief in Belgium during 1917, which, if promptly paid for, would necessarily have been paid for in dollars as the United States was at that time financing all the expenditure of the Commission for Relief in Belgium.

I am, dear Mr. Rathbone,

Yours, sincerely,

BASIL P. BLACKETT.
For the Financial Secretary to the Treasury.

MEMORANDUM REGARDING BELGIUM RELIEF CLAIMS—MR. BLACKETT'S LETTER OF MAY 5, 1919.

Claim No. 1. Wheat commission claims for flour, beans, etc., appears to be in order.

Claim No. 2. Value of specified articles in 20,000,000 rations also appears to be in order.

Claim No. 3. Ministry of shipping claims for expenditure in the United States of America port dues, etc., should await receipt of full schedule and information from the commission for relief in Belgium as to whether expenditures of American vessels in Europe are met from their dollar resources or from other resources. See our letter of April 16.

Claim No. 4. Boots, cotton, etc., items: There does not appear to be any record of the approval of the item of cotton material and hosiery by the Treasury in New York and Mr. Cook states that he is satisfied it was not approved in London. In this connection, Mr. Crosby cabled on December 31, stating that the request had been referred to him, and positively recommending that it be not allowed. As regards the other items, while the approval by the British Treasury may have been given on specific conditions, there is no evidence that such conditions were assented to by the United States Treasury and, therefore, these claims would also seem to fail. Mr. Cook suggests that we secure from Mr. Poland, through Mr. Rickard, some further information in regard to the claim for boots.

Claim No. 5. Ministry of food services prior to 1918. There is nothing to indicate that this is a claim arising from the United States, and in view of this fact and of its age the claim should be disallowed.

SECTION 30.

Suggestion for Cancellation of Debts, July 25, 1919.

LONDON, July 25, 1919.

DEAR LEFFINGWELL: Inclosed is confirmation of a cable which I sent you through Ambassador Davis, in the embassy code, and which may astonish you a bit; so I am writing you an explanation.

After talking with the officers of the Bank of England and with a very able, intelligent, and thoroughly reliable newspaper man named Kiddey whom Norman invited to his house for dinner for the purpose, and after talking yesterday with the chancellor, I am convinced that the immediate task now ahead of us which will help conditions over here more than anything else is to get some sort of a definition of the terms of the debt of the allies to the United States, and particularly of the British debt. I shall not attempt to repeat conversations in detail, but there is undoubtedly in existence here a latent underlying feeling that the allies have made the great and most vital sacrifices in the war, both of men and finance and in material damage suffered; that our sacrifices have been slight and our profits immense, and that the existence of this great debt due on demand is a sword of Damocles hanging over their heads.

The premium on dollars, now increasing so rapidly, gives them a feeling of great concern as to how they are to meet the interest payments, particularly this fall when they feel matters will more or less reach a crisis, without paying so heavy penalties as to be embarrassing and humiliating, and to contemplate going into the market to raise \$100,000,000 in exchange, at present rates and under present conditions, is really a cause of great anxiety.

I saw the chancellor yesterday under the following circumstances: Tuesday night Gov. Cokayne had a meeting with him and told him I was here, and he sent word to me through Gov. Cokayne that he hoped I would be sure and see him before leaving for Paris and finally made an appointment for 4 o'clock yesterday (Thursday, the 24th). We had a chat of about an hour and a quarter, much of the time merely discussing matters of mutual interest, such as our program and theirs, taxes, reconstruction, etc. I have made no suggestions nor have I in any way disclosed our views or feelings except to state that England and the United States must in some way preserve good relations and work together; that the means must be found to overcome the difficulties in the way of getting investment money from America to help proper reconstruction work, and that now that the treaty with Germany is formulated it might be well for these discussions to take place at Washington with thoroughly responsible people there for the purpose. I did point out how important it was that Great Britain should be well represented at the Embassy in Washington when Reading's place is filled, and how important it was that we should both be well represented on the Reparations Commission. As to the latter, he assured me that if the man to whom the position had been offered

would accept it we would be thoroughly satisfied. He made no reference to a definition of the terms of their debt to us until about as I was leaving it came up in a response to my inquiry as to whether there were any pending tangles between the financial departments of the two Governments that were unadjusted and causing difficulty. This led him to remark that as to the debt he thought it would be improper for the debtor to approach the creditor with proposals.

You may be sure of my discretion in discussing these matters with him, or with anyone else, but I can see the need of prompt treatment of this matter. Possibly you will consider that I have changed my views because I recall stating to you that I did not think it was our duty to approach the debtor. In that I believe I was wrong.

I gather by implication that there is a feeling here that we should try and have some cancellation of debt all around. It was too indefinite for me to suggest any particulars, and it is hard to say how such a cancellation could take place without an actual reduction in indebtedness due us, which is not to be contemplated, in my opinion.

I am sending this letter in the embassy pouch. It is quite informal and confidential, but I thought you would like to have a line on how things are going.

On arriving I found that the Bank of England expected me to make my office with them while in London, and my old friend Norman took me right to his house, where I have been staying since arrival. They have made me feel most at home, and there is the keenest possible desire that in every way relations between America and England should be strengthened. In a sense it is pathetic. Englishmen have betrayed so little of that sort of thing in the past and it emphasizes their need at the moment.

The whole German gold matter is held up until I see Hoover in Paris, and there is nothing to report on that.

The coal strike at York of which you doubtless see much in the newspapers, has some quite serious aspects. The difference is over adjustment of piece-work, in which the Government seems to have played a rather stupid part, but the younger mine workers have broken away from their older leaders and are making rather unreasonable demands.

One serious development is the use of the strike for political purposes, the so-called "Triple Alliance" of labor unions at a meeting now being held proposing frankly that the strike be used to force the discontinuance of conscription and the withdrawal of troops from Russia.

The picture of the situation here, as I gather it from only a few days' visit, is really distressing alongside of our situation at home, and naturally one's sympathies are aroused. I can not believe, and so far have received no evidence to justify the belief, that any such condition exists as Vanderlip pictured on his return.

There is not time now to write you as full an account of some of these matters as I would like to, but when I reach Paris there will be, and I will write you through the embassy at length.

With warmest regards to all in the Treasury, and particularly your good self,
Faithfully, yours,

BEN R. STRONG.

Hon. R. C. LEFFINGWELL,
Treasury Department, Washington, D. C.

[Not by wireless.]

TREASURY DEPARTMENT, *July 31, 1919.*

For STRONG from Leffingwell (Treasury 1170),
Admission, Paris.

Your T 1 received. Treasury is ready to discuss funding demand loans whenever the British Government desires to take the matter up. This the British Government knows. It has had neither ambassador nor high commissioner here for months. There is nothing that the American Treasury can do about the matter. If British bankers are worried why don't they get their Government to act. I do not understand that the British Government shares any fear that there will be difficulties on account of interest payments in autumn.

R. C. LEFFINGWELL,
Assistant Secretary of the Treasury.

SECTION 31.

The United States Loaned Money to England and France, and They Made Loans to Belgium for Rehabilitation on Condition That No Purchases Should Be Made Out of the Money So Loaned in the United States.

AGREEMENT BETWEEN THE BRITISH, FRENCH, AND BELGIAN GOVERNMENTS RELATING TO THE EUROPEAN EXPENSES OF THE COMMISSION RAVITAILLEMENT BELGE.

(1) The British and French Treasuries undertake to make a loan for the purposes of the relief commission up to an amount not exceeding £1,500,000 per month. Of the actual expenses of the commission one-third will be borne by the French Government as representing the expenses in Northern France and the remaining two-thirds will be advanced by the British and French Governments to the Belgian Government in equal portions to cover the cost of relief in Belgium.

(2) The control of the expenditure out of this loan will be centralized in London through the C. I. R. and items of expenditure by the relief commission will only be chargeable against this loan if they have received the previous approval of the representatives of the British and French Treasuries.

(3) Such approval will be given subject the following understandings:

(a) No purchases of commodities obtainable from the United States or employing raw material obtainable from the United States will be paid for out of the loan furnished by the British and French Governments.

(b) Permission to purchase in neutral countries with which there are exchange difficulties will not be guaranteed and must be subject to the financial situation from time to time.

(c) The ration of food or clothing will be subject to revision from time to time by agreement between the French and British Governments, according to circumstances and to the advice given by the blockade ministries of the two Governments.

(d) Due account will be taken of the question of the total supplies of any commodity available for the Allies as a whole and of the available tonnage.

(4) The above arrangements will take effect from January, 1918. In the event of the above figure of £1,500,000 monthly proving insufficient, the question of the monthly amount will be immediately reopened.

SECTION 32.

British Proposed to Defer Payment of Interest.

New York, August 29, 1919.

The Hon. ALBERT RATHBONE,
Treasury Department, Washington, D. C.

DEAR MR. RATHBONE: I have pleasure in placing informally before you the following general statement in regard to the commitments and liabilities of the British Treasury in the United States at the present time. The figures which I shall give are based on the following assumptions:

1. That by some means or other the British Treasury will be relieved of the necessity of paying interest this year on its debt to the United States Treasury.

2. That it will be unnecessary for the British Treasury to make any appreciable reduction in the volume of treasury bills outstanding.

3. That it will be possible to make arrangements to refund on the market publicly issued bonds maturing on November 1.

If any of these assumptions are falsified by events the difficulties of our position will be proportionately aggravated. The British Government is already committed or practically committed to a program involving the purchase of wheat and hog products in the United States between now and the end of December to the value of approximately \$250,000,000. In addition it has prospective purchases to make in Canada. For all these purchases it is at present finding the necessary dollars across exchange, and its policy is to continue this as long as practicable. It is, however, the general opinion that if the whole burden of these purchases is thrown on exchange, sterling may become unsaleable in New York, a contingency which has almost been realised within the last few days. In addition approximately \$110,000,000 are re-

quired to meet the British Government's direct war liabilities, including sugar, and it requires some \$20,000,000 to meet interest on public issues during the remainder of 1919. This makes a total of \$380,000,000 required between now and the end of December as a minimum.

It does not appear to be safe to hope that more than \$130,000,000 can be found over the exchange under present conditions. If it be assumed that as much as \$130,000,000 can be found over the exchange there will remain at least \$250,000,000 to be provided by some other means. Our present balance is something under \$50,000,000, so that at least \$200,000,000 have to be looked for from some source other than our existing balances and purchases of exchange.

I am, dear Mr. Rathbone,

Yours, sincerely,

BASIL P. BLACKETT,
British Treasury Representative.

SECTION 33.

British Claims for Relief in Belgium Allowed.

SEPTEMBER 4, 1919.

DEAR MR. RICKARD: The United States Treasury has, through its representative, Mr. May, been discussing in London the claims of the British Government for reimbursement in respect of Belgian relief.

The following claims of the British Treasury for reimbursement appear to be well founded, and, therefore, provided the C. R. B. regard these claims for reimbursement as valid, the United States Treasury, if requested so to do by the Belgian Government, is prepared to establish credits to the extent that may be necessary in favor of that Government, and at such time or times as may be arranged to make advances from credits so established to it for the purpose of enabling the payment of a corresponding amount to the C. R. B. so that it can make necessary reimbursement in dollars to the British Treasury not exceeding the net amount of \$7,376,649.25 in settlement of the claims hereafter mentioned:

Royal Commission, claim on wheat supplies-----	\$4, 256, 650. 62
Ministry of food, for bacon and lard-----	1, 611, 545. 61
Claim 04809 for-----	3, 204, 107. 42
and for (as part of the authorization for 20,000,000 rations furnished by the British Army, said amounts representing the f. o. b. values of American goods included in such rations) -----	90, 146. 36
Claim 03800 for biscuits, really part of the claim in connection with rations-----	381, 252. 04
<hr/>	
The aggregate of these claims is-----	9, 543, 702. 05
From which, however, there should be deducted the sum of-----	2, 167, 052. 80
<hr/>	

Counterclaim of the C. R. B. for charter hire against the
British Government, leaving a balance of----- 7, 376, 649. 25

There is a further claim for lard supplied by the Ministry of Food at the same time as the 20,000,000 odd rations, apparently under a misapprehension that it was covered by that authorization. Although this claim is based on a relief authorization, in a measure it covers supplies not handled by the C. R. B. and, therefore, the United States Treasury is dealing with the matter as a direct claim of the British Treasury against the Belgian Government for dollar reimbursement separate and apart from relief.

The following claims for dollar reimbursement in connection with Belgian relief have also been presented by the British Treasury:

Claim 4760, hosiery and woollens-----	\$476, 500. 00
Claim 8301, cotton materials-----	95, 688. 00
Claim 10137, linen and other materials-----	494. 00
Claim 2692, cotton materials-----	47. 88
Claim 1787, cotton thread-----	537. 00

Total ----- 573, 266. 88

Two items for 1917 expenditures:

Ministry of shipping-----	\$1, 724, 506. 75
Ministry of food-----	169, 853. 19

The first-mentioned claims aggregating \$573,266.88, according to the information given to Mr. May by Mr. Poland and Mr. Gay, as well as by the British Treasury, are for supplies furnished on assurances of the C. R. B., or Mr. Hoover, that dollar reimbursement would be arranged. The two claims for 1917 expenditures are made on the ground that the United States agreed to finance all relief expenditures after June 1, 1917, and that this arrangement continued till January 1, 1918. This is supported by a war cabinet minute by Sir Robert Cecil reporting a call by Mr. Hoover on April 16, 1917, to advise that the United States proposed to take over the cost of Belgian relief in full and that he was taking the matter up with the Belgian and French Governments accordingly.

No assurance had ever been given or authorized by the United States Treasury that it would make advances to enable the payment of these claims to be made, nor do the claims come within the general classes for which the Treasury is prepared to make advances for the purpose of dollar reimbursement. Whether or not these claims of the British Treasury should be paid by the C. R. B. depends on the arrangements made by Mr. Hoover or the C. R. B. with the British Government. The Treasury is not prepared to establish credits in favor of the Belgian Government to meet these claims, but if the commission for relief is of the opinion, in view of all the facts, that dollar payment should be made to the British Government of the amount of these claims, the Treasury will make no objection to the use of funds of the C. R. B., which I understand will be available for the purpose and to that extent will not require that such funds be applied to the payment of obligations of the Belgian Government held by the United States and received by it in connection with payments made to the C. R. B. for relief purposes.

A further claim has been presented by the British Treasury, amounting to \$715,750, in respect of boots, but as it is claimed by Mr. Poland and admitted by the British Treasury that no assurances as to reimbursement have been given in regard to this item, either by the Treasury or the C. R. B., I presume the C. C. B. will not desire to make this reimbursement, and the Treasury is not prepared to make any advance to enable reimbursement to be made or to consent to funds which would otherwise be applicable to retire Belgian obligations held by the United States being applied in making reimbursement therefor.

I am, dear Mr. Rickard,

Very truly, yours,

ALBERT RATHBONE,

EDGAR RICKARD, Esq.,

American Relief Administration,

115 Broadway, New York, N. Y.

DEPARTMENT OF STATE,
Washington, September 18, 1919.

The honorable THE SECRETARY OF THE TREASURY.

SIR: I have the honor to transmit herewith a copy of a telegram dated September 15, 1919, from the American Ambassador at London, with reference to the British Government obligations held at the United States Treasury, upon which, under present arrangements, interest is payable every six months, the next payment being due on October 15. The obligations are at present payable on demand, and the communication refers to the informal discussions which recently took place in Paris and Washington regarding the postponement of the payment of interest and the conversion of the demand obligations into long-term obligations, stating that it was clearly understood by Mr. Blackett, of the British Treasury, before leaving America that the United States Treasury was expecting the appointment of a British Treasury representative to proceed at an early date to Washington to discuss these matters, but that upon returning to London he finds the British Treasury under the impression that the United States Treasury does not desire these matters to be taken up formally. The British Treasury, therefore, wishes to know definitely whether the United

States Treasury desires the British Treasury representative to proceed to Washington at an early date for this purpose.

I shall appreciate your advice on this matter for the information of the British Government.

I have the honor to be, sir,

Your obedient servant,

ALVEY A. ADEE, *Second Assistant Secretary.*
(For the Acting Secretary of State.)

Inclosure: Copy of telegram No. 3037, dated September 13, from embassy, London.

SECTION 34.

J. P. Morgan & Co. Were Made the British Financial Agents in the United States and Took Over the British Account from the Federal Reserve Bank.

FEDERAL RESERVE BANK OF NEW YORK,
November 8, 1919.

R. C. LEFFINGWELL, Esq.,
Assistant Secretary of the Treasury,
Washington, D. C.

DEAR SIR: For your information I wish to advise you that we have received a letter from the Secretary of the British Treasury informing us that the Lords Commissioners of His Majesty's Treasury have appointed Messrs. J. P. Morgan & Co. as their agents in the United States for transactions between the British Treasury and the United States Treasury, and in accordance with the instructions of the Lords Commissioners we have closed the account on our books in the name of "The Government of Great Britain and Ireland."

Very truly, yours,

J. E. CRANE,
Manager, Foreign Department.

SECTION 35.

Proposal Handed to Mr. Blackett, British Financial Representative, for Long-Time Obligations of Foreign Governments to Take the Place of Demand Obligations.

Exclusive of the allied obligations to receive special treatment (such as obligations given in connection with food supply of Austria, etc.), it is proposed to refund the allied obligations held by the United States into two principal series of bonds, with subseries to deal with different interest payment dates, as follows:

(a) One series to include obligations purchased from proceeds of the first Liberty loan under the act of April 24, 1917, to bear interest at 5 per cent; to be dated April 15, 1919, and to mature June 15, 1947, providing for semiannual payments of interest, which in one subseries of bonds will be specified to be made on April 15 and October 15, and on the date of maturity.

(b) The other series to include obligations purchased from the proceeds of the second, third, and fourth Liberty loans under the act of September 24, 1917, and amendments, to bear interest at 5 per cent, to be dated April 15, 1919, and to mature October 15, 1938, providing for semiannual payments of interest, which in one subseries of bonds will be specified to be made on April 15 and October 15.

It is recognized that certain of the allied governments will not be in a position for the first one, two or three years to provide for the payment of the current interest on these obligations unless devoting to such interest payments resources which could be more advantageously applied to reconstruction purposes in the general effort to obtain normal conditions and financial stability in Europe. In cases where there shall be a postponement of interest payments, it is proposed to deal with obligations, taking as an example a three years

postponement of interest payments and a subseries of bonds in which interest payment dates will be fixed as April 15 and October 15, something about as follows:

Both of said series of bonds shall provide that interest payments for the first three years shall be deferred: that is, there shall be no payment of interest on October 15 and April 15 during the period October 15, 1919, to April 15, 1922, both inclusive; the accumulated 15 per cent interest to be paid without compound interest in semiannual installments (a) in the case of the 1947 series, of $\frac{1}{2}$ per cent on each of the interest payment dates, October 15, 1922, to April 15, 1924, both inclusive (at the rate of $\frac{1}{2}$ per cent per annum), of $\frac{1}{2}$ per cent on each of the interest payment dates, October 15, 1924, to April 15, 1926, both inclusive (at the rate of 1 per cent per annum), and of $\frac{1}{2}$ per cent on each of the interest payment dates, October 15, 1926, to April 15, 1934, both inclusive (at the rate of $1\frac{1}{2}$ per cent per annum); and (b) in the case of the 1938 series, of $\frac{1}{2}$ per cent on each of the interest payment dates, October 15, 1922, to April 15, 1924, both inclusive (at the rate of $\frac{1}{2}$ per cent per annum); of $\frac{1}{2}$ per cent on each of the interest payment dates, October 15, 1924, to April 15, 1926, both inclusive (at the rate of 1 per cent per annum), and of $\frac{1}{2}$ per cent on each of the interest payment dates, October 15, 1926, to April 15, 1934, both inclusive (at the rate of $1\frac{1}{2}$ per cent per annum).

The bonds of both series shall contain provision for a cumulative sinking fund to provide for a partial amortization of the principal thereof before maturity. The amount of this sinking fund shall be measured by (a) a specified percentage of the original principal amount of the bond, to be paid semiannually on interest-payment dates, and (b) the part of $2\frac{1}{2}$ per cent semiannual interest payments computed on the original principal amount of the respective bonds which shall not be required to pay interest in view of the previous payment of a part of the principal amount of the bond.

For the 1947 series bonds the sinking-fund payments under (a) above, on the interest-payment dates, October 15, 1928, to April 15, 1930, both inclusive, shall be _____ of the original principal amount of the bond (at the rate of $\frac{1}{2}$ per cent per annum); on the interest-payment dates, October 15, 1930, to April 15, 1934, both inclusive, shall be _____ of the original principal amount of the bond (at the rate of 1 per cent per annum), and thereafter on the interest-payment dates until maturity shall be 1 _____ per cent of the original principal amount of the bond (at the rate of $2\frac{1}{2}$ per cent per annum). For the 1938 series of bonds the sinking-fund payments under (a) above on the interest-payment dates, October 15, 1928, to April 15, 1930, both inclusive, shall be $\frac{1}{2}$ per cent of the original principal amount of the bond (at the rate of $\frac{1}{2}$ per cent per annum); on the interest-payment dates, October 15, 1930, to April 15, 1934, both inclusive, shall be $\frac{1}{2}$ per cent of the original principal amount of the bond (at the rate of 1 per cent per annum), and thereafter on the interest payment dates until maturity shall be $1\frac{1}{2}$ per cent of the original principal amount of the bond (at the rate of $2\frac{1}{2}$ per cent per annum).

The above provisions would result in semiannual payments for the services of the loan, in accordance with the following tables of annual payments, all percentages being based on the original principal amount of the bonds of each series.

Series dated Apr. 15, 1919, due June 15, 1947.

Interest and sinking fund payment dates.	Period covered.	Annual interest (excess to sinking fund).	Annual back interest.	Annual sinking-fund instalment.	Annual total.
	Years.	Per cent.	Per cent.	Per cent.	Per cent.
Oct. 15, 1919, to Apr. 15, 1922, both inclusive.....	3	.....	.....	.....	.....
Oct. 15, 1922, to Apr. 15, 1924, both inclusive.....	2	5	$\frac{1}{2}$	.....	$5\frac{1}{2}$
Oct. 15, 1924, to Apr. 15, 1926, both inclusive.....	2	5	1	.....	6
Oct. 15, 1926, to Apr. 15, 1928, both inclusive.....	2	5	$1\frac{1}{2}$	.....	$6\frac{1}{2}$
Oct. 15, 1928, to Apr. 15, 1930, both inclusive.....	2	5	$1\frac{1}{2}$	$\frac{1}{2}$	7
Oct. 15, 1930, to Apr. 15, 1934, both inclusive.....	4	5	$1\frac{1}{2}$	1	$7\frac{1}{2}$
Oct. 15, 1934, to Apr. 15, 1947, both inclusive.....	13	5	.....	$2\frac{1}{2}$	$7\frac{1}{2}$

Series dated Apr. 15, 1919, due Oct. 15, 1938.

Interest and sinking fund payment dates.	Period covered.	Annual interest (excess to sinking fund).	Annual back interest.	Annual sinking-fund instalment.	Annual total.
	Years.	Per cent.	Per cent.	Per cent.	Per cent.
Oct. 15, 1919, to Apr. 15, 1922, both inclusive.....	3	.....	.....	.....	.....
Oct. 15, 1922, to Apr. 15, 1924, both inclusive.....	2	5	$\frac{1}{2}$	.....	5 $\frac{1}{2}$
Oct. 24, 1924, to Apr. 15, 1926, both inclusive.....	2	5	1	.....	6
Oct. 15, 1926, to Apr. 15, 1928, both inclusive.....	2	5	1 $\frac{1}{2}$	.....	6 $\frac{1}{2}$
Oct. 15, 1928, to Apr. 15, 1930, both inclusive.....	2	5	1 $\frac{1}{2}$	$\frac{1}{2}$	7
Oct. 15, 1930, to Apr. 15, 1934, both inclusive.....	4	5	1 $\frac{1}{2}$	1	7 $\frac{1}{2}$
Oct. 15, 1934, to Apr. 15, 1938, both inclusive.....	4	5	.....	2 $\frac{1}{2}$	7 $\frac{1}{2}$

NOVEMBER 8, 1919.

DEAR MR. RATHBONE: I have now had an opportunity of discussing with the Chancellor of Exchequer the question of the conversion of the demand obligations of the British and allied governments held by the United States Treasury into the form of long-term bonds. The Chancellor of Exchequer desires me to say that, on the understanding that such conversion *will not in any way prejudice the general question of interallied indebtedness, to the ultimate settlement* of which along broad lines he attaches great importance, he is of opinion that a satisfactory solution of the particular question of conversion of demand obligations can quickly be reached along the general lines tentatively proposed in the memorandum which you gave me on Saturday, November 1. As I stated to you in Paris the Chancellor of Exchequer is prepared to give analogous treatment to the obligations of allied governments held by the British Treasury. In this connection he desires me to express his entire concurrence in your view that their community of interests as the two chief creditors makes close cooperation between the British and American Treasuries of vital importance in these matters.

It is his strong hope that the two treasuries will work together with a view to finding the right solution for the important problems which have arisen and will arise in regard to questions of interallied indebtedness and German reparation.

The only point in your memorandum on which the Chancellor of Exchequer desires to make any reservations at the moment is the sinking fund provision. He would prefer on the whole that specific provision should not be included for repayment of debt before the due dates. According to calculations which I have had worked out, the sinking-fund provision would operate to redeem before maturity 17.783 per cent of the bonds maturing in 1938, and 55.718 per cent of the bonds maturing in 1947. In any case the latter figure seems too high.

The most important point outside your memorandum which was discussed between us (with the exception of the proposed exclusion from the general funding arrangements of particular classes of advances about which I am writing separately) was the question of the marketability of the bonds. I understand that the United States Treasury would be prepared to accept a few bonds for large amounts (such as \$1,000,000,000) with some understanding that the obligor would, if called upon by the holder, i. e. by the United States Treasury, after the expiration of a period which you suggested might be five years from the date of the bond, exchange the large bond into smaller bonds of normal market denominations. The Chancellor of the Exchequer regards it as essential that, so long as there is a considerable amount of British Government indebtedness held by the public in the United States of America, British credit should be protected against any possibility of an issue on the market by the United States Treasury either of British Government bonds held by them or of any United States Government or other security based on the British obligations. In his opinion, therefore, it should be an understanding, if possible, expressly stated in the bond and, if not, included in the settlement now to be reached that the United States Treasury will not without the consent of the obligor sell, hypothecate, or in any way deal with their interest in the British Government bonds held by them throughout the period of the bonds. It does not seem to the Chancellor of Exchequer that the

provision for not splitting the large bonds would be a sufficient protection, and in any case the period of five years would be too short.

The Chancellor of Exchequer understands that you may be able to come to London shortly to continue discussion of this subject. He asks me to say that he looks forward to welcoming you here at an early date, and that he is convinced that your presence would be most valuable in securing early and rapid progress in the matter.

I have the honor to be, dear Mr. Rathbone,

Your, faithfully,

BASIL P. BLACKETT.

SECTION 36.

Rathbone's Answer to Blackett on Funding of the Debt and Cancellation of the Loans.

HOTEL DE CRILLON,
Paris, November 18, 1919.

DEAR BLACKETT: Your three letters of November 8 were received the early part of last week and I regret that until the end of last week I had been unable to give then consideration.

At the outset, permit me to assure you that I appreciate the mutual advantages of my going to London at an early date and discussing with the Chancellor the many questions, some of which we touched upon in our recent talk, which must arise concerning the form of obligations to be given by the various debtor countries in exchange for the present obligations now held mainly by the British and American Governments. I am also deeply sensible of the courteous message of the Chancellor that he looks forward to welcoming me in London. However, the pressing demands made upon my time here in regard to financial questions daily arising under or in respect to the Peace Treaties that have been formulated make it impossible for me, as yet, to fix a time for my visit to London. I have explained to Sir John Bradbury more in detail than it is possible to do in a letter, the difficulties that stand in the way of my leaving Paris at present, and trust that he may soon have an opportunity to explain my situation in this respect to the Chancellor or to you.

I note that the Chancellor attaches great importance to the ultimate settlement along broad lines of the general question of interallied indebtedness. Just what is meant by that expression I do not know, but feel confident there is no such question now under discussion or consideration. The United States Treasury has in no wise changed the views it has expressed, or modified the position that it has taken in the past, and regards the several obligations of the various Allied Governments held by the Government of the United States as representing the debt of each to the United States. Indeed, under the present status only congressional action would authorize the Treasury to take a different position. You will recall that I stated to you in our recent talk, and I now confirm the statement, that our Congress would have the same power to authorize the Treasury to deal with obligations of Allied Governments held by the United States having a fixed date of maturity as it now has to authorize the Treasury to deal with the demand obligations of Allied Governments held by the United States.

While the informal memorandum which I handed you in Paris dealt generally only with the questions of (1) dates of maturity, (2) interest payment dates, and (3) sinking fund payments as applied to obligations to be received in exchange by Great Britain and the United States from France, Italy, Belgium, Servia, Roumania, and Czechoslovakia, I am gratified that the Chancellor is of the opinion that a solution can be reached along the lines of such memorandum, and that he is prepared to give an analogous treatment to the obligations of Allied Governments held by the British Treasury. I trust that the statement to this effect in your letter is intended to cover the simultaneous arrangement by both our Treasuries with the debtor countries concerned of the definitive obligations to be received on such exchange, as the United States Treasury is firmly convinced that such method of procedure will produce the most harmonious results with the least possible friction and delay.

I regret that the Chancellor desires at the moment to make reservation regarding the sinking fund provision. The Secretary of the Treasury feels very

strongly that such a provision should be included in the long-time obligations, and believes that the soundness of the sinking fund principle is universally recognized. Indeed, in providing for the gradual and orderly extinguishment of the debt, such a provision should, in his judgment, be welcomed by the debtor countries. It permits plans to be made sufficiently far in advance for the measures needed to make revenues meet this budget item. I am inclined to agree with you that the sinking fund tentatively suggested for the 1947 bonds would operate to redeem before maturity too large a proportion of the principal of the debt. I should be glad of your suggestion as to a rearrangement of the sinking fund payment as applied to this series of bonds.

I quite understood the advantage from the point of view of the United States Treasury, as well as from that of the Chancellor, of protecting British credit and the most unfortunate consequences which would result if the obligations of the British Government now held by the United States were offered for sale directly or indirectly on the American market, while considerable amounts of British Government obligations were held by the American public and while sterling exchange was at an appreciable discount. Nevertheless the United States Treasury can not but insist that in all respects it has and, in its discretion, is entitled to exercise, all the attributes of ownership in respect of the demand obligations of the British Government held by the United States, and must have similar rights in respect to any obligations taken in exchange therefor. In my judgment, neither the Secretary of the Treasury nor any other official of the United States Government has authority, either by provision in any obligations taken in exchange for those now held, or otherwise, to stipulate that the same shall not be disposed of by the United States Government at its pleasure. It had been my idea that any long-time obligations received in exchange by the United States might be in large denominations (not necessarily of \$1,000,000,000), coupled with an agreement of the obligor, upon demand, to exchange the same for smaller denominations (which, as you point out would meet normal market requirements). It was in an endeavor to meet, so far as possible, the situation to which you called attention that I suggested the possibility of providing that the agreement of the obligor to convert bonds of large denomination into bonds of small denomination should become effective only after a period of substantially five years from the date of the obligations, and I then said that if such suggestion should prove acceptable to the Chancellor I would submit it to the Secretary of the Treasury.

It has been the view of the United States Treasury that the demand obligations of your Government representing certain special advances could not be included in any general arrangement for the conversion of demand obligations into obligations having a fixed date of maturity. This view of the Treasury I have communicated to you and to Sir Hardman Lever in Washington on a number of occasions many months ago, and I again referred to it in my recent talk with you. The special cases in question are those mentioned in your letter. I have not, however, the data before me to enable me to agree on the exact amount of the particular advances.

As to the Austrian relief loan, I see no reason why the terms of long-time obligations given in exchange should not follow the terms of other long-time obligations received by the United States in exchange for British demand obligations, with additional provisions assuring to the United States the advantages accorded it under the arrangements pursuant to which the advances were made, which are fully set forth in previous correspondence between the Treasuries on the subject. This I believe substantially accords with the views expressed in your letter regarding this particular advance.

I do not recall that I made any specific suggestions at our recent talk regarding the exchange of British obligations representing the United States advances to your Government for the purpose of meeting its secured debt incurred in the United States before the entry of my Government into the war. The representatives of the British Treasury in the United States have been fully cognizant of the views of the United States Treasury that this particular debt should be treated on what might be termed something of a commercial basis. The suggestion of a three-year postponement of interest on the obligations representing this debt and its payment in five years grew out, as I recall it, of our talk regarding advantages to the British Treasury, if arrangements could be made for the withdrawal, at an early date, of a large part of the securities in respect of which the United States has subrogation rights to secure the payment of these advances. I am by no means wedded to the idea of a three-year postponement of interest payments in respect to these advances, nor to

the particular period of five years for its repayment, but I do feel and know it is the view of the Secretary of the Treasury as it was of his predecessor, that these advances should receive special treatment. You will recall that, so far as it was possible, it was sought to put the United States in the position of the previous holders of the obligations, and in the letter recently prepared and agreed to, defining the terms upon which the securities were held in subrogation, express stipulations were made regarding the sale of the subrogated securities.

The United States Treasury has never accepted the principle that a payment by Great Britain on account of her indebtedness to the United States required the receipt by Great Britain of a similar account from the Allied Governments indebted to Great Britain. On the contrary, the United States Treasury has always taken the position that the question of the British debt to the United States was a question between these two Governments alone. The principle of common action which we discussed at our recent talk was, as I understand it, the principle of proportionate equality in the collection by Great Britain and the United States of the obligations of a common debtor to both countries.

I was under the impression, though not so distinct but that I may be entirely mistaken, that I had at one time discussed with you in Washington the views of the United States Treasury in regard to similar treatment of the various Allied countries, common debtors to Great Britain and the United States. It has always been my feeling that, while politically there was every reason for according equality of treatment to the respective debtors, such political equality of treatment did not necessarily mean similar terms and conditions. The financial and economic conditions of one debtor country as compared with another are and will be so fundamentally different that similar treatment in regard to the debts of all countries would from the standpoint of financial and economic considerations, prove much more onerous upon one country than upon another.

I should be glad to receive an indication of the views of the British Treasury as to whether the rough scheme as to date of maturity, interest-payment dates, and sinking-fund provisions which I handed you the other day (modified as aforementioned) should apply to all the countries which are the common debtors of Great Britain and the United States or whether, in certain cases, a different position should be taken by the two Treasuries in the respects mentioned.

The United States Treasury has not proposed to treat obligations given by France for advances made to retire its obligations that have matured on the American market differently than other French obligations held by the United States. You will recall the pressing demand made by Mr. Clemanceau during a very dark period of the war that America turn over to France a large amount of gold, so that French credit and the position of the Bank of France should be protected. When this demand was made it was at once communicated to Lord Reading by Mr. Crosby. The United States Treasury, to meet the emergency which appeared to it to be grave, among other things, agreed to advance to France, or to permit France to use, dollars accruing to it as the counter-value of francs furnished by France to the American Army, in amount sufficient to defray the French maturities on the American market to which you have called attention.

The unpaid balance of the sales of silver to the British Government under the Pittman Act is a small amount in comparison with the entire debt of Great Britain to the United States. Perhaps I may be pardoned for stating that the United States Treasury has felt particularly proud of what was accomplished in regard to that silver sale, and feels confident that when the circumstances are recalled to the Chancellor he will endeavor to meet in all respects the views of the American Treasury in regard to the balance of this advance. You are aware that the silver question has been a bitter political issue in the United States, and that widely divergent views on the subject are held by Members of the Congress, but, notwithstanding, in the emergency which was made known to the Treasury by representatives of your Government, a bill was prepared, introduced into Congress, and passed with the hearty support of all factions within the unprecedented period of about one week, as a result of which there was immediately placed at the disposal of your Government substantially 200,000,000 ounces of fine silver out of our currency reserves.

In addition the Treasury made from time to time as required other advances to your Government to enable it to procure on the open market additional quantities of silver for use in India. The amount of such advances were only limited by the amount of the silver that your representatives found it possible to purchase on our market. The silver market was put under control and the most urgent demands of other countries for silver were curtailed or refused so as to enable the representatives of your Government to obtain the greatest possible amount of silver to meet the Indian situation. As a further aid to your Government's purchase of silver, the Secretary of the Treasury waived, until notice from him to the contrary, the compliance by your Government of the provision in the arrangement effected between the Treasury and Lord Reading as to the limit of price which your Government should pay for silver, purchased in the United States or elsewhere, until the United States silver reserve should be restored. The Secretary of the Treasury does not ask any special treatment of the advances made to your Government for the purchase of silver on the open market, but he does feel most strongly that the loan from our silver reserve purchased under the Pittman Act must be treated very differently from the general advances made to your Government during the war. He feels that the arrangement made for the repayment of this loan should in our common interest be such as to be beyond criticism from all possible points of view. Under the arrangement set forth in Lord Reading's letter of May 28, 1918, to Mr. Leffingwell, your Government agreed to supply to the United States Government telegraphic rupee credits on India at the rate of 1 rupee equals 35.73 cents, and a possible reduction in that price was contemplated. The cooperation of your Government in endeavoring to restore the parity of exchange whenever the dollar is at a discount was pledged by Lord Reading's letter, from which I venture to quote as follows :

"3. The agreement appears to me to mark an important step in the joint policy of our two Governments of supporting the exchange value of the dollar and the sovereign, and of facilitating the transactions which are essential to Allied war trade. The Secretary of State for India, as I told you in my letter of April 29, has only reluctantly raised the rate of exchange above the previous parity of 16 pence per rupee for demand bills, and I understand it is still his policy to revert to the former standard whenever in his judgment the reverse step or steps can expediently be taken. Meanwhile, and I mention this because the point is one I understand on which you have felt some apprehension, you may feel assured of the sympathetic support of the Government of India in maintaining the credit of the dollar in India as far as this comes within their legitimate sphere of action.

"4. As I informed you, the British Government will be glad to cooperate with the Government of the United States in endeavoring to restore the parity of exchange wherever the dollar is at a discount."

Instead of the American dollar approaching a parity with the rupee, the contrary is the case, the rupee now selling in the United States at approximately 1 rupee=42.70 cents. The embargo on the import of gold into India except through the Indian Government, while preventing a drain of gold from the United States, operates to increase the cost to American importers of their Indian purchases and this increased cost inures to the benefit of the Indian Government. The silver reserve of the United States, which my Government might have authorized to be used to meet the cost of American Indian purchases, is now represented by demand obligations of your Government. The United States Treasury has suggested :

(a) The payment of \$40,000,000 in gold provided for under Lord Reading's letter in India instead of New York, thus enabling the United States to obtain rupees therefor at the rate of 15 rupees to the pound sterling.

(b) The furnishing of rupee credits to the United States Government to the equivalent of \$40,000,000 and at the rate mentioned above in lieu of the delivery of the corresponding amount of gold, or

(c) The agreement of the British Government to now apply in payment of these demand obligations both principal and interest an amount equal to the dollars heretofore paid for rupee credits supplied in the United States since your Government ceased the supply of rupee credits to the Federal Reserve Bank of New York, and thereafter to continue to sell, at an amount per month to be agreed upon, rupee credits in New York at parity of the London rate for telegraphic transfers on India, as determined by the rate for sterling exchange on the New York market, and to apply dollars as so obtained to the payment of the principal and interest of said advance.

In our recent conference we spoke of a further alternative, namely, to provide for the payment of this loan, principal and interest, at the end of a three-year period, if an examination of the figures of the rupee sold through the Federal Reserve Bank of New York would indicate that under present conditions the proceeds of rupee credits sold in the United States would pay the advances in question in substantially that length of time. Whether such plan would meet the views of the Secretary of Treasury, I can not say, but I feel quite clear that the arrangement you suggest applicable to but \$40,000,000 of these advances, would not appeal to him as meeting the situation.

In connection with these silver advances I feel I must refer to your statement that in the original agreement there is no provision that the proceeds of the gold shipped by India should be applied by the British Treasury in reduction of the indebtedness of your Government to the United States. As that arrangement was made between the British Government and the United States Treasury, which held obligations of the British Government, payable on its demand, to many times the amount involved, a provision in the agreement to pay when received the proceeds of the gold to the United States seemed surplusage. Moreover, if any such payment to the United States Treasury had been made during the period of active fighting, it would have meant correspondingly additional advances by the Treasury to the British Government with an unnecessary diminution of the amount of the appropriation available for loans by the United States to foreign Governments.

I quite appreciate the force of what you write regarding the agreement of June, 1917, in regard to British expenditures for France. I recall that Sir Hardman Lever recollected handing a copy of that agreement to Mr. Crosby just prior to the latter's leaving the United States for Europe in November, 1917. Unfortunately the copy so supplied could not be found in the files of the Treasury, nor did Mr. Crosby recollect having received it. After you had supplied to me the portion of Lord Reading's letter that had been so mutilated as to be illegible, the Treasury requested of Sir Hardman Lever a copy of this agreement, with which formal request somewhat later Sir Hardman Lever complied. I remember also that Mr. Crosby was, at the outset, somewhat apprehensive because of the large proportion of the Treasury loans made to Great Britain, but during the early months of 1918 I explained to you that the Treasury was not concerned in the proportion of loans made to any country provided the aggregate was fairly apportioned to meet the requirements of each country in the United States.

You will recall that the reply of the Secretary of the Treasury to the then chancellor's communication, in which he referred to the British Treasury acting as a conduit pipe, was delivered to Lord Reading in the late spring or early summer of 1918. This reply reviewed the situation and definitely refused to make reimbursement to your Government for *any* of its expenditures for France within the British Empire or for *all* of its like expenditures for neutral purchases. This formal statement of the position of the United States Treasury was in effect a restatement of the position that had been taken during the previous months, as to which the representatives in Washington of the British treasury had been fully informed. I shall not burden this letter with a restatement of the contents of that communication, nor with the contents of my letter to Lord Reading, written at about the time that the weekly dollar payments of France to the British treasury ceased, nor to the repeated statements made to the representatives of the British treasury in Washington that the treasury's failure to prevent the weekly dollar payments being made on the running account must be understood to be without prejudice and subject to the ultimate adjustment of that account. It was regrettable that during the interval which elapsed between the two communications before referred to no agreement was reached between the treasuries in regard to the past and future financing of the neutral expenditures of France. I do not understand, however, that at any conference which followed the delivery of the reply of the Secretary of the Treasury any different position was taken by the United States Treasury than that set forth in such response.

In an endeavor to settle this troublesome question of the claims of the British treasury for dollar reimbursement against France, Italy, and Belgium (including Belgian Relief), the United States Treasury has treated the matter as a whole and has endeavored to make all the concessions to the views of the British treasury found possible within the principles laid down in the communication from the Secretary of the Treasury to the Chancellor of the

Exchequer. In our recent talk I referred to some of these concessions affecting not only the dollar reimbursement claim against France, but also to the similar claims against Italy and Belgium. The Treasury appreciates the desirability of a speedy settlement of these questions, and it was to effect such a settlement, and influenced by the various considerations touched upon in your letter, that it was prepared to make the concessions referred to.

I am very reluctant to reopen the question of cereal allocation in respect of which a definite settlement was finally reached after exhaustive study. Nevertheless, I have cabled Washington your remarks upon the subject and await its advices.

I do not understand the last sentence of your letter regarding dollar reimbursements. It is my understanding that any amounts that may be received from Italy on British treasury dollar reimbursement claims was dedicated by your letter of August last to payment of obligations of your Government held by the United States. At our recent talk I suggested as a part of the settlement of the dollar reimbursement claims that the Treasury would be prepared, in order to facilitate the settlement proposed, to consent that the agreed amounts of these claims against Italy, Belgium, and Commission for Relief in Belgium, should be applied to the payment of obligations of France held by the United States, instead of as agreed by your letter of last August, and that the balance of any further amounts required to correct overpayments of France on the running account should be provided through a further credit from the Treasury to Great Britain. This suggestion was made so that the settlement of the dollar reimbursement claims would not affect the cash position of your Government in the United States, which we had formerly discussed, and in the light of which your letter of last August was written.

I note that the British treasury feels that if the position of the United States Treasury regarding dollar reimbursements remains unchanged it must ask France to fulfill its engagement under the agreement of June, 1917, and I take pleasure in assuring you that the United States Treasury will make no objection to your Government receiving from France its obligations payable in dollars for amounts payable by France in dollars under that agreement. I do not see that France, in view of its reconstruction requirements, can afford, at the present time, to pay in cash either the principal of or interest upon its war indebtedness to Great Britain or to the United States. It is in recognition of that fact that the United States Treasury is disposed for a time to defer the payment of interest on the obligations which it holds of the French Government. Moreover, the United States Treasury would deprecate the taking of any position not in accord with the principle of equal proportionate treatment in the payment by allied governments of their war debts to the respective allied and associate powers.

I trust you will pardon the undue length to which this letter has run. Its length is another illustration of the advantages of a face-to-face talk. I have, however, as far as possible, endeavored to write on the lines of our talks in Washington, which I shall always look back upon with so much pleasure; stating our exact views fully and without withholding anything for the purpose of future negotiation. If I have failed in diplomatic expression, I trust you will forgive me.

I am, my dear Mr. Blackett,

Very truly yours,

ALBERT RATHBONE.

B. P. BLACKETT, Esq.,

Treasury, Whitehall, S. W. 1, London.

SECTION 37.

Views of the Secretary of the Treasury on the Loan Situation.

Since the armistice the United States Treasury has advanced to the Governments of the Allies as of the close of business November 15, 1919, the sum of \$2,329,257,138.55, and there remained on November 15, 1919, an unexpended balance of \$593,628,111.45 from the total loans of \$10,000,000,000 authorized under the Liberty loan acts. The Treasury sees no need of an additional appropriation for Government loans, though it may later have occasion to ask the Congress to make some further modification of the terms under which the

existing appropriation is available. The Treasury asked and obtained power for the War Finance Corporation to make advances up to the amount of \$1,000,000,000 for nonwar purposes, and the War Finance Corporation is prepared to make such advances. The Secretary of War is authorized to sell his surplus stores on credit.

The power which at present exists in the Government or governmental agencies to assist in meeting Europe's financial needs is therefore considerable. This power must, of course, be exercised with extreme caution and with the most careful regard for the urgent needs of our own people for an ample supply of foodstuffs and other necessities of life at reasonable prices.

The Treasury is prepared at the convenience of the Governments of the Allies to take up with their representatives the funding of the demand obligations which the United States holds into long-time obligations, and at the same time the funding during the reconstruction period or, say, for a period of two or three years, of the interest on the obligations of foreign Governments acquired by the United States under the Liberty loan acts.

The Treasury believes that the need of Europe for financial assistance is very great and very real, though it has been very much exaggerated here and abroad. Our hearts have been so touched by the suffering which the war left in its train and our experience is so recent of the financial condition which existed during the war (when men were devoting themselves to the business of destruction) that we are prone to overlook the vast recuperative power inherent in any country which, though devastated, has not been depopulated and the people of which are not starved afterwards. We must all feel deep sympathy for the suffering in Europe to-day, but we must not permit our sympathy to warp our judgment and by exaggerating European financial needs make it more difficult to fill them. Men must go back to work in Europe; must contribute to increase production. The industries of Europe, of course, can not be set to work without raw material, machinery, etc., and to the extent that these are to be secured from the United States the problem of financing the restoration of Europe belongs primarily to our exporters. Governmental financial assistance in the past and talk of plans for future Government or banking aid to finance exporters has apparently led our industrial concerns to the erroneous expectation that their war profits, based so largely on exports, will continue indefinitely without effort or risk on their part. To them will fall the profits of the exports and upon them will fall the consequences of failure to make the exports. As soon as domestic stocks, which were very low at the time of the armistice, have been replenished, those industries which have been developed to meet a demand for great exports paid for out of Government war loans will be forced to close plants and forego dividends unless they maintain and develop an outlet abroad. The industries of the country must be brought to a realization of the gravity of this problem; must go out and seek markets abroad; must reduce prices at home and abroad to a reasonable level, and create or cooperate in creating the means of financing export business.

Since armistice day the consistent policy of the Treasury has been, so far as possible, to restore private initiative and remove governmental controls and interferences. It has been the view of the Treasury that only thus can the prompt restoration of healthy economic life be gained. The embargoes on gold and silver and control of foreign exchange have been removed, as well as the voluntary and informal control of call money and the stock exchange loan account. The control exercised by the Capital Issues Committee over capital issues have been discontinued. Thus the financial markets of the United States have been opened to the whole world and all restrictions removed that might have hindered America's capital and credit resources, as well as its great gold reserve, from being available in aid of the world's commerce and Europe's need.

There are those who believe that the dollar should be kept at par, no more no less, in the market of foreign exchange. If effective action were taken to carry out such a policy, it could only be done by drawing gold out of the United States when the dollar would otherwise be at a discount and by inflating credit when the dollar would otherwise be at a premium.

The dollar is now at a premium almost everywhere in the world. Its artificial reduction and maintenance at the gold par of exchange in all currencies is quite unthinkable unless we propose to level all differences in the relative credit of nations and to substitute for our gold reserve a reserve consisting of the promises to pay of any nation that chooses to become our debtor. Inequalities of exchange reflect not only the trade and financial balance between

two countries, but particularly after a great war such as that we have been through the inequalities of domestic finance. The United States has met a greater portion of the cost of the necessary war measures from taxes and bond issues than any other country. Largely as a consequence of this policy the buying power of the dollar at home has been better sustained than has the buying power at home of the currency of any European belligerent. For the United States to determine by governmental action to depress the dollar as measured in terms of foreign exchange, and to improve the position of other currencies as measured in terms of dollars would be to shift to the American people the tax and loan burdens of foreign countries. United States Government action at this time to prevent in respect to foreign exchange the ordinary operation of the law of supply and demand which automatically sets in action corrective causes, and to make an attempt to prevent the dollar from going to a premium when its natural tendency is to do so, would as a natural consequence stimulate our exports and through the competition of export demand with domestic demand maintain or increase domestic prices. Had the allied Governments, after they had relaxed the war control of their imports, attempted to continue to hold the exchange value of their currencies in the United States at an artificial level by further borrowings, the effect would necessarily have been to stimulate their imports and to discourage their exports, thus aggravating their already unfavorable international balances.

It is essential to discriminate between plans on the one hand to support exchange by direct action of the United States Government and plans on the other hand to facilitate the extension of private credit and the investment of private capital in Europe. To the former the Treasury is utterly opposed. Of the latter the Treasury heartily approves. Some progress has already been made in placing in the United States through private channels the loans of allied and neutral European countries and municipalities. The Treasury favors the making in our markets of such loans which contribute to relieve the exchanges. I am sure that American exporters and European importers will lay the basis of credit in sound business transactions and I know that American bankers will not fail to devise means of financing the needs of the situation, nor American investors to respond to Europe's demand for capital on a sound investment basis.

Meanwhile it is well to remember the silent factors which are always at work toward a solution of the problem. Immigrants' remittances to Europe are and will continue to be a very large item in rectifying the exchanges. Foreign travel will be a further item. Another very important factor is the purchase of European securities and repurchase of foreign-held American securities by American investors. But the principal factor in Europe's favor is the inevitable curtailment of her imports and expansion of her exports. These processes, of course, are stimulated by the very position of the exchanges which they tend to correct.

TREASURY CHAMBERS,
WHITEHALL S. W.,
December 8, 1919.

HON. ALBERT RATHBONE.

DEAR MR. RATHBONE: I am much obliged to you for your letter inclosing a statement of the views of the Secretary of the United States Treasury. I will write to you again as soon as I have had time to consider and examine them. Yours, sincerely,

AUSTEN CHAMBERLAIN.

SECTION 38.

Chamberlain's Reply for England.

TREASURY CHAMBERS,
WHITEHALL S. W.,
December 11, 1919.

DEAR MR. RATHBONE: I have now been able to consider carefully the statement of the views of the Secretary of the United States Treasury which you were good enough to transmit to me under cover of your letter of the 2d instant.

You are already aware that the British Government accepts as far as they are concerned the suggestions of the United States that the demand obligations

of the Allies should be funded into long-time obligations, and that for a period of two or three years, preferably three, the interest on the obligations of foreign Governments acquired by the United States should also be funded, and that we are ready to extend similar treatment to our allies in respect of their obligations to us.

In like manner we find ourselves in complete accord with the desire of the American Treasury to restore as soon and as far as possible private initiative in matters of trade and credit and to withdraw governmental control and interference. We have restricted our control of capital issues within such narrow limits that it may now be said to be almost nonexistent, and we have, as you are aware, for some time withdrawn the artificial support of the exchanges, which was a necessary, though regrettable, incident of war finance. The effect of the fall in the dollar exchange is seen in our trade returns with America. The comparative depreciation of sterling necessarily restricts that trade and makes it the interest of this country to secure wherever possible those articles which are necessary to it in countries where the exchange is less unfavorable. We recognize that only by increasing our exports to and diminishing our imports from those countries in which sterling is at a discount can we reestablish an equilibrium or reach healthy conditions. Even private credits increase our total foreign indebtedness, and though they may be necessary in some circumstances and as a temporary expedient, pro tanto increase the difficulties of the future.

In this connection I venture to observe that the request made to us for immediate repayments on account of United States advances to the United Kingdom would seem scarcely consistent with the general policy laid down in the report of the Secretary of the Treasury. Such repayments must necessarily add to our difficulties in dealing with the immediate problem of financing necessary imports from the United States while they make it more difficult for the United Kingdom to contribute assistance to the general restoration of Europe.

As regards the general position of Europe, I entirely agree with the Secretary of the Treasury that it should not and must not be regarded merely from a humanitarian or charitable point of view. The British Government have no wish that their own share in that situation should be regarded in this light, nor do they think that such a point of view would lead to a true appreciation of the problem with which the world is confronted. The trouble is in our opinion too deep-seated and too widespread to be capable of solution by appeal to sentiment. What, in our opinion, is needed is a comprehensive plan to restore and restart the broken machinery of modern civilization over a large part of Europe. The nations which are least broken by the five years of war, including the neutrals as well as the United States and England, ought to regard it not so much as a duty which they owe to the world but as a necessary measure of self-protection to take a long view of their interests and to cooperate in such a recuperation of the shattered portions of the world as will enable international trade to resume its normal course to the common advantage of all concerned.

In our view the requirements of the situation exceed the limits of private enterprise and private resources, and it would exceed the power of any single nation to deal adequately with it. Private enterprise can and should do much, but I can not help thinking that comprehensive international cooperation is necessary to pave the way to the resumption of conditions in which private enterprise can act with success. This does not mean that limitless sums are required by way of advances from the United States; comparatively small sums might suffice provided they were raised and made available in accordance with a reasoned and definite plan of international reconstruction. The British Government would be quite ready to join in the discussion and elaboration of proposals of this character, and, in spite of the immense sacrifices which the United Kingdom has made during the war and of the immense strain placed upon its resources by the assistance which it has already accorded to its allies and others, would do its best to forward the success of any scheme which might be agreed upon. We do not pretend to be in a position at the present time to play the leading part in such a scheme, but we should do our best to contribute our share to its success.

Yours, sincerely,

AUSTEN CHAMBERLAIN.

HON. ALBERT RATHBONE.

SECTION 39.

Blackett, the British Financial Representative, Proposed Parley on Question of Cancellation of the Loans, February, 1920.

FEBRUARY, 1920.

DEAR MR. RATHBONE: In continuation of previous correspondence and discussions on the subject of interallied indebtedness, and with particular reference to our discussions in Paris during the last fortnight, I am desired by the Chancellor of the Exchequer to write to you as follows:

It has been the view of the British Government that the existence of a vast mass of intergovernmental indebtedness not only involves very grave political dangers, but also forms at the present time a most serious obstacle to the recuperation of the world and particularly of continental Europe from the immense strain and suffering caused by the war. They have more than once suggested informally to representatives of the United States Treasury that steps should be taken by the two Governments in concert to find some large solution of this problem, and as you are aware the Chancellor of the Exchequer expressed himself ready to take any steps toward relieving the Governments which are debtors to the British Government of the burden of their debts which the United States Treasury might feel able to propose in regard to the obligations of the Governments which it holds. These suggestions have not hitherto been placed on formal record, and it is for the purpose of formal record that they are mentioned here.

The formal discussions on these matters have been confined to the questions of postponement of interest on intergovernmental obligations and the conversion of such obligations into long-term bonds. The urgent necessity for such action does not appear to the Chancellor of the Exchequer to require any lengthy demonstration. His only doubt is whether such action is sufficient in present circumstances to afford the requisite relief for the financial and economic disorders of the world. The British and United States Governments are in entire agreement with the policy which has been publicly stated both by the British Chancellor of the Exchequer and by the Secretary of the United States Treasury that no further loans should be made by one Government to another (subject to exceptional cases of relief loans to such countries as Austria and Poland). For continental Europe generally, recourse to such intergovernmental loans being barred, the problem of finding the minimum amount of foreign exchange absolutely necessary to enable it to secure essential imports is an extraordinary difficult one, and in such circumstances it seems to the Chancellor of the Exchequer to be out of the question that the available foreign exchange should be subjected to a claim by the creditor Governments for payment of interest until a reasonable opportunity has been allowed for recuperation. It is further most desirable that potential private lenders should be relieved of the fear, which tends at present to check the granting of commercial credits, that the creditor Governments might for some reason or another call for immediate repayment of the principal of the demand obligations of the debtor Governments held by them.

The potential private lenders are to be found to some extent in the neutral countries, but mainly in the United States of America and the United Kingdom.

In the United Kingdom the supply of foreign exchanges, as the discount of sterling in terms of the dollar shows, is at present far short of the demand, and that demand is conditioned, be it remembered, rather by the general European demand for dollars and other extra-European currencies than by the requirements of the United Kingdom alone, and it is out of this supply that the relief loans required by Austria and Poland must be provided. In these circumstances the chancellor of the Exchequer desires to make the following proposals:

(a) That the United States Treasury and the British Treasury should agree in principle, if so requested by the various Governments concerned, to postpone for a period of three years—that is to say, from April and May, 1919, to April and May, 1922, the collection of interest upon obligations held by them representing advances to Governments of the European Allies in connection with the war, including, in the case of the United States Treasury, advances to the British Government.

(b) That the two Treasuries should agree in principle, if so requested by the Governments concerned, to convert into long-term bonds containing substan-

tially similar conditions regarding interest, sinking fund, and dates of maturity, the short-term obligations of the Governments of the European Allies held by them, including, in the case of the United States Treasury, obligations of the British Government. (It is not intended to exclude the possibility of minor exceptions being made to the proposed principles in special cases.)

The chancellor of the exchequer is prepared to agree in principle, if thought necessary by the United States Treasury, to some provision being included for protecting the exchange of the creditor Governments if and when the currency of the debtor Governments reaches a point so near to par as to be within the prewar gold points.

I have the honor to be, my dear Mr. Rathbone,
Yours, faithfully,

BASIL P. BLACKETT.

P. S.—On learning that these proposals are acceptable to the United States Treasury, a formal request for postponement of interest on British obligations will be addressed to you.

SECTION 40.

Cable from Wallace on Funding of Interest and Cancellation.

PARIS, February 10, 1920.

SECRETARY OF STATE,

Washington:

(For Leffingwell and Davis. R-305. Department's 313, February 7, 8 p. m., your R-221.)

(1st) I am clear that interest upon interest should not be charged, and understand that this is Treasury's *considerations*. View legislation merely permitting us in effect to loan new sums carrying interest with which debtors will pay interest as it accrues worse than useless.

(2nd) I quote letter just received from Blackett, as follows:

"In continuation of previous correspondence and discussions on the subject of inter-Allied indebtedness, and with particular reference to our discussions in Paris during the last fortnight, I am desired by the chancellor of the exchequer to write to you as follows:

"It has been the view of the British Government that the existence of a vast mass of intergovernmental indebtedness involves very grave political danger, but also formulates at the present time a most serious obstacle to the recuperation of the world, and particularly of continental Europe, from the immense strain and suffering caused by the war to-day. More than once suggested informally to representatives of the United States Treasury that steps should be taken by the two Governments in concert to find some large solution of this problem, and as you are aware, the chancellor of the exchequer expressed himself ready to take any steps toward relieving the Governments which are debtors to the British Government of the burden of their debts which the United States Treasury might feel able to propose in regard to the obligations of the Governments which it holds. These suggestions have not hitherto been placed on formal record, and it is for the purpose of formal record that they are mentioned here.

"The formal discussions on these matters have been confined to the questions of postponement of interest on intergovernmental obligations and the conversion of such obligations into long-term bonds. The urgency of such action does not appear to the Chancellor of the Exchequer to require any lengthy demonstration. His only defect is whether such action is sufficient in present circumstances to afford the requisite relief for the financial and economic disorders of the world. The British and United States Governments are in entire agreement with the policy of taxing publicly stated both by the British Chancellor of the Exchequer and by the Secretary of the United States Treasury, that no further loans should be placed by one government to another subject to exceptional cases of relief loans to such countries as Austria and Poland. For continental Europe generally recourse to such inter-governmental loans being barred, the problem of finding the minimum amount of foreign exchange absolutely necessary to enable it to secure essential imports is an extraordinarily difficult one, and in such circumstances it seems to the Chancellor of the Exchequer to be out of the question, that the available foreign exchange

should be subjected to a claim by the creditor governments for payment of interest until a reasonable opportunity has been allowed for recuperation. It is further most desirable that potential private lenders should be relieved of the fear which tends at present to check the granting of commercial credits, that the creditor governments might for some reason or other call for immediate repayment of the principal of the demand obligations of the debtor governments held by them.

"The potential private lenders are to be found to some extent in the neutral countries, but mainly in the United States of America and the United Kingdom. In the United Kingdom the supply of foreign exchanges, as the discount of sterling in terms of the dollar shows, is at present far short of the demand and that demand is conditioned, be it remembered, rather by the general European demand for dollars and other *extra* European [fabricating?] currencies than by the requirements of the United Kingdom alone and it is out of this supply that the relief loans required by Austria and Poland must be provided. In these circumstances the chancellor of the exchequer desires to make the following proposals: (a) That the United States Treasury and the British Treasury should agree in principle, if so requested by the various governments referred to, to postpone for a period of three years—that is to say, from April and May, 1919, to April and May, 1922—the collection of interest upon obligations held by them representing advances to countries of the European Allies in connection with the war, including, in the case of United States Treasury, advances to the British Government.

"(b) That the two Treasuries should agree in principle, if so requested by the Governments concerned, to convert into long-term bonds containing substantially similar conditions regarding interest, sinking fund, and dates of maturity the short-term obligations of the Governments of the European Allies held by them, including, in case of the United States, treasury obligations of the British Government (it is not intended to exclude possibility of minor exceptions being made to the proposed principles in special cases). The chancellor of the exchequer is prepared to agree in principle, if thought necessary by the United States Treasury, to some provision being included for protecting exchange of the creditor Governments if and when the currency of the debtor Governments reaches a position so near to par as to be within the prewar gold points."

"POSTSCRIPT.—On learning that these proposals are acceptable to the United States a formal request for postponement of interest on British obligations will be addressed to you."

(3rd) Foregoing letter shows what British are prepared to do in way postponement interest during three-year period. Prior to that date I understand they have in effect added interest to principal just as we have. I do not understand British have forgiven interest unless possibly in case of Belgium, but am writing Blackett asking him information as to matters referred to your paragraph 6th and 7th and will cable on receipt of reply.

(4th) Have not conferred with French as to what they will do regarding deferring interest on their comparatively small advances. However, have no doubt France, in order to obtain postponement of interest from America and British, will be prepared to postpone interest on advances made by France in the same manner as agreed between America and Great Britain. I have felt it was useless to enter into lengthy discussion with France in postponement of interest until we had agreed in principle with British. Bloch, when representing French Treasury, made no objection to this procedure. Writing French asking information as to points (a), (c), (d), and (e) of your paragraph 6th and paragraph 7th, and will cable you result.

(5th) You will understand that my talks with British have been confined to countries to which we have made loans other than Russia, Cuba, and Greece. It may be that there should be postpossession of interest in case of Greece, but in view of terms of Paris agreement I have not yet attempted to deal with our loan to Greece.

(6th) By private bankers.

(7th) Should add that detailed information regarding extent to which interest has been referred would naturally have been taken up after agreement with lending governments had been reached and lending governments were prepared to indicate to their common debtors exactly what they were prepared to do regarding (a) exchange of demand obligations for long-time obligations and (b) postponement of interest payments.

WALLACE.

SECTION 41.

Treasury Department Memorandum for President Wilson Against Cancellation.

Your recent message through the British embassy, in which among other matters you advocate a general cancellation of intergovernment war debts, has been received, and Rathbone has transmitted to me a copy of a communication received by him from Blackett in respect to the funding of the demand obligations of allied governments held by the United States and England, respectively, in which the same subject is also raised.

1. At the outset, I desire to express my concurrence that the financial and economic problems of the world are very closely connected, and Great Britain and the United States naturally look with concern upon the difficulties which confront continental Europe. The United States Treasury has been greatly interested in such information as was available concerning the position of Great Britain, and has viewed with great pleasure and satisfaction the progress which your Government has been making toward the return to a peace basis. The United States is in the fortunate position of having been able to make even greater progress in this respect. While we have in the United States many difficult problems at present with which to contend, and while there is a widespread feeling that taxes should be reduced and governmental loans discontinued, our financial conditions are so far the reverse of critical that I have no reason to suppose that in so far as concerns conditions in the United States credits from private sources will not be available for assistance to continental Europe on sound and adequate security upon terms which recognize the world-wide shortage of capital resulting from five years of warfare.

2. Funding of the short-term obligations into long-term obligations is a matter as to which no question has been raised by our Congress and there should be no difficulty in dealing with this phase of the proposed arrangements in the manner outlined by Mr. Rathbone. As you have no doubt heard from Mr. Rathbone, it may be impossible to reach without congressional approval a final settlement in respect to the interest accruing during the next two or three years.

3. I regret that conditions are such as to cause you concern in respect to the Anglo-French loan maturing this fall, and sincerely hope you will have no difficulty in making satisfactory arrangements to take care of it.

4. As to the engagement of the British Government in respect to advances for the purchase of silver under the Pitman Act, this matter is being dealt with by Mr. Rathbone, who undoubtedly will give full consideration to any proposal that you have to make in that connection. It is unfortunate that the Indian Government has not seen fit to take steps to limit the importation of gold into India. Failure to do this is making heavy demands on our gold reserves. If continued, this is likely, materially, to impair the ability of our financial markets to assist Europe.

5. Being in hearty accord with you as to the desirability of maintaining international good-will and understanding, I am in favor of every reasonable effort directed to that end, and am opposed to any action which may have a contrary effect. For these reasons I regret exceedingly that any proposal for a general cancellation of all intergovernmental war debts should be made and encouraged. Any movement to this end would most naturally result in creating in the minds of those who would expect to be benefited thereby not only the hope that such a plan will be adopted, but would also probably tend to mislead them into believing in the justice, importance, and necessity of such a contribution, which if not granted by those who are expected to make it can only have a harmful result.

Apparently in the hope that the inevitable consequences of the war could be avoided, various schemes including that for a general cancellation of intergovernmental war debts were, as far back as January a year ago, launched in one way or another before it could possibly be foreseen whether or not any measures were necessary other than that of the adoption of sound economic policies, including increased work and production and decreased consumption and expenditures on the part of the debtors as well as the creditors of the world. I had not heretofore understood that the British Treasury seriously favored any such plan, although in so far as concerns the British Government, a general cancellation of debts as proposed would be of certain advantage and probably would not involve any sacrifice or contribution. As there are no

obligations of the United States Government which would be canceled under such a plan the effect would be that in consideration of a cancellation by the United States Government of the obligations which it holds for advances made to the British Government and the other allied Governments, the British Government would cancel its debts against France, Italy, Russia, and her other allies. Furthermore, your proposal, as I understand, is not based on the eventual inability of the respective debtor governments to pay their external debts, but upon the assumption that such a cancellation would improve their credit, hasten the economic rehabilitation of continental Europe, and improve international good-will and understanding. In the interest of good-will and understanding you will, I am sure, desire that I shall present my views not less frankly than you have done.

Such a proposal, in my judgment, lacks many essential elements of justice, necessity, expediency, and possibility. It does not involve any mutual sacrifices or contributions on the part of all the governments concerned, but would involve a unique and almost solitary additional contribution from the United States. I am surprised that it should be renewed so insistently, especially when there is no evidence that the debts can not be paid or that the contribution involved would solve or, in any event, be more than a slight contribution toward a solution of the difficulties of continental Europe. It does not deal with the matters out of which the present financial and economic difficulties of Europe chiefly grow and acceptance of such a plan would not solve those difficulties. The United States is most earnestly desirous of the prompt financial and economic rehabilitation of Europe, and in furtherance of that desire has rendered considerable assistance. Since the armistice the United States Government has extended to foreign governments financial assistance of approximately \$4,000,000,000. This is a very large proportion of the total financial assistance rendered by the United States Government to the allied governments before the armistice. Negotiations for funding the principal of the foreign obligations held by the United States Treasury and postponing or funding the interest accruing during the reconstruction period are in progress. What this Government could do for the immediate relief of the debtor countries has, therefore, been done. Their need now is for private credits. The steps making it possible to obtain these can be taken only by the debtor governments themselves. I do not think that at the present time the foreign obligations held by the Government of the United States constitute a practical obstacle to obtaining credits here, nor do I think that the European countries would obtain a dollar additional credit as a result of the cancellation of those obligations. On the contrary, it might have a bad effect because our investors would construe such cancellation as an indication of the inability of the debtor governments to pay. The indebtedness of the allied Governments to each other and to the United States is not a present burden upon the debtor governments, since they are not paying interest or even, so far as I am aware, providing in their budgets or taxes for the payment of either principal or interest. It is not possible upon any basis of experience or of existing fact to conclude, if the arrangements are made which it is hoped to make for the funding of the short-time obligations into long-time obligations and for the postponement of funding of interest accruing during the next two or three years, that the respective governments will not thereafter be able to meet instalments of interest and principal as they mature.

With the adoption of such measures as their respective Governments can and should take to assist in a general recovery, I have great confidence in the ability of the peoples of continental Europe to return to their natural pursuits of industry and to rehabilitate their trade and commerce sooner than might be expected after such a destructive war. Some of the debtor Governments have not levied taxes sufficient to enable them to balance their budgets, nor have they taken any measures to reduce their budgets to meet their income. There has been little disarmament. No appreciable progress has been made in deflating excessive issues of currency nor in stabilizing the currencies at their respective approximate present values. In my judgment it is most essential that there should be a prompt, practical, and definite settlement of the German reparation question, and the immediate adoption of policies which would set Germany and Austria free economically in order that they may make their necessary contribution to the economic rehabilitation of Europe.

Realizing that the present economic ills of Europe grow not out of interest which the debtor Governments are not now paying upon their debts to the United States nor out of principal which is to be funded, but that a release

from such difficulties, in so far as that can be obtained, is primarily within the control of the debtor Governments and the peoples themselves, the American people and the American Congress would not, I am satisfied, look with favor upon the proposal to them of a cancellation of the obligations held by the United States Government when it can not be shown that the necessity for such action is immediate, or that all reasonable measures have been taken by the debtor Governments to make it possible for them to meet their foreign obligations, or that the request is part of a necessary composition with all creditors, domestic and foreign, public and private.

A proposal that the United States should cancel its debts against the allied Governments would, as you must realize, lack many of the essential elements above indicated. It would simply result, in effect, in the cancellation by one of the principal creditors of its claims in order that the claims of the other creditors might remain intact, and would transfer from the peoples of the debtor Governments to the shoulders of the people of the United States the taxes necessary to liquidate the outstanding obligations of the United States Government representing the loans made by it to the allied Governments. The United States Government in little over two years raised for war purposes through taxes and loans approximately \$37,000,000,000, out of which were made to the allied Governments the loans to assist them in winning the war. The United States Government has neither received nor sought substantial material benefits from the war or under the terms of the treaty of peace. On the other hand, the Allies, although having suffered greatly in loss of lives and property, have under the terms of the treaty of peace and otherwise acquired accessions of territories, properties, raw materials, and other advantages, including their claims against Germany for vast indemnities. It would seem that if full account were taken of these there would be no incentive, desire, or reason to call upon the United States for further contributions.

SECTION 42.

Letter to the President on Cancellation.

FEBRUARY 21, 1920.

Memorandum for the President:

As you are aware, efforts beginning with the peace negotiations were made to bring about a cancellation of our debts against the allied Governments, but the question was not presented in such a definite way as to require us to take any formal action. Much to the surprise of the Treasury, in connection with negotiations which have been under way with the British Treasury regarding the funding of short-time obligations of the allied Governments into long-time obligations and the extension of the interest accruing thereon during the next two or three years, the question has been formally raised by the British Treasury, both in a communication to Mr. Rathbone and also on a message from the chancellor of the exchequer sent through the British Embassy in which, among other questions, the chancellor in effect invites the American Treasury to a consideration of a general cancellation of all intergovernmental war debts.

Before his departure for a three days' absence Secretary Houston approved the inclosed reply, which he proposes to send to the chancellor if it meets with your approval. In order not to consume your time in reading the chancellor's message, which deals with many questions between the two Treasuries, I am attaching an extract from that portion of his message dealing with this subject. For some reason of his own, the chancellor bases his proposal partly on the theory of an alleged probable financial stringency in this market, which would make it impossible to obtain private credits here. Just as the people of Europe were misled into believing German reparations would supply the deficit in budgets, they are being misled into believing a cancellation of their external governmental debts will later solve their other difficulties. While the Allies have never bluntly so stated, their policy seems to be to make Germany indemnify them for having started the war and to make us indemnify them for not having entered the war sooner.

Will you kindly indicate your approval or such instructions as you care to give in respect to the proposed reply?

(Signed)

NORMAN H. DAVIS.

FEBRUARY 23, 1920.

MY DEAR MR. PRESIDENT: With reference to my memorandum of February 21, inclosing a proposed reply to the chancellor of the exchequer regarding the cancellation of intergovernmental war loans, I desire to submit for your further information the following consideration:

Without any specific proof, I have for some time suspected that the loans made by England to France and Italy have not the same standing as our loans to the Allies. I recall that Mr. Lloyd George told me England could not afford to force those countries to pay her. Article XI of the pact of London states that:

"Italy shall receive a military contribution corresponding to her strength and sacrifices."

I do not know what this means. It may mean corresponding financial assistance to Italy during the war or after the war or both. In either case it most probably has a direct relation to the obligations of the Italian Government now held by the British Government, and it may well be that the British desire a general cancellation of intergovernmental war debts as a means of discharging secret treaty provisions. If such is the case, the British might thus in great part at our expense discharge their treaty obligations.

Article XIV of the pact of London provides that "Great Britain undertakes to facilitate for Italy *without delay* and on favorable conditions the conclusion of a loan in the London market amounting to not less than 50,000,000 pounds."

The reference herein to immediate financial assistance may well indicate that Article XI referred to general financial assistance on a larger scale.

Cordially and faithfully, yours,

(Signed)

NORMAN H. DAVID.

THE PRESIDENT.

The White House.

FEBRUARY 26, 1920.

DEAR MR. PRESIDENT: The document attached hereto, entitled "A proposed message from the Secretary of the Treasury to the British Chancellor of the Exchequer," has been under consideration by Mr. Norman Davis and me for more than a week. It is in response to a message which came to the Treasury through the British Embassy from the chancellor about 10 days or 2 weeks ago. It bears principally on a suggestion contained in his message bearing on the general cancellation of interallied debts.

The question with me is whether you would approve my sending such a reply. Mr. Davis and I are of the opinion that a reply should be sent and that this will cover the ground. Perhaps you may prefer that no reply whatever be sent. I should be glad to know your views and to have your instructions.

I am returning Mr. Davis's memorandum of February 21, which he sent to you at my request, and also his letter to you of February 23, giving further information bearing on the matter, particularly parts of articles of the pact of London.

Faithfully, yours,

D. F. HOUSTON.

THE PRESIDENT.

The White House.

SECTION 43.

Message from the Secretary of the Treasury to England on Cancellation.

MESSAGE FROM THE SECRETARY OF THE TREASURY TO THE CHANCELLOR OF THE EXCHEQUER.

Your recent message through the British Embassy, in which among other things you suggest a general cancellation of intergovernmental war debts, has been received, and Rathbone has transmitted a copy of the communication sent him by Blackett dealing with the funding of the demand obligations of the allied Governments held by the United States and England, respectively, in which the same subject is raised.

I concur with your view that the financial and economic problems of all the world are closely connected and that Great Britain and the United States naturally look with concern upon the difficulties which confront continental

Europe. The United States Treasury has been greatly interested in information reaching it concerning the situation of Great Britain and has viewed with pleasure and satisfaction the progress which your Government has been making toward a return to a peace basis. While we are at present confronted with difficult problems, our financial situation is not at all critical. On the contrary, it is such that I have reason to think that credits from private sources may be made available to continental Europe on sound and adequate security and on terms which recognize the world-wide shortage of capital resulting from five years of warfare.

Funding of the short-term obligations into long-term obligations is a matter as to which no question has been raised by our Congress and there should be no difficulty in dealing with this phase of the proposed arrangements in the manner outlined by Mr. Rathbone. As you have no doubt heard from Mr. Rathbone, it may be impossible to reach without congressional approval a final settlement in respect to the interest accruing during the next two or three years.

I regret that conditions are such as to cause you concern in respect to the Anglo-French loan maturing this fall, and sincerely hope you will have no difficulty in making satisfactory arrangements to take care of it.

As to the engagement of the British Government in respect to advances for the purchase of silver under the Pittman Act, this matter is being dealt with by Mr. Rathbone, who undoubtedly will give full consideration to any proposal that you have to make in that connection. It is unfortunate that the Indian Government has not seen fit to take steps to limit the importation of gold into India. Failure to do this is making heavy demands on our gold reserves. If continued, this is likely materially to impair the ability of our financial markets to assist Europe.

As to the general cancellation of intergovernmental war debts suggested by you, you will, I am sure, desire that I present my views no less frankly than you have presented yours. Any proposal or movement of such character would, I am confident, serve no useful purpose. On the contrary, it would, I fear, mislead the people of the debtor countries as to the justice and efficacy of such a plan, and arouse hopes, the disappointment of which could only have a harmful effect. I feel certain that neither the American people nor our Congress, whose action on such a question would be required, is prepared to look with favor upon such a proposal.

Apparently there are those who have been laboring for some time under the delusion that the inevitable consequences of war can be avoided. As far back as January a year ago, before it could possibly be foreseen whether any measures were necessary other than the adoption of sound economic policies, various schemes, including that of a cancellation of intergovernmental war debts, were launched. Of course, I recognize that a general cancellation of such debts would be of advantage to Great Britain, and that it probably would not involve any losses on her part. As there are no obligations of the United States Government which would be canceled under such a plan, the effect would be that in consideration of a cancellation by the United States Government of the obligations which it holds for advances made to the British Government and the other allied Governments the British Government would cancel its debts against France, Italy, Russia, and her other allies. Such a proposal does not involve mutual sacrifice on the part of the nations concerned. It simply involves a contribution mainly by the United States. The United States has shown its desire to assist Europe. Negotiations for funding the principal of the foreign obligations held by the United States Treasury and for postponing or funding the interest accruing during the reconstruction period are in progress. Since the armistice this Government has extended to foreign Governments financial assistance to the extent of approximately \$4,000,000,000. What this Government could do for the immediate relief of the debtor countries has been done. Their need now is for private credits. The indebtedness of the allied Governments to each other and to the United States is not a present burden upon the debtor Governments, since they are not paying interest, or even, as far as I am aware, providing in their budgets or taxes for the payment of either principal or interest. At the present time the foreign obligations held by the Government of the United States do not constitute a practical obstacle to obtaining credits here, and I do not think that the European countries would obtain a dollar additional credit as a result of the cancellation of those obligations. The proposal does not touch matters out of which the present financial and economic difficulties of Europe chiefly grow. The relief from

present ills, in so far as it can be obtained, is primarily within the control of the debtor Governments and peoples themselves. Most of the debtor Governments have not levied taxes sufficient to enable them to balance their budgets, nor have they taken any energetic and adequate measures to reduce their expenditures to meet their income. Too little progress has been made in disarmament. No appreciable progress has been made in deflating excessive issues of currency or in stabilizing the currencies at new levels, but in continental Europe there has been a constant increase in note issues. Private initiative has not been restored. Unnecessary and unwise economic barriers still exist. Instead of setting trade and commerce free by appropriate steps, there appear to be concerted efforts to obtain from the most needy discriminatory advantages and exclusive concessions. There is not yet apparent any disposition on the part of Europe to make a prompt and reasonable definite settlement of the reparation claims against Germany or to adopt policies which will set Germany and Austria free to make their necessary contribution to the economic rehabilitation of Europe.

After taking all the measures within their power, one or more of the debtor Governments may ultimately consider it necessary or advantageous to make some general settlement of their indebtedness. In such a case, they would, I presume, propose to all creditors, domestic and foreign, a general composition which would take into account advantages obtained by such debtor country under the treaty of peace. How the American people or the American Congress would view participation in such a composition, I can not say. It is very clear to me, however, that a general cancellation of intergovernmental war debts, irrespective of the positions of the separate debtor Governments, is of no present advantage or necessity. A general cancellation as suggested would, while retaining the domestic obligations intact, throw upon the people of this country the exclusive burden of meeting the interest and of ultimately extinguishing the principal of our loans to the allied Governments. This Nation has neither sought nor received substantial benefits from the war. On the other hand, the Allies, although having suffered greatly in loss of lives and property, have, under the terms of the treaty of peace and otherwise, acquired very considerable accessions of territories, populations, economic, and other advantages. It would, therefore, seem that if a full account were taken of these and of the whole situation, there would be no desire nor reason to call upon the Government of this country for further contributions.

SECTION 44.

Cancellation and Interest-Funding Negotiations.

PARIS, May 25, 1920.

SECRETARY OF STATE, Washington:

Most urgent. 1198. May 25, 7 p. m.

R-530. Secretary of the Treasury, Leffingwell and Davis from Rathbone. Supplementing my R-529.

First. In writing chancellor before I left London I stated as follows: "I have explained to Mr. Blackett quite fully the legal situation which exists regarding the demand obligations which the United States Treasury holds of the British Government and the firm necessity of our asking for payment of the interest which has accrued on these demand obligations if we are unable to postpone such collection in accordance with the terms of long-time obligations in such form as it may be agreed upon and which your Government will agree to deliver in exchange for such demand obligations upon the request of the Secretary of the Treasury."

Second. Under date of May 19 I received following letter from chancellor: "I am very sorry that I did not see you again before I left, but, as Blackett explained, my time was fully occupied by deputations with whom I had already made appointment. I have reported to the cabinet the general tenor of the discussions which have passed between us and of the arrangements which we were seeking to effect for the settlement of outstanding points, but amidst the pressure of other urgent business they have not hitherto been able to give to these questions the full consideration which they deserve. I avail myself, therefore, of your kind offer to come and see me again before you sail for America. If you could fix your visit for Tuesday, the 1st, or Wednesday, the 2d June, I think I could promise to be in a position to express our considered opinion to you."

Third. Before replying to that letter I received telephone message from British Embassy quoting telegram stating that chancellor had written me further letter which would render it unnecessary for me to go to London.

Fourth. Have just received the following letter from chancellor: "The cabinet has this morning given prolonged and careful consideration to the proposals which have been discussed between us for the treatment of British indebtedness to the American Government and the parallel treatment by both the United States and Great Britain of the debts due to them by France, Italy, and other allied Governments. Since I had my last meeting with you the discussion between the prime ministers of France and Great Britain at Lympne have, on the initiative of the French, resulted in an agreement that in order to provide a solution for the economic difficulties which are gravely weighing upon the general situation of the world and in order to mark a definite beginning of the era of peace the settlement of the debts between them and the other European allies should proceed on parallel lines with such of the reparation debts of the Central Empire.

"The question of European indebtedness to America was not discussed at this conference at which no American representative was present, but before proceeding further with the consideration of detailed proposals for the treatment of the British debt to the United States Government, which, as explained by you, were intended to form the basis for similar arrangements between the United States and Great Britain on the one hand and the allied nations indebted to both of them on the other, we feel that their applicability to the general situation must be further explored and that it raises questions of great importance unsuited for departmental treatment between our two treasuries. Discussions on the subject took place at an earlier (?) between President Wilson and the prime minister and the prime minister proposes now to resume these discussions and will send a communication on this subject for the President's consideration. It was with great reluctance that I made my request that you should return here, for I fear that it would have involved considerable inconvenience to you and I am glad that such a decision removes the necessity for interfering with your plans. My only regret is that it also deprives me of the pleasure of seeing you again and personally offering you my good wishes in an emergency."

Fifth. Am writing chancellor to-day as follows: "I was about to sign a letter to you advising that I would be in London on 1st in accordance with the suggestion in your letter of the 19th instant when I received your message that you had written me another letter which would render my visit to London unnecessary. I have now the honor to acknowledge the receipt of your letter of May 21 which reached me this morning. In view of the communication which the prime minister is about to send to the President, I have referred your letter to the Secretary of the Treasury and shall not now attempt to discuss the matter you refer to beyond restating the views of the United States Treasury that the questions relating to the debt of the British Government to the United States Government must be settled by those two Governments only and that the indebtedness of other Governments to the American Government or to the British Government and the payment by Germany of reparations are in no way related to the postponement of interest on our behalf and funding of the obligations of the British Government held by the United States Treasury nor to the other matters which were discussed during my month's stay in England for that purpose. Permit me to express my regret that the termination of my pleasant negotiations with the British Treasury, which when I left Mr. Blackett on the 18th instant had resulted in substantial agreement on nearly all points and gave fair promise that agreement would be speedily reached on the few matters that remained to be settled. You will recall that the arrangement under discussion was one which it was clearly understood that neither the American nor the British Treasury intended to adopt in dealing with the obligations of other Governments held by them, respectively. Regretting that I shall not have the pleasure of seeing you again before leaving for America, I am, my dear Mr. Chancellor."

Sixth. In view of practical refusal of British Government to further negotiate on these points, there is nothing more that can be done here so far as questions with British are involved, and in view of sudden turn taken by these negotiations I believe it would be inadvisable for me to attempt negotiations here with other countries. May 25, 11 a. m.

WALLACE.

SECTION 45.

British Call Off Negotiations for Funding Debt.

I. The Secretary of the Treasury has received the letter addressed to Assistant Secretary Rathbone by the chancellor of the exchequer under date of May 21, 1920, and has consulted with the President in regard to the same.

II. It has been at all times the view of the United States Treasury that questions regarding the indebtedness of the Government of the United Kingdom of Great Britain and Ireland to the United States Government and the funding of such indebtedness had no relation either to questions arising concerning the war loans of the United States and of the United Kingdom to other Governments or to questions regarding the reparation payments of the Central Empires of Europe. These views were expressed to the representatives of the British Treasury constantly during the period when the United States Government was making loans to the Government of the United Kingdom and since that time in Washington, in Paris, and in London. The views of the President on the subject were stated at length to the prime minister in a letter dated May 5, 1919.

III. While at the outset of Mr. Rathbone's discussions with Mr. Blackett of the British Treasury during the latter part of the year 1919 and the beginning of the year 1920 in Paris and in London it was thought that the arrangements being discussed for the funding of the obligations of the United Kingdom held by the United States might form the basis of arrangements thereafter to be made with other debtor Governments by the United States and British Treasuries, respectively, later Mr. Blackett made it plain that the British Treasury proposed to make other and different arrangements as to the obligations it held of allied Governments and thereafter the discussions in London between Mr. Blackett and Mr. Rathbone proceeded on that basis.

IV. While the Secretary of the Treasury has felt some surprise that Mr. Rathbone's negotiations in London, undertaken there at the suggestion of the British Treasury, have been interrupted, he desires to express his regret that the chancellor of the exchequer does not himself feel able to continue the same. Congress has, however, delegated to the Secretary of the Treasury the sole authority to deal with these matters and the Secretary suggests that such representative of the Government of the United Kingdom as has the necessary authority to negotiate with him the fulfillment of the obligation of the Government of the United Kingdom to convert their demand obligations held by the United States Treasury into long-term obligations proceed to Washington for that purpose.

V. In his letter of May 18, 1920, to the chancellor, Mr. Rathbone advised that he had theretofore explained to Mr. Blackett the legal situation which made it necessary that payment of accrued interest on demand obligations of the British Government held by the United States Treasury should be asked unless postponed in accordance with the terms of long-time obligations in such form as might be agreed upon and which the Government of the United Kingdom would agree to deliver in exchange for such demand obligations upon the request of the Secretary of the Treasury. Accordingly the Secretary of the Treasury expresses his hope that the interrupted negotiations for the funding of the demand obligations of the Government of the United Kingdom be resumed at the earliest possible date.

VI. In Mr. Blackett's letter of June 1, 1920, to Mr. Rathbone he suggested the immediate settlement of the various questions discussed in London, with which the British Treasury is competent to deal, thus leaving a clear field for further discussion of long-term bonds. The Secretary of the Treasury does not feel able to release the Government of the United Kingdom from its obligations in respect to the so-called subrogated securities except in connection with an agreement regarding the long-term bonds; otherwise he is prepared to meet the suggestion made by the British Treasury and to agree with it regarding the Pittman silver advances and dollar reimbursement questions in accordance with the text of the memoranda on these subjects which Mr. Rathbone handed Mr. Blackett in London as a result of their discussion. If these matters are thus arranged the Secretary of the Treasury is likewise prepared in order to comply with the suggestion made by the British Treasury to enter into the following agreement regarding the United States advances to the United Kingdom for Austrian relief, viz:

"Of the demand obligations of the Government of the United Kingdom held by the United States Government, obligations aggregating \$16,000,000, principal

amount represent advances to the United Kingdom for its purchases of foodstuffs in the United States subsequently sold by the United Kingdom to Austria, all in pursuance of arrangements for the relief of Austria made by or on behalf of the Governments of the United States, the United Kingdom, and other governments. It is understood that the British Treasury will pay forthwith the principal of said demand obligations held by the United States Government in the amount of \$16,000,000, together with interest accrued thereon at the rate of 5 per cent to the date of payment as to \$8,000,000 thereof from April 15, 1919, and as to the remaining \$8,000,000 from May 15, 1919; but such payments shall in no manner release the Government of the United Kingdom from its undertaking to sell to Austria foodstuffs purchased in the United States to the value of \$16,000,000 as provided in the arrangements for the relief of Austria hereinbefore referred to."

SECTION 46.

Message from the British Prime Minister to the President on Cancellation.

EXTRACT FROM BRITISH PRIME MINISTER'S LETTER OF AUGUST 5, 1920, TO THE PRESIDENT.

I come now to the other question I wish to write to you about, and that is the knotty problem of interallied indebtedness. Indeed, I promised Mr. Rathbone long ago that I would write to you about it, but I have had to put it off for one reason and another till now. The British and the French Governments have been discussing during the last four months the question of giving fixity and definiteness to Germany's reparation obligations. The British Government has stood steadily by the view that it was vital that Germany's liabilities should be fixed at a figure which it was within the reasonable capacity of Germany to pay, and that this figure should be fixed without delay, because the reconstruction of Central Europe could not begin nor could the Allies themselves raise money on the strength of Germany's obligation to pay them reparation until her liabilities had been exactly defined. After great difficulties with his own people, M. Millerand found himself able to accept this view—but he pointed out that it was impossible for France to agree to accept nothing less than it was entitled to under the treaty, unless its debts to its allies and associates in the war were treated in the same way.

This declaration appeared to the British Government eminently fair. But after careful consideration they came to the conclusion that it was impossible to remit any part of what was owed to them by France except as part and parcel of all around settlement of interallied indebtedness. I need not go into the reasons which led to this conclusion which must be clear to you. But the principal reason was that British public opinion would never support a one-sided arrangement at its sole expense, and that if such a one-sided arrangement were made it could not fail to estrange and eventually embitter the relations between the American and British people, with calamitous results to the future of the world. You will remember that Great Britain borrowed from the United States about half as much as its total loans to the Allies, and that after America's entry into the war it lent to the Allies almost exactly the same amount as it borrowed from the United States of America. Accordingly, the British Government has informed the French Government that it will agree to any equitable arrangement for the reduction or cancellation of interallied indebtedness, but that such an arrangement must be one which applies all around. As you know, the representatives of the Allies and of Germany are meeting at Geneva in a week or two to commence discussion on the subject of reparation. I recognize that in the midst of a presidential election and with Congress not in session it is impossible for the United States to deal with this question in a practical manner, but the question is one of such importance to the future of Europe, and indeed to the relations between the allied and associated powers, that I should very much welcome any advice which you might feel yourself able to give me as to the best method of securing that the whole problem could be considered and settled by the United States Government in concert with its associates at the earliest possible moment that the political situation in America makes it possible.

There is one other point which I should like to add. When the British Government decided that it could not deal with the question of the debts owed to

it by its allies except as part and parcel of an all-around arrangement of inter-allied debts, the chancellor of the exchequer told Mr. Rathbone that he could not proceed any further with the negotiations which they had been conducting together with regard to the postponement of the payment of interest on the finding of Great Britain's debts to America. I should like to make it plain that this is due to no reluctance on the part of Great Britain to fund its debt, but solely to the fact that it can not bind itself by any arrangement which would prejudice the working of any interallied arrangement which may be reached in the future. If some method can be found for funding the British debt which does not prejudice the larger question, the British Government would be glad to fall in with it.

SECTION 47.

Letters Showing United States Treasury Refused to Consider Cancellation.

DRAFT.

It should be pointed out at the outset that the Secretary of the Treasury is authorized by United States law to arrange for the conversion of the demand obligations of the British Government into its obligations having a fixed date of maturity, in accordance with the agreement of the British Government to make such exchange on demand contained in its existing obligations. In connection with such exchange, the Secretary of the Treasury has authority to arrange for the postponement of interest payments. No authority has been given by the Congress to any one to exchange, remit, or cancel any part of the indebtedness of the allied governments to the United States represented by their respective demand obligations. It would require congressional authority to authorize any such dealing with the demand obligations and, as stated in the letter of November 18, 1919, from then Assistant Secretary of the Treasury Rathbone to Mr. Blackett, of the British Treasury, the Congress has the same authority to authorize any disposition of obligations of the British Government held by the United States, whether represented by demand obligations or by obligations having a fixed date of maturity. Frankness, however, compels the statement that it is improbable that either the Congress or popular opinion in this country will ever permit a cancellation of any part of the debt of the British Government to the United States in order to induce the British Government to remit, in whole or in part, the debt to Great Britain of France or of any other of the allied governments, or that it would consent to a cancellation or reduction in the debts of any of the allied governments as an inducement toward a practical settlement of the reparation claims. As a matter of fact, such a settlement, in our judgment, would in itself increase the ultimate financial strength of the Allies.

Suggestions looking to the cancellation or exchange of the indebtedness of Great Britain to the United States were made when the President was in Paris. Like suggestions were again made by the chancellor of the exchequer in the early part of the present year. The United States Government by its duly authorized representatives has promptly and clearly stated its unwillingness to accept such suggestions each time they have been made and has pointed out in detail the considerations which caused its decision.

The views of the United States Government have not changed, and it is not prepared to consent to the remission of any part of the debt of Great Britain to the United States. Any arrangements the British Government may make with regard to the debt owed to it by France or by the other allied governments should be made in the light of the position now and heretofore taken by the United States, and the United States, in making any arrangements with other allied governments regarding their indebtedness to the United States (and none are now contemplated beyond the funding of indebtedness and the postponement of payment of interest) will do so with the confident expectation of the payment in due course of the debt owed the United States by Great Britain. It is felt that the funding of these demand obligations of the British Government will do more to strengthen the friendly relations between America and Great Britain than would any other course of dealing with the same.

The United States Government entirely agrees with the British Government that the fixing of Germany's reparation obligation is a cardinal necessity for the renewal of the economic life of Europe and would prove to be most helpful

in the interests of peace throughout the world; however, it fails to perceive the logic in the suggestion in effect either that the United States shall pay part of Germany's reparation obligation or that it shall make a gratuity to the allied governments to induce them to fix such obligation at an amount within Germany's capacity to pay. This Government has endeavored heretofore in a most friendly spirit to make it clear that it can not consent to connect the reparation question with that of intergovernmental indebtedness. It would seem wise, therefore, that our position should be clearly understood in order to avoid any further delay in a constructive settlement of reparations with the hope that the debts to this Government can form a part of such settlement.

The long delay which has occurred regarding the funding of the demand obligations is already embarrassing the Treasury, which will find itself compelled to begin to collect back and current interest if progress is not made with the funding. Unless arrangements are completed for funding such loans, and in that connection for the deferring of interest, in the present state of opinion here they are apt to become a dangerous source of misunderstanding and bitterness with our people.

It is highly important that a British representative, with proper authority, proceed to Washington without delay to arrange to carry out the obligation of the British Government to convert its demand obligations held by our Treasury into long-time obligations.

The United States Government recognizes the importance, in the interests of peace and prosperity, of securing the restoration of financial and industrial stability throughout Europe. The war debts of the allied governments, the treaty obligations of Germany under the reparation clauses of the treaty of Versailles, and the annexes thereto, and of other enemy and exenemy countries under the treaties negotiated with them, the administration of countries under the mandates provided for by such treaties, and the existing arrangements between the Governments of various countries have or may have an important bearing in making plans to accomplish such restoration. It is the view of the United States Government that in accrediting a representative to Washington for the purpose mentioned it might prove expedient that the British Government should authorize him to enter into discussions of all of these matters with the proper representatives of the United States Government.

OCTOBER 11, 1920.

Personal and private.

HON. NORMAN DAVIS,
Assistant Secretary of State.

MY DEAR DAVIS: I inclose herewith a draft of a letter for the President's consideration, covering the financial part of the prime minister's letter to the President. I believe you have gone over the substance of this very carefully with Mr. Kelly. I think we ought immediately to connect what the State Department has to say with this and send a complete letter to the President.

Faithfully, yours,

D. F. HOUSTON.

(Copy was sent Mr. Davis in the Secretary's letter of Oct. 11, 1920.)

I turn now to the problem of interallied indebtedness which you raise. I must deal with this matter with great frankness, as I am sure you wish me to do. It is desirable that our position be clearly understood in order to avoid any further delay in a constructive settlement of reparations, which may arise from the hope that the debts to this Government can form a part of such settlement. It will be helpful if, first of all, I indicate our legal situation.

The Secretary of the Treasury is authorized by United States law to arrange for the conversion of the demand obligations of the British Government into its obligations having a fixed date of maturity, in accordance with the agreement of the British Government to make such exchange on demand contained in its existing obligations. In connection with such exchange, the Secretary of the Treasury has authority to arrange for the postponement of interest payments. No power has been given by the Congress to any one to exchange, remit, or cancel any part of the indebtedness of the allied governments to the United States represented by their respective demand obligations. It would require congressional authority to authorize any such dealing with the demand

obligations, and, as stated in the letter of November 18, 1919, from Mr. Rathbone to Mr. Blackett, of the British Treasury, the Congress has the same authority to authorize any disposition of obligations of the British Government held by the United States, whether represented by demand obligations or by obligations having a fixed date of maturity. It is highly improbable that either the Congress or popular opinion in this country will ever permit a cancellation of any part of the debt of the British Government to the United States in order to induce the British Government to remit, in whole or in part, the debt to Great Britain of France or any other of the allied governments or that it would consent to a cancellation or reduction in the debts of any of the allied governments as an inducement toward a practical settlement of the reparation claims. As a matter of fact such a settlement, in our judgment, would in itself increase the ultimate financial strength of the Allies.

You will recall that suggestions looking to the cancellation or exchange of the indebtedness of Great Britain to the United States were made to me when I was in Paris. Like suggestions were again made by the chancellor of the exchequer in the early part of the present year. The United States Government by its duly authorized representatives has promptly and clearly stated its unwillingness to accept such suggestions each time they have been made, and has pointed out in detail the considerations which caused its decision. The views of the United States Government have not changed, and it is not prepared to consent to the remission of any part of the debt of Great Britain to the United States.

Any arrangements the British Government may make with regard to the debt owed to it by France or by the other allied governments should be made in the light of the position now and heretofore taken by the United States, and the United States, in making any arrangements with other allied governments regarding their indebtedness to the United States (and none are now contemplated beyond the funding of indebtedness and the postponement of payment of interest) will do so with the confident expectation of the payment in due course of the debt owed the United States by Great Britain. It is felt that the funding of these demand obligations of the British Government will do more to strengthen the friendly relations between America and Great Britain than would any other course of dealing with the same.

The United States Government entirely agrees with the British Government that the fixing of Germany's reparation obligation is a cardinal necessity for the renewal of the economic life of Europe and would prove to be most helpful in the interests of peace throughout the world; however, it fails to perceive the logic in a suggestion in effect either that the United States shall pay part of Germany's reparation obligation or that it shall make a gratuity to the allied governments to induce them to fix such obligation at an amount within Germany's capacity to pay. This Government has endeavored heretofore in a most friendly spirit to make it clear that it can not consent to connect the reparation question with that of intergovernmental indebtedness.

The long delay which has occurred in the funding of the demand obligations is already embarrassing the Treasury, which will find itself compelled to begin to collect back and current interest if speedy progress is not made with the funding. Unless arrangements are completed for funding such loans and in that connection for the deferring of interest, in the present state of opinion here, there is likely to develop a dangerous misunderstanding. I believe it to be highly important that a British representative with proper authority proceed to Washington without delay to arrange to carry out the obligation of the British Government to convert its demand obligations held by our Treasury into long-time obligations.

The United States Government recognizes the importance, in the interests of peace and prosperity, of securing the restoration of financial and industrial stability throughout Europe. The war debts of the allied governments, the treaty obligations of Germany under the reparation clauses of the treaty of Versailles and the annexes thereto, and of other enemy and ex-enemy countries under the treaties negotiated with them, the administration of countries under the mandates provided for by such treaties, and the existing arrangements between the Governments of various countries have or may have an important bearing in making plans to accomplish such restoration. It is the view of the United States Government that in accrediting a representative to Washington for the purpose mentioned it might prove expedient that the British Government should authorize him to enter into discussions of all of these matters with the proper representatives of the United States Government.

RUSSIA

SECTION 48.

Russia.

Memorandum, prepared for the Senate Committee on the Judiciary, from the correspondence of the Treasury Department covering the loans to Russia. In order that this data may be properly understood a brief word of explanation is necessary.

The Milyukoff government succeeded the Czar's government in Russia during March, 1917. This government was afterwards known as the Kerensky Provisional Government. Boris Bakhmeteff was sent on a special mission to the United States by the Kerensky Provisional Government late in the spring of 1917, the mission having much the same duties as the Root Mission from the United States to Russia. After Bakhmeteff arrived here he was appointed as the ambassador from the Kerensky Provisional Government.

Under the four Liberty bond acts the Government of the United States was authorized to loan money to foreign Governments then engaged in war with enemies of the United States for the prosecution of the war. Pursuant to these acts the Treasury Department established credits for the Kerensky Provisional Government of Russia in the aggregate of \$450,000,000. On this credit \$187,729,750 was advanced to Russia.

The date of the advances and the amounts so advanced are as follows: June 6, 1917, \$35,000,000; June 13, 1917, \$10,000,000; August 1, 1917, \$2,500,000; August 22, 1917, \$2,500,000; August 24, 1917, \$37,500,000; August 30, 1917, \$10,000,000; September 25, 1917, \$15,000,000; October 2, 1917, \$22,200,000; October 11, 1917, \$20,000,000; October 24, 1917, \$5,000,000; November 1, 1917, \$31,700,000; November 15, 1917, \$1,329,750.

The advancement made on October 24 was for a specific purpose to be used through Rumania. This advance was afterwards withdrawn. The advance on November 15 was an advance made to pay interest due the United States.

In addition to the \$187,000,000 loan, above referred to, there is now due, as shown by the Treasury report of the date of November 15, 1920, \$14,092,609.30, which is the interest due on the Russian loan.

We also hold obligations of the so-called provisional Russian Government for war material sold by the War Department to various branches of that Government, dated August 8, 1919, \$406,092. We also hold the obligations of the provisional government for food-stuffs sent through the American Relief Administration the sum of \$4,465,465.07. This obligation is dated July 1, 1919. This money was taken from the President's fund of \$150,000,000. In addition to these sums there were a number of private loans floated in this country through J. P. Morgan, The Guaranty Trust Co., The National City Bank, and other large banking institutions prior to our entrance into the war. These private loans to Russia aggregate over \$96,000,000. Summing up all of these obligations we find that we are now holding Russian obligations aggregating over \$302,000,000.

In addition to these loans to the provisional Government of Russia direct we hold the obligations of various subdivisions of what was

formerly the Government of Russia in the aggregate of over \$30,000,000. These obligations are from the Government of Esthonia, Finland, Latvia, and Lithuania. If these Governments remain as separate Governments, then, of course, these obligations will eventually be paid by them if paid at all. But if Russia when it finally emerges from its present chaotic condition insists on recognition of its original boundaries, these Governments will be a part of Russia.

Immediately after the fall of the Kerensky government on November 1, 1917, the Treasury Department canceled all of the credits over and above the \$187,000,000 referred to.

The first act of the new bolshevik government of Russia was to declare that all foreign loans were from that date null and void.

When the United States Government first started making advances to the Kerensky provisional government that government then had to its credit in the National City Bank of New York City approximately \$11,000,000. In addition to the advances made by the United States Government it sold property belonging to the Russian Government in this country and realized therefrom approximately \$13,000,000. This made the total of its available balances approximately \$211,000,000.

During the summer of 1917 the provisional government entered into large contracts with American contractors for various war supplies. When the provisional government fell these contracts were in various stages of completion. Our Government, instead of declaring the provisional Government of Russia a bankrupt and stepping in and taking complete charge of the assets and administering the estate, continued to recognize the provisional government's ambassador, Mr. Bakhmeteff, and allowed him to carry on the functions of his office to the end that he settle up the affairs of the Kerensky government under the United States Treasury supervision of his bank balance.

During his term of office here as a de facto ambassador of the Russian people, Mr. Bakhmeteff has represented first the Milyukoff Kerenski government, second the Kolchak government of Russia, third the Wrangel government of Russia, and at the present time there is no faction in Russia strong enough to set up a de facto government which he could possibly represent.

Some interesting facts about the unbusinesslike manner in which the Russian affairs were administered by this government are shown by the fact that the War Department of the United States Government purchased from the provisional Russian government after its fall war munitions which had been contracted for by that government to the extent of \$11,000,000. Instead of paying that \$11,000,000 into the United States Treasury and crediting that sum as a payment on the Russian loan the \$11,000,000 was paid into the National City Bank to the credit of Mr. Bakhmeteff.

The Shipping Board chartered some vessels belonging to the provisional Russian Government. It paid Mr. Bakhmeteff over \$1,400,000 for these vessels. This money was paid direct to the National City Bank to Mr. Bakhmeteff's credit, but none of it was paid to the United States Government for credit on the loan or on the interest due from Russia. About \$300,000 remains due the Russian Government from the Shipping Board on these stocks. The Navy Department of the United States Government was indebted to the Russian Government for certain vessels it used. It also made payments direct

to Mr. Bakhmeteff instead of paying this money into the United States Treasury, where it could be credited on the Russian loan.

There was a fund of \$1,000,000 in gold deposited in the Mint at San Francisco, Calif., by the provisional government of Russia, as a forfeiture on certain war supplies which were to be purchased from the War Department of the United States. When the Kolchak government fell this contract could not be carried out. According to the contract the \$1,000,000 in gold was put up as a forfeiture. The War Department of the United States settled with the Russian Ambassador, charging him only \$585,000 on the contract. The remaining \$415,000 which this Government then had in its possession was immediately turned over to Mr. Bakhmeteff, instead of being credited on the Russian loan or interest.

At the time of the fall of the Kerensky government there was approximately \$56,000,000 in the National City Bank to the credit of that government.

According to Mr. Bakhmeteff's report, over \$50,000,000 munitions and supplies have been sent from this country to Russia. Practically all of these supplies could have been sold in this country and the money credited on the Russian loan if the matter had been handled in a businesslike manner.

In the data which I append hereto I desire to call especial attention to the enormous expenditures which were made by Mr. Bakhmeteff out of this fund. You will note in one of his salary reports that he used approximately \$2,500,000 for this fund. With this fund he was keeping up the embassy here, two or three consulates in this country, and several offices in Russia.

I want also to call the attention of the committee to the \$100,000 item of expense for sending the Russian provisional government ministers and agents to the peace conference.

It is also interesting to note that we paid \$1,239,000 as a printing bill for printing Russian paper money in this country, and you will find in the attached correspondence letters in which the defacto Russian ambassador requests that we keep up the embassies of the defacto government in South America.

I want to also call your attention to a cablegram from Ambassador Francis in which he states that Boris Bakhmeteff, the ambassador for the provisional government, was the financial agent of the Czar of Russia. He also cabled that the former Czar of Russia was the owner of approximately \$100,000,000 of stocks and bonds in various business concerns and railroads in this country. It would seem that these stocks and bonds having been purchased with the money of the Russian people would be subject to attachment by the Government of the United States and in that way this Government could get back some of the millions it has put up for Russia.

I will attach hereto the letter and documents which go to substantiate the statement made above.

In order that the committee may have the views of both the Treasury Department and Mr. Bakhmeteff about these loans, I have attached a synopsis giving the attitude of the Assistant Secretary of the Treasury and Mr. Bakhmeteff.

To make the Russian expenditures and loans complete, there should be added the amount spent out of the presidential fund not already referred to.

According to a partial report by President Wilson of the expenditures made by him under the \$150,000,000 appropriation given him for the purpose of prosecuting the war it appears that he spent \$15,815,523.67 for investigation, propaganda, relief work, and the operation of the railroads in Russia in 1917 and 1918. This report is filed with the Secretary of the Senate. The report includes the \$5,000,000 given to the Archangel district for relief purposes already referred to. It also includes an additional \$5,000,000 for relief work and \$4,500,000 for operation of the Siberian Railroad and an additional item of \$1,000,000 for military supplies in Russia. Also \$25,000 for a publicity campaign in Russia during 1917; \$50,000 for the Root Mission; and \$50,000 for the Railroad Mission.

All of these expenditures were made direct and we hold no obligations from the Russian Government or promises from them to repay this fund.

In addition to the funds above referred to a letter from Newton D. Baker, former Secretary of War, dated February 1, 1921, copy of which is attached to this report, shows that the cost of our military forces in the Archangel district from August 1, 1918, to March 31, 1920, amounted in all to \$1,149,428.88. This letter also shows that the expenditures by the War Department for the United States military forces in Siberia from August 1, 1918, to August 24, 1920, amounted in all to \$8,049,068.31. These items of course were expenditures by the Government of the United States and we hold no promissory note from Russia to cover them.

TREASURY DEPARTMENT,
Washington, June 28, 1919.

Memorandum for Mr. Leffingwell:

The Russian situation must be dealt with as a whole. The payment of interest on Russian securities held by private persons in the United States is only one element of the Russian financial situation which has produced one of the most difficult problems arising out of the war, and one in which the results obtained by the work of the State Department and the Treasury Department are a source of much satisfaction to those departments. Before the entry of the United States into the war the Russian Government had made large purchases in this country. These were financed in part by the British Government, which through J. P. Morgan & Co., who were then acting as the purchasing agents for the British Government, made a certain number of contracts for the Russian Government. In addition to their British credits, the Russian Government also obtained credits amounting to \$86,000,000 from bankers in the United States. A table of these private banking credits follows:

Details of Russian loans.

Title.	Term.	Rate.	Amount.	When made.	When payable.	Interest payable.	Collateral and secured.
Russian Treasury notes ¹	Years. 1	Pct. 5	² \$11,000,000	April, 1916	April, 1917	Nov. 1, May 1	Rubles. ³ 145,000,000
Russian credit ⁴	3	6½	⁵ 50,000,000	June 1916	June, 1919	(⁶)	150,000,000
Russian Treasury notes.....	5	5½	⁵ 25,000,000	Dec. 1, 1916	Dec. 1, 1921	.....	.....

¹ Renewed to May, 1918; again May, 1919. When this matured in May, 1918, holders urged to extend to May, 1919, upon an irrevocable allocation of funds being made to meet interest maturing during year. Interest rate seems to have changed at May 1, 1918, to 6 per cent.

² With National City Bank of New York.

³ Russian internal bonds.

⁴ The rate of 6½ per cent paid to syndicate by Russian ministry of finance on rubles and a commission of 1 per cent payable every 3 months. These charges, calculated in rubles, to be paid in dollars, at the rate of 1 ruble, or 3¾ cents.

⁵ With syndicate of American bankers, headed by National City Bank of New York.

⁶ Every 6 months.

⁷ Credit at State Bank. Petrograd.

When the United States entered the war and began raising great loans from its own people, it ceased to be proper to allow the foreign Governments to come into the money market in competition with the Liberty loans. The United States undertook to finance the requirements of the foreign Governments in the United States. A part of these requirements in the case of the Russian Government, as in the case of the British Government and the French Government, which had raised loans from private bankers, was the interest on such loans from private sources. When the United States undertook to finance the requirements of the Allies, the first step was to obtain from the various countries estimates of the financial help which they would need. In accordance with the statute authorizing the making of loans to foreign Governments, the Secretary of the Treasury from time to time established credits in favor of the respective governments. This establishment of credits did not thereupon give the respective governments a right to draw against the United States for the amount of the credit, but was in the nature of an apportionment to any government of a share in the funds which the Treasury was from time to time in a position to advance. The establishment of the credit usually stated that the credit was to be availed of against the obligations of the Government from time to time in such amounts and for such purposes as should be agreed upon with the Treasury. In order to keep the various governments from bidding up prices against each other, and against the United States, each Government was required to enter into a separate contract with the Secretary of the Treasury whereby three commissioners were appointed in connection with their purchases. The commissioners appointed in the contract made by the different countries were all the same and constituted the so-called allied purchasing commission, to which all the Governments proposing to make purchases in the United States were required to submit the contracts which they proposed to make. The first credit in favor of the Russian Government was for \$100,000,000 on May 16, 1917. The first advance of cash against this credit, however, was not made until July 6, when \$35,000,000 was advanced. At the date of this advance the Russian Government still had with the National City Bank deposits of between \$21,000,000 and \$22,000,000, being the proceeds either of British credits or of the above-mentioned loans made from private bankers. Later in July, Mr. B. Bakmeteff, the ambassador representing the so-called Provisional Government of Russia, or Kerensky government, submitted a general summary statement of the requirements of his Government in the United States, showing the necessity for \$733,900,000. In this summary statement were contained items of interest up to the 1st of January, 1918, on the above-mentioned indebtedness of the Imperial Government to private banking interests in the United States. This was in accordance with the declaration made by the Kerensky Government of its assumption of the debts of the Imperial Government. The Provisional Government, as represented by Mr. Bakmeteff, proceeded to make contracts with the approval of the purchasing commission and the War Industries Board for the purchase of supplies in the United States, and the Treasury continued to establish credits and to make advances in accordance with the statement presented to you by Mr. Polk.

As of the 1st of November, 1917, the total established credits were \$450,000,000 and cash advances had been made to the extent of \$186,400,000. On November 7 the Kerensky government was overthrown. On the 15th the first payment of interest on obligations held by the United States was due and the Treasury advanced against an obligation signed by Mr. Bakmeteff the sum of \$1,329,750, which were at once repaid to the Treasury as interest on advances which had been made by it to Russia. This brought the total of the cash advances made by the Treasury of the United States to \$187,729,750. No further cash advances have been made to the Russian Government by the United States and the excess of credits established in favor of Russia above the amount of these advances has been withdrawn. It is to be remembered that at the time of the overthrow of the Kerensky Government it was not in this country considered certain that the bolsheviks were in fact successful and, if so, that they would be able to maintain their power, as the news at that time was far from clear. By the 1st of December, however, the success of the bolsheviks appeared to be certain. Thereupon there was presented the extraordinarily difficult question of dealing with the Russian financial situation in the United States. As of the 1st of December, the unpaid balances on contracts made by the Russian Government

with our people was something over \$102,000,000. The contracts were in all stages of performance. The funds on hand of the Russian Government in the United States amounted to about \$56,000,000. These funds consisted of cash, and it is impossible to say how far they consisted of the \$21,000,000 which the Russians had before the United States began making advances to it, and how far they consisted of the proceeds of advances by our Treasury.

Two important considerations were involved in liquidating the Russian situation: The first was, in so far as possible, to prevent actual losses to American contractors; the second was to save for Russia as much as possible of the supplies which had been contracted for. The great danger was that, if the Russian financial situation in the United States was to be treated as a case of insolvency on a large scale, there would be a so-called race of diligence by the contractors who had contracts, and by the banking interests who had advanced money, to grab everything in sight for the purpose of securing their claims. This would undoubtedly have resulted in very great losses, particularly to the contractors, and nothing would have been saved for Russia. To prevent this situation, the State Department and the Treasury cooperated to direct a liquidation which would prevent such a calamity. At the end of December, 1917, as a result of the payment, cancellation, or reduction of contracts, the unpaid balance of contracts, which a month before, amounted to over \$100,000,000, was less than \$50,000,000.

On the 1st of May, 1919 the estimated position of the Russian Government, allowing for amounts expected to be received and payments expected to be made, showed a balance of \$800,000, aside from the liquidation of the so-called Remington contract, which is now in arbitration and which may result in a debit of about \$3,000,000. This situation does not take into account properly of the cost of probably between \$25,000,000 and \$50,000,000, which has been conserved for the Russian Government, and most of which has been shipped to Russia during recent months. In order to protect the material which was being conserved for the Russian Government, it was quite as necessary to prevent the occurrence of a default on obligations due to bankers in this country, as it was to liquidate the claims of the contractors. For this reason it was necessary that an extension be arranged of the \$11,000,000 of notes, the principal of which fell due in April, 1917, and to pay the interest which became due from time to time on the bonds held by private interests in this country. Accordingly, the United States Government did not object to the payment out of the funds at the disposal of the Russian Government of interest upon the external obligations of the Russian Government held by private interests as it became due. Part of the funds at the disposal of the Russian Government consisted of the proceeds of rails and other merchandise which had been sold at advantageous prices as a part of the liquidation. These funds, together with the proceeds of the chartering of certain ships belonging to the Russian Government, amounted to in the neighborhood of \$13,000,000. The rails owned by the Russian Government in this country had been bought in part out of United States credits and in part out of other resources of the Russian Government, in the proportion roughly of 40 per cent out of United States credits and 60 per cent out of other resources. The total expenditures reported by the Russian Government to have been made since December 1, 1917, amount to about \$66,000,000, or about \$10,000,000 more than the cash on hand December 1, 1917. Considering this fact and considering that some part of the cash on hand December 1, 1917, may properly be attributed to the balance of \$21,000,000 on hand before any United States advances were made, it can be argued with considerable plausibility that the interest, amounting to about \$9,000,000, paid by the Russian Government to the private holders of bonds in this country was not paid out of United States advances or the proceeds thereof. On the other hand, it is clear that even assuming such interest to have been paid out of American advances for the purpose of keeping the Russian financial situation in this country together, with the result that our contractors have lost nothing and a large salvage has been obtained for the Russian Government and large payments of freight have been made in sending much of this salvaged material to Russia, where it is so greatly needed, such payments have been a small price for an astonishingly great and creditable result.

SECTION 48-A.

Bakhmeteff's Résumé of Russian Loans.

MARCH 12, 1920.

Mr. WADE H. ELLIS,
Southern Building, Washington, D. C.

SIR: In response to your request on behalf of the subcommittee of the Committee on Foreign Relations, United States Senate, which is investigating Russian propaganda in this country, I furnish you herewith a copy of a letter addressed to me under date of March 4, 1920, by the Russian Ambassador at Washington, together with a copy of its inclosure, relating to the liquidation of the financial business of the Russian Government in this country.

I am, sir,

Your obedient servant,

FRANK L. POLK,
Acting Secretary of State.

(Inclosure: Letter from Russian Ambassador; copy of inclosure.)

AIDE MEMOIRES.

I. PERIOD PREVIOUS TO THE BOLSHEVIKI REVOLUTION.

1. In accordance with the acts of April 24 and September 24, 1917, credits were established at different periods by the United States Treasury in favor of the provisional government of Russia, the amount of such credits totaling \$450,000,000. A special appropriation was decided upon besides for the purchase of additional railway material, but this allocation, on account of events, did not become effective.

Advances amounting in the aggregate to \$191,400,000 were made against these credits during a period beginning July 6, 1917, and ending November 1, 1917. A further advance of \$1,329,750 was effected on November 21, 1917, for the specific purpose of paying interest due to the United States Government on moneys theretofore advanced. The \$1,329,750 was immediately paid back to the United States Treasury.

The total advances of \$192,729,750 included \$5,000,000 allocated for a special operation with Rumania. As this transaction did not materialize, the \$5,000,000 was returned December 3 to the United States Treasury.

Deducting such \$5,000,000 from the total leaves \$187,729,750 as the actual advances made by the United States to the provisional government of Russia. 2. For such advances the United States received obligations of the provisional government of Russia. The funds were advanced at a time when the provisional government was functioning as the legally recognized Government of Russia. The embassy was acting as an agency of such Government and the authorities in Petrograd were entirely responsible for the disposition of funds during this period.

3. Besides money received from the United States the Russian Government possessed in this country certain funds remaining from proceeds of previous financial transactions. The balance of such funds on July 6, 1917, the date of receipt of the first advance from the United States Treasury, represented \$22,643,891.75. About \$6,500,000, derived from different sources other than United States loans, was further credited to the accounts of the Russian Government within the period between July 6 and December 1, 1917, and was used in common with moneys received from the United States Treasury.

II. PERIOD AFTER THE BOLSHEVIKI REVOLUTION.

1. On November 8, 1917, the provisional government of Russia fell and the power in Petrograd was seized by the bolsheviks. As a result the United States Government suspended further advances of cash and the balance of credits, established in favor of the Russian Government, became ineffective.

The embassy was faced thus with a situation where it was compelled to handle rather extensive liabilities incurred by the Russian Government in the United States, relying solely on funds on hand on different governmental accounts.

It was, however, the firm decision of the embassy to use its best endeavor to meet as fully and for as long as possible the obligations of the Russian Government in this country. Such course was considered an act of justice toward the American contractors and bondholders who in best faith had entered into transactions with Russia. It was believed, moreover, that it would well serve the future relations of Russia with this country if forced disruption of business relations could be avoided and Russia's liabilities liquidated by amiable compromise and settlement.

It was generally felt besides that the period of no legal government in Russia would be of shorter duration, and was judged desirable, therefore, to continue more or less a normal course of relations so that, with a legal government restored, business activities could be resumed without interruption.

2. The funds at hand being inadequate to meet the liabilities as they stood, it was imperative to proceed at once with a systematic revision of all contracts for the purpose of arriving, by agreement, at proper cancellations or reductions. The policy of the embassy, however, was to effectuate such reductions only as far as was required by financial exigencies. The aim of the embassy was to conserve as much as possible the supplies, those on hand as well as those due on incomplete contracts, with the view to shipping them as soon as practicable to Russia.

3. After consultation with the United States Government and the banking institutions it was decided to amalgamate the different funds available on Russian governmental accounts, irrespective of their previous destination, into a special segregated set of accounts with the National City Bank of New York. The funds credited to these "liquidation accounts" were to be considered as placed in trust for the following purposes:

Payments on contracts, as well as expenses for transportation, insurance, and inspection; payment of obligations arising from loans; upkeep of Russian institutions in the United States, and other administration expenses.

Although no formal agreement was entered between the United States Government and the ambassador, still there was an understanding with the Department of State and the Treasury, as a result of which the distribution of the funds was effected with the knowledge and subject to the control of the Treasury. A list of proposed payments was presented to the Treasury from week to week and only disbursements to which it took no exception were made. In addition, a monthly statement was presented to the Treasury in the regular established form.

4. Such procedure was decided upon in the latter part of November, 1917, and the "liquidation accounts" were thereupon established with a balance of \$47,010,203.94. Due to previous segregations or particular conditions, it was necessary to leave \$9,166,517.98 on accounts "set aside for specific purposes." It was understood, however, that in so far as these specific liabilities might later be reduced, moneys set free would be used for general liquidation requirements. In fact, the account set aside for specific purposes were subsequently reduced to \$6,047,272.87 and the balance of \$3,119,245.11 added to the liquidation fund. Such balance of \$47,010,203.94 and \$9,166,517.98 included the total of funds, derived from Russian governmental accounts, which came under the control of the ambassador.

The aggregate of \$56,176,721.92 (\$47,010,203.94 and \$9,166,517.98) was subsequently increased by funds derived from the disposition of certain supplies, receipts from charter of Russian steamers, proceeds of certain adjustments, etc. From such miscellaneous sources the ambassador secured \$22,507,626.01, which added to the initial \$56,176,721.92 made the sum of \$78,684,347.93. This being the grand total of funds under control of the ambassador from December 1, 1917, until January 1, 1920.

It is apparent that a considerable portion of this fund was not derived from United States Treasury loans. In fact the major part of funds added after December 1, 1917, had no connection whatever with United States Government advances. Within the total of \$78,684,347.93 at least \$26,400,000 can distinctly be traced as not being United States Treasury money. The definite figure of non-American moneys in the balance of \$52,284,347.93 can not be established with precision, as most accounts in the past were credited with both American and non-American funds.

III. RESULTS OF LIQUIDATION.

1. The most important and intricate part of the liquidation procedures referred to contracts for different kinds of supplies, the amount of liabilities on which, in the end of November, 1917, was about \$103,000,000. The reduction and cancellation procedure was accomplished in closest collaboration with the United States Government, which was especially concerned about the successful performance of the undertaking.

The general line established was that while strictly military contracts were canceled in the greatest possible measure, arrangements affecting supplies for civil purposes, were reduced only in measure, as was imperatively necessitated by the shortage of funds. In most cases the revision of Russian contracts served as a basis for a diversion of production for supplies needed by the United States or by the other Governments at war with Germany.

The position of business on January 1, 1920, leaves no outstanding liabilities whatever with reference to contracts placed in the United States by the Russian Supply Committee prior to the Bolshevik revolution. The liquidation of Russia's obligations in this line has been completed without any defaults in payments and has been consummated entirely to mutual satisfaction on lines of amiable agreement.

2. As to the financial liabilities arising from loans previously made by the Russian Government through private financial concerns, the embassy, being in no position to meet the maturing principal, has continued, as long as possible, current payment of interest. As a matter of fact interest was paid in full approximately for 18 months, that is, until June, 1919, when the exhaustion of funds compelled the discontinuance of the established practice. The circumstances accompanying such suspension were explained, together with the assurance of payment of defaults by the future recognized legal Russian Government, in communications addressed to the banks and made public through their respective circulars together with a statement issued by the Acting Secretary of State.

3. Shipments of supplies to Russia were resumed in the latter part of 1918 and continued in 1919. On January 1, 1920, practically the whole of the stocks, of which the greater part consisted of railway material, shoes, leather, and agricultural implements, had been shipped to Siberia, to the south and into the northern regions of Russia.

As to the disposition of materials by sale, the purpose of the embassy has been to conserve all possible supplies. In fact, *no* leather, shoes, agricultural implements or material needed by the civil population were sold. The major part of the sales consisted of rails, required by the United States and other cobelligerent Governments for military purposes. The sale, under such circumstances was a transfer of supplies to an allied army. This fact was in conformity with the general policy of the embassy, which together with loyal Russia, not having recognized the treaty of Brest-Litovsk, considered itself at war with the Central Powers and endeavored to be of any possible assistance to the common cause. The only sale of any importance outside of rails was a stock of barbed wire, needed at the Italian front at a most critical moment.

4. The total disbursements from December 1, 1917, to January 1, 1920, amount to \$77,302,935.99, leaving a balance of \$1,381,411.94. Of this figure \$461,313.44 is the remainder of the "liquidation accounts," while \$920,098.50 is the balance of the accounts "set aside for specific purposes." This balance represents a special reserve, secured to guarantee the claim of such Russians who in time had arranged for transfer of their savings through the Russian consulates to their relative in Russia. The reserve is maintained in order to refund transfers which could not be delivered due to disturbed conditions on the other side and exactly corresponds to the remaining total of unrefunded transfers. This is emphasized because of misrepresentations which have appeared as to the use of funds entrusted to the consulates.

5. In the total amount expended at least one-third is money derived from sources other than American credits. Thus not only all expenses concerning the upkeep of Russian institutions but the total of interest paid to American bondholders is amply covered by funds which the Russian Government possessed or which have been received by the embassy independently of the advances made by the Department of the Treasury.

March 1, 1920.

S. Doc. 86, 67-2—7

SECTION 49.

National City Bank Deposit.

NOVEMBER 22, 1917.

DEAR MR. SECRETARY:

Mr. Gardin, a vice president of the National City Bank, informs me that his bank has on deposit between \$60,000,000 and \$70,000,000 in various accounts for the Russian Government, and inquires whether, in view of the existing situation in Russia, he should continue to honor drafts upon these accounts drawn by those representatives of the Provisional Russian Government who were accredited to him by it before the recent disturbances.

These amounts on deposit doubtless represent sums advanced by the United States before the recent disturbances in Russia and for which the United States holds the certificates of indebtedness of the Provisional Russian Government. Mr. Gardin's question seems to me to be one which can only be answered properly by you. As checks for large amounts may be presented any day, it seems to me to be a matter of first importance that the views of the State Department should be indicated promptly—to-day if possible. Mr. Gardin came here in person and is hoping to take back with him instructions upon the point. What he would like to know is whether he should honor checks drawn in the manner indicated, and may continue to do so until otherwise notified by you.

Cordially, yours,

WM. G. MCADOO.
Secretary.

The honorable the SECRETARY OF STATE.

SECTION 50.

Treasury Department Memo on Russian Loan.

TREASURY DEPARTMENT,
Washington, November 26, 1917.

The Russian Government has received in cash up to date \$192,729,750. From the information so far obtainable, it would appear that approximately \$48,400,000 represents payments on account of old contracts for purchases in this country, and approximately \$25,000,000 payments from cash received on account of new contracts (for which allocations were made); \$1,329,750 represents interest payments, and \$50,000,000 was account of Finland, which leaves a balance of approximately \$68,000,000, which was practically a free credit turned over to the Minister of Finance. This \$68,000,000 plus the \$50,000,000 for Finland, makes a total of \$118,000,000, which did not represent purchases in this country and no definite information has been given as to how this was employed.

N. H. D.

SECTION 51.

Bolshevik Government Cancels All Loans.

STOCKHOLM, *December 7, 1917.*

1137, 7th.
SECRETARY OF STATE,
Washington D. C.:

Stockholm's Dagblad to-day publishes following from Petrograd, via Svenska Telegram Bureau: The Maximalist, Laurie, has published article in Pravda, stating that it *will be necessary to annul all war loans taken up or guaranteed by Russian Government.*

Pravda is chief organ of Bolsheviks, and Laurie lived here in Stockholm until outbreak of revolution, known as student of economic questions.

MORRIS.

SECTION 52.

Résumé of Russian Financial Loan—Situation by Basil Miles, of State Department, Showing Need of Money for Relief, Propaganda, and \$2,500,000 for Officers' Salaries.

DECEMBER 10, 1917.

Memorandum for the Secretary.

Referring to the attached long memorandum, handed me by Miles: It seemed to me that we should adhere to our program, namely, to insist upon slowing down on all Russian contracts for rifles, munitions, etc., and to oversee the expenditure of the money now on hand with a view to the protection of American manufacturers, who have made contracts with the Russians. However, I think that the present situation calls for large expenditures and organization for propaganda, and for relief, and that food and military supplies should be sent forward to Russia, that so far as the money is on hand, here available, for the purpose it should be used and that so far as it is wanting the President's discretionary fund should be used. I question very much the advisability of sending forward railroad equipment until there is some definite assurance that it can be effectively used for Russian relief and not for German military purposes.

It is also important that the United States should decide promptly whether it will give aid to Kalendin and the southern Russians. It seems to me that this matter is one of the most vital matters in the war at the present moment. I hope very much that you and Secretary Lansing will be able to have a conference concerning it, if possible, with the President.

R. C. LEFFINGWELL.

The SECRETARY OF THE TREASURY.

RUSSIA.

DECEMBER 11, 1917.

Credits have been established in favor of Russia to the amount of \$450,000,000, including one of \$125,000,000 established immediately before the collapse of Russia and to which were attached conditions making its availability, to say the least, extremely doubtful. Excluding that credit, the amount of credits was \$325,000,000 and the amount of actual advances to Russia is \$187,729,750. The establishment of a credit meant that the United States had set aside out of the total authorized by Congress to be loaned to foreign Governments a specific amount which would be loaned to Russia upon receipt of her bonds or certificates of indebtedness. In certain instances American manufacturers made inquiry and were informed of the establishment of these credits and that the Russian ambassador had requested that a specific amount be set aside against their contracts to be paid out to the duly accredited representative of the Russian Government with the understanding that such sum would be used by him only in payment of the liability of the Russian Government under the contracts. This arrangement was, of course, ineffective to protect the American manufacturer in case there were no Russian Government or no accredited representative of the Russian Government, or if the Russian Government and its accredited representative failed to avail themselves of the credit for the purpose indicated, or, perhaps, if Russia ceased to be in the war. This was understood by those American manufacturers who gave the matter any consideration, and it is safe to guess that they all realized that the United States was prepared to lend money to the then existing Russian Government and was not guaranteeing the continued existence of the Russian Government or its continuance in the war.

Some of the contracts were approved by the Purchases Commission, consisting of Messrs. Baruch, Lovett, and Brookings. The arrangement under which the Purchases Commission was formed provides as follows:

"Nothing herein contained, expressed or implied, nor anything done or omitted by the commission, shall impose any obligation or liability upon the United States whether to advance moneys, to establish credits, or otherwise."

When the Russian affairs became acute the National City Bank had \$60,000,000 or \$70,000,000 on deposit in various accounts subject to the order of various representatives of the Russian Government, and they asked the Secretary of the

Treasury whether the City Bank was protected in paying upon their checks. The Secretary of the Treasury consulted the Secretary of State and, at the suggestion of the Secretary of State, Mr. Polk and Mr. Leffingwell saw the Russian ambassador who agreed to take the initiative in limiting the liabilities of the Russian Government under existing contracts as far as that could be done in cooperation with the Purchases Commission, and to render so much as possible of the funds on deposit with the City Bank available for the inevitable payments to American manufacturers.

The Bolsheviki Government has disavowed the ambassador and the other representatives here and the City Bank has received cable instructions from Petrograd not to honor their orders.

1. In the existing situation of Russian affairs it is submitted that to allow the situation to drift and to encourage the City Bank to permit Ughet with Bakhmeteff's acquiescence to dissipate the great fund which is in the City Bank involves more risk than to deal firmly with the situation.

2. That the City Bank should be told to permit such payments only as are approved by the representatives of the Purchases Commission, consisting of Messrs. Baruch, Lovett, and Brookings.

3. That American manufacturers should be told by the Purchases Commission to adjust their contracts on the basis of terminating work at once with a minimum of loss, and that they should be paid out of the funds in the City Bank.

4. *That an exception should be made in the case of such materials and supplies as are needed for relief*, and that no further work should be done under contracts for arms or munitions, and that contracts for railroad equipment should be stopped or work on them postponed until some definite assurance can be given that the equipment can be effectively used by skilled crews adequately protected.

Generally speaking, it is believed that the United States should, through the Red Cross, and perhaps with the aid of the President's discretionary fund, engage immediately actively, but unofficially, with works of relief and propaganda in Russia; that it should not sanction the dissipation of the fund in the City Bank by the Russian supply committee for purposes which may well be regarded as inimical by the Russian people, but should sanction the use of that fund in so far as it may be necessary to cover contracts entered into before the latest revolution with the American manufacturers.

With respect to the specific question of silver, it is a grave responsibility to direct the City Bank to pay \$500,000 for silver to be sent through the British to Kaledin. That involves a question of State.

The situation has drifted for two weeks during which the ambassador has gone through the motions of trying to do what was indicated to him by Mr. Polk and Mr. Leffingwell and has done precisely the opposite. His whole policy is to carry on as though nothing had happened and hope that before the funds are exhausted the situation will have been reversed and his party be in power.

Although the City Bank have said from time to time that there were \$60,000,000 or \$70,000,000 in the City Bank, the Russian ambassador now states that there is only \$52,000,000, of which upward of \$9,000,000 is in special accounts and can not be touched. \$20,000,000 he proposes to set aside for American contracts. \$6,000,000 he proposes to use for payment of interest on the old Russian debt to and including July 1 next, etc., and \$10,000,000 for certain special contracts, etc., of which \$3,000,000 is for transportation, and \$2,500,000 for the office expenses and salaries of the supply committee up to next July.

SECTION 52-A.

Table Showing Russian Loan Expenditures to December 12, 1917.

Distribution of cash advances to Russia to December 12, 1917.

Date of payment.	Total.	Purchases in United States.			Silver.	Finland payments.
		Approved by Purchases Commission.	Not approved by Purchases Commission.	Total.		
1917.						
July 6.....	\$35,000,000		\$26,300,000	\$26,300,000		
July 13.....	10,000,000					\$10,000,000
Aug. 1.....	2,500,000				\$2,500,000	
Aug. 22.....	2,500,000				2,500,000	
Aug. 24.....	37,500,000	\$8,000,000	7,900,000	15,900,000		
Aug. 30.....	10,000,000					10,000,000
Sept. 25.....	15,000,000					15,000,000
Oct. 2.....	\$2,200,000	3,900,000	3,300,000	7,200,000		
Oct. 11.....	5,000,000				5,000,000	
Do.....	15,000,000					15,000,000
Nov. 1.....	31,700,000	13,600,000	1,000,000	14,600,000		
Nov. 20.....	1,329,750					
Total.....	187,729,750	25,500,000	38,500,000	64,000,000	10,000,000	50,000,000

Date of payment.	Other purposes.						Total.
	Current expenses of Russian Ministry of Finance.	Credit operations.	Transportation.	Swedish payments.	Expenses of Russian mission in United States.	Interest on United States loans.	
1917.							
July 6.....		\$7,000,000	\$1,500,000		\$200,000		\$3,700,000
Aug. 24.....	\$15,000,000		1,000,000	\$5,000,000			21,600,000
Oct. 2.....	15,000,000						15,000,000
Nov. 1.....	15,000,000	800,000	1,300,000				17,100,000
Nov. 20.....						\$1,329,750	1,329,750
Total.....	45,000,000	7,800,000	4,400,000	5,000,000	200,000	1,329,750	63,729,750

NOTE.—The sum of \$5,000,000 was advanced on October 24 on account of Rumania, but was refunded December 7.

DECEMBER 12, 1917.

Mr. H. UGHET,
*Russian Financial Attaché,
 Flatiron Building, New York City.*

DEAR SIR: We beg to refer to a copy of a letter which you have left with us dated November 28, 1917, addressed to The National City Bank of New York by His Excellency the Ambassador of the Provisional Government of Russia, in respect to the disposition of all moneys now standing at his disposal and all money which he may hereafter deposit.

There are no moneys deposited with this company standing at the disposal of His Excellency. Of course, any money which His Excellency may hereafter deposit with us will be subject to his instructions or those of his duly constituted successor.

We have, however, an account in which there is a balance of \$4,976,722.78 standing to the credit of the Ministry of Finance, Section Etrangere. This was opened in July, 1916, and moneys in this account may be paid out only upon the signature of two of certain designated officials of the Ministry of Finance.

It has been customary for us to honor cable instructions directing payments out of this account, which cable instructions have in each case been confirmed by proper written orders. Under present conditions we do not see how we can honor such cable instructions, nor do we see how we could honor written orders signed by the persons previously designated to draw on this account without the assurance of our Government that such persons still have authority to act. Nor have we any authority for the transfer of these funds.

We must, therefore, for the present continue to hold these funds to the credit of such account.

Very truly, yours,

President.

SECTION 52-B.

Czar Nicholas's Holdings of Millions in American Companies—Bakhmeteff, the Czar's Financial Agent.

Cable message from American Ambassador at Petrograd to the Secretary of State.

No. 2105, December 15, 6 p. m.

In answer to inquiry concerning money of people under Czar, the Bolshevik newspaper *Pravda* states to-day that investments in the United States are held by Nicholas as follows:

In Pennsylvania Railroad, \$50,000,000; in New York Metropolitan, \$16,000,000; in New York Central, \$5,000,000; and in Baltimore & Ohio, \$5,000,000. The *Pravda* adds that Mr. *Bakhmeteff*, Russian Ambassador in Washington and professor of Petrograd Polytechnic Institute, *was Nicholas's financial agent*. If the department approves, this is also for the information of the Russian Ambassador.

SECTION 53.

Russian Contract Situation December 17, 1917.

TREASURY DEPARTMENT.
Washington, December 17, 1917.

DEAR MR. POLK: I beg to acknowledge the receipt of the communication of December 7 from the Department of State, inclosing a paraphrase of a telegram from the American ambassador at Petrograd, dated December 1, 1917, making certain inquiries as to the status of credits for purchases of the Russian Government. All of the final details of Russian expenditures on contracts from November 1 to date have not been received, and the Purchases Commission has not as yet been able to furnish us with definite information as to the value of clearances and the amount of orders now ready to be shipped. I beg to submit, however, the approximate estimates obtained on the above items and the other information requested by the ambassador at Petrograd for your guidance in replying to the cable received from him:

Total credits established in favor of Russia, \$450,000,000, of which \$75,000,000 was for the account of Finland.

Total cash advanced, \$187,729,750, of which approximately \$74,000,000 was for payment on account of purchases here, \$50,000,000 for account of Finland, and \$63,729,750 for other purposes, leaving an unconsumed credit of \$252,270,250.

According to latest reports received, the balance due by Russian Government on uncompleted contracts on November 1 was \$108,295,590 payable from United States credits, and \$22,431,900 payable from other credits.

As nearly as we can ascertain the approximate value of clearances amounts to \$12,000,000, and purchases ready for shipment, \$25,000,000. This does not include clearances and stock on hand on old contracts made under British or other credits.

Very truly, yours,

HON. FRANK L. POLK,
Counselor for the State Department.

SECTION 54.

Ambassador Francis Says "Russia Is No Longer in the War."

[Paraphrase of a telegram from the American ambassador at Petrograd, dated Dec. 17, received Dec. 20, 1917.]

2113, December 17, 11 p. m.

The conclusion of the armistice is for a period of 28 days. This may be terminated on a notice of seven days, but in the event that no such notice shall be given, the extension of the armistice is automatic. According to what I have heard it is Trotsky's opinion that a success has been achieved, but another success of the same character is worse for him than defeat. *In my opinion its significance is that Russia is no longer in the war.* On Saturday Trotsky made a speech in which he threatened the use of the guillotine, and it was said by Lenine that the government of the soviet was above the government of the constituent assembly, and he argued in favor of the justice of the treatment of the cadets. I received a visit from two Poles who alleged that they would be able to raise an army of Poles to fight Germany amounting to 800,000 men, and that in the Austrian Army—400,000 men of Polish nationality—would fight against the Central Empire. So many of these rumors appear to have no foundation, but I will make an investigation and report. I do not regard the statement as of much importance. The report goes that it is being arranged that the commissioners of Germany shall come to Petrograd with a view to peace negotiations, and that German soldiers should protect them in Petrograd. Within the vicinity of the embassy there have been fewer depredations, but in other sections they continue, and the nerves of the people are so badly shaken that they would be glad to have a monarchy, or even German rule, if there could be thereby restoration of order.

This afternoon there was a meeting of the diplomatic corps for consideration of the note respecting couriers. (Reference is made to my No. 2107.) There was an adjournment of the meeting until the 20th, after provision had been made for the appointment of the committee of one employee of the neutrals and two of the allied powers who should receive instructions to make an unofficial visit to the Smolny Institute, and advise them of the impossibility of the plan proposed, and to furnish them with a suggestion as to another. The employees selected were the Danish, French, and British, as it is stated that those Governments require the employment of couriers. Provided there is no prohibition of telegrams I will not need a courier for a month. My colleagues express fear that this prohibition of telegraphing will be enforced. The proposition to accept the plan of Trotsky with the condition attached that no propaganda work should be done by couriers was opposed by me, and I put the question to the meeting: "Is there a diplomatic mission of the soviet government in any capital?" A statement was made in reply by the Dutch minister, "In Sweden," but the minister of that power was not present at the meeting. I learned that the French and British embassies have been asked to visé the passports of the soviet couriers, but that they refused to do so, stating that there has been no recognition of the soviet government. I have received no application to visé the passport of a courier to the United States.

SECTION 54-A.

Russian Bank Accounts.

DECEMBER 26, 1917.

DEAR MR. POLK: The sums which the *Russian Ambassador* regards as available for payments upon American contracts are insufficient to cover those contracts. You are familiar with the difficulty of handling the situation otherwise than through funds already at the disposal of the Russian representatives.

There is a fund of \$9,000,000 or thereabouts which is in the City Bank and which the ambassador regards as not available because not subject generally to his instructions. There is a fund of \$4,000,000 or thereabouts in the hands of the Guaranty Trust Co. as appears from their letter to you of which you sent me a copy with your letter of December 15. A fund amounting to £3,000,000 in all was transferred in amounts of £1,000,000 each on October 9, October

31, and November 12 for account of the Russian Government to the London City and Midland Bank, Limited, in London, as appears by Mr. Gardin's letter of November 23, of which a copy is inclosed herewith.

The question whether and to what extent and in what manner these sums could be made available for payment to American manufacturers is one upon which the State Department can, I think, be of very great assistance, and, if you should be willing to take these matters up with the ambassador, I should be glad if you would have him come to see you and let me be present with a view to discussing these things.

Very truly, yours,

R. C. LEFFINGWELL.

Hon. FRANK L. POLK,

Counselor for the Department of State, Washington.

P. S.—I learn just now that Prof. Lomonosoff has funds which are subject to his own disposition, which make him apparently more or less independent of the ambassador. It would be interesting to find out what is the amount of these funds and what are the conditions with respect to them.

DIVISION OF OPERATIONS,
UNITED STATES SHIPPING BOARD EMERGENCY FLEET CORPORATION,
Washington, January 4, 1918.

Mr. NORMAN H. DAVIS,

Assistant Secretary of the Treasury.

Washington, D. C.

DEAR SIR: I beg to acknowledge the receipt of two statements of Russian materials, which you were kind enough to return to me by your letter of January 2.

Very truly, yours,

Additional payments to be made by the Provisional Government of Russia from funds in the National City Bank.

Secretarial department:

P. A. Morosoff, traveling expense-----	\$260. 72
Various employees, financial department—Extra compensation-----	883. 16
P. A. Morosoff, office expense-----	2, 000. 00

Murman Railway:

Jacob Dreyfus & Sons, clothing-----	6, 328. 38
New England Steamship Co., freight-----	6. 78

Naval department:

Melchoir, Armstrong & Dessau, spare parts-----	354. 00
Melchoir, Armstrong & Dessau, motors-----	28, 880. 00
C. D. Durkee & Co., ships' telegraphs-----	887. 50
P. Hansen, cartage-----	9. 27

Commissariat department: United States Horse Shoe Co., horse shoes-----

18, 841. 55

Russian financial attaché:

French technical bureau-----	67, 300. 00
American Bank Note Co.-----	59, 000. 00
C. J. Medzikhovsky-----	806. 33
V. P. Ananieff-----	168. 80
Eng. Goodkoff-----	350. 00

Machinery department:

Barber Colman Co., machinery-----	137. 17
National City Bank, account General Electric Co., machinery-----	3, 677. 00
B. F. Sturtevant Co., freight-----	228. 62

Central war industrial committee:

McElwain, Morse & Rogers, shoes-----	65, 302. 80
Endicott, Johnson & Co., shoes-----	112, 346. 20

Transportation department: Emergency Fleet Corporation (deferred payment not included in total)-----	\$535,301.35
Railway department: Greenlee Brothers Co., machinery-----	1,674.00
All Russian Zemsky Union, account Pekosnarm: Suttan-Vaughn Equipment Co., saws-----	3,780.00
Additional items:	
National City Bank, interest on 6½ per cent credit operations, due Jan. 10-----	1,625,000.00
One-fourth per cent commission to National City Bank-----	125,000.00
K. Fallon, representative of the ministry of supplies-----	10,000.00
Peoria Cordage Co., for 500 tons binder twine-----	212,914.00
International Harvester Co., freight-----	233,719.86
Bishop Alexander (clergy, etc., in America)-----	24,000.00
Total-----	2,590,856.14

SECTION 55.

McAdoo's Letter Stating That United States Should Recognize No Government in Russia Which Did Not Validate All Russian Loans—Lansing's Reply.

JANUARY 17, 1918.

HON. ROBERT LANSING,
Secretary of State.

DEAR MR. SECRETARY: I need not, of course, remind you of the difficulties which have arisen in connection with the Russian revolution nor of the steps which have been taken to meet them. As to these, you have been, directly and through the Counselor of the Department of State, kept fully informed. Credits have been established to the amount of \$325,000,000 against which advances, evidenced by demand obligations signed by Mr. Bakhmeteff as ambassador of the Provisional Russian Government, have been made to the aggregate amount of \$187,729,750. A further credit of \$125,000,000 was established on November 1, 1917, but to it were attached conditions which, in view of the existing situation, are regarded as making it unavailable and concerning which credit, therefore, no public announcement has been made in this country.

Heavy commitments had been assumed by the Russian representatives here, as to many of which the Treasury Department had been notified and as to some of which the Treasury Department had been in direct communication with the American contractors. In close consultation with the Department of State and the Treasury Department the Russian representatives here have made adjustments in respect to these commitments and payments to these contractors out of funds which were on deposit in the National City Bank subject to their draft before the change in the Russian situation early in November.

With reference to all of these matters, I have to suggest that if and whenever there shall be presented to you the question of recognizing any government in Russia other than the Provisional Russian Government, with which we have been dealing since the entrance of the United States into the war, the United States should make a condition of its recognition of any such government the ratification of the indebtedness incurred by the Provisional Russian Government to the United States and of all the terms and conditions thereof, and the ratification of the transactions of the representatives here of the Provisional Russian Government which have been had under the supervision or in consultation with the United States as represented by the Department of State and the Treasury Department. If and when the question of any such recognition of another government in Russia should arise, I should be glad if you would consult me in order that I may make more specific suggestions with reference to such ratification as I shall be able to do on account of my familiarity with the details of these loans and transactions.

I am, my dear Mr. Secretary,
Cordially, yours,

WM. G. McADOO, *Secretary.*

THE SECRETARY OF STATE,
Washington, January 17, 1918.

HON. WILLIAM GIBBS MCADOO,
Secretary of the Treasury, Washington.

MY DEAR MR. SECRETARY: I acknowledge the receipt of your letter of even date with reference to credits established by this Government in favor of the provisional Russian Government.

I thank you for the information contained in this letter, and I can assure you that before any other government in Russia is recognized, I shall confer with you fully as to the best method of providing for the recognition by such government of the indebtedness incurred by the provisional Russian Government to the United States.

I am, my dear Mr. Secretary,
Sincerely yours,

ROBERT LANSING.

SECTION 56.

Bolshevik Decree Canceling All Loans.

DEPARTMENT OF STATE,
Washington, February 11, 1918.

The Secretary of State presents his compliments to the honorable the Secretary of the Treasury, and has the honor to give herewith, for his information, a paraphrase of a telegram No. 2348, February 8, 10 p. m., received from the American ambassador at Petrograd, as follows:

"A decree of the council of commissaries has just been approved by the central executive committee of the soviet, and it cancels all state loans and all guarantees undertaken by previous régimes and states 'all foreign loans are annulled wholly and without exception.'

"This action, to the extent which this Government has the power, repudiates all foreign loans."

SECTION 57.

Resolution of Interallied Financial Council Not to Recognize Russia Till Promise of Loan Payments.

LONDON, February 14, 1918.

SECRETARY OF STATE,
Washington:

No. 68. For McAdoo from Crosby. At meeting of finance section of interally council on Friday, Bonar Law and Klotz both being present, Klotz proposed following resolution, which was adopted:

"The finance section of the interally council on war purchases and finance, referring to the statement put forward by the diplomatic conference of London on February 18, 1931, regarding Belgian affairs:

"It is a principle of commanding nature that treaties do not lose their value, whatever be the changes that intervene in the interior organization of peoples."

Recommends for the consideration of the Governments represented the following statement:

"Whereas the Imperial Russian Government, when it contracted liabilities, undoubtedly represented Russia and definitely obligated it;

"Whereas this obligation can not be repudiated by any authority whatever governing, or which should eventually govern, in Russia without shaking the very foundations of the law of nations;

"Whereas there would be in that case no more security in the relations States and it would be impossible to enter into a contract over any long period of time on account of the risk of such a contract being eventually ignored;

"Whereas such a policy would mean the destruction of the credits of States as much from a political as from a financial viewpoint;

"Whereas a State could not borrow money under normal conditions if the lender's only guaranty was the maintenance of the constitution under which the borrowing government as representing the country puts out a call for credit;

"Whereas no principle is more clearly settled than the one according to which a nation bears the responsibility of the acts of its government and the liabilities incurred are not affected by any change in authority ;

"Whereas the obligations of Russia bind and will bind the new State or the group of new States that represent or will represent Russia now :

"Therefore, the allied powers will take into consideration the principles above mentioned in every negotiation relating to the recognition of the new State or new States that are eventually to be constituted in Russia."

In voting for the resolution, chancellor of the exchequer and myself were moved by consideration that, being only a recommendation of the general principle of our respective governments, we were not in any way compromising their action, and at the same time, according to Klotz representations, might, if the governments accept the recommendation, aid him in some of his great difficulties. Due to the vast amount of Russian obligations held in France, my own opinion is that the paragraphs defining the general principle of responsibility of succeeding governments for debts of predecessors has been already so often stated that repetition scarcely necessary. Most important part has to do with suggestion that no recognition of new States, carved out of original Russian territory, should be made without provision for adoption of part of general debt.

PAGE.

SECTION 57-A.

Payments on Russian Contracts.

FEBRUARY 21, 1918.

DEAR MR. POLK: While I understand that Mr. Davis has kept you advised and has consulted with you from time to time regarding the payments and settlements which have been made on the Russian contracts, I am sending herewith for your records additional data and statements, showing the payments made against the contracts up to February 1, 1918, and the arrangements made in relation to the cancellation and postponement of certain of said contracts. As you will notice from the inclosed statements, the unpaid balances on Russian contracts on December 1, 1917, amounted to \$102,604,496.62, and on February 1, 1918, to \$13,731,410.35. This considerable reduction, made during December and January, in the current balance due was obtained as follows:

Paid in cash-----	\$19,977,649.11
Canceled-----	24,185,872.02
Postponed-----	44,836,162.14

The amounts "postponed" are deducted from the original amount due because, I understand, there is no definite obligation on the part of Russia to pay the amounts composing this item, except in July and October, next, to receive from the Remington Co. 245,000 rifles at approximately \$30.00 apiece. However, there will no doubt be a credit against this from the sale of a certain part of the machinery, etc., belonging to Russia, as contemplated under the settlement agreement between the Remington Co., the War Department, and the Russian Government. As you will notice, however, from this agreement, the Remington Co. does not expect this Government to furnish any further funds for this purpose.

According to the inclosed statement furnished to us, the Russian ambassador had, on January 31, 1918, from the funds which had been set aside by him for payment on account of contracts, a balance in the National City Bank of \$11,950,631.54 available for payments under class 1, and \$3,983,063.23 for payments under classes 2, 3, and 4, making a total of \$15,933,694.77. Class 1 comprises the items payable on purchase contracts, and while it appears that the balance due on contracts as of February 1, 1918, amounts to about \$1,781,000 more than the balance of funds set aside for class 1 payments, Mr. Ughet expects to have sufficient funds to make these payments, with the exception of the Remington rifle contract, by making further considerable reductions in the contracts and also possibly by transferring additional funds from other accounts for payments under class 1. Mr. Ughet thinks there will be sufficient funds from the sale of rails or other materials to meet the payments on Remington rifles if the Russian Government should not otherwise be in a position to do so.

Very sincerely, yours,

R. C. LEFFINGWELL,

HON. FRANK L. POLK,
Counselor for the Department of State.

SECTION 58.

State Department Assisting in Sending Supplies to Russia.

DEPARTMENT OF STATE,
Washington, February 25, 1918.

Mr. R. C. LEFFINGWELL,
Assistant Secretary of the Treasury,
Washington, D. C.

MY DEAR MR. LEFFINGWELL: The department has received your letter of February 21, with inclosures, asking whether the Russian Purchasing Commission in this country should be furnished with the facilities of the Allies' Purchasing Commission.

This department believes that at the present time it would be extremely unfortunate for the Russian people to receive the impression that they are being abandoned by the Allies or by the United States. Consequently, the department has been assisting the Russian authorities in this country in forwarding non-warlike stores, including railway material, agricultural machinery, binder twine, army and civilian shoes and leather, together with miscellaneous Red Cross supplies. We have been of the opinion that the limited tonnage available to Russia makes it impracticable to deliver supplies in large enough quantity—even in the case of railway material—to become by any possibility a military factor.

The department accordingly believes that the Russian commission might well have the advantage of the facilities afforded by the Allies' Purchasing Commission. In view of the present German advance, however, the department would be glad to have brought to its attention all shipments which may be made, as it has obviously become necessary to take additional precautionary measures to safeguard the supplies from falling into German hands. This is especially true in regard to shipments destined for Petrograd or Moscow.

I am, my dear Mr. Leffingwell,

Very sincerely, yours,

ROBERT LANSING.

SECTION 58-A.

Treasury Department Memo on Russian Finance and Contracts, March 1, 1918.

[Written on margin:] Mr. Davis: Please prepare letter on these lines to Polk. R. L.

TREASURY DEPARTMENT,
Washington, March 1, 1918.

MEMORANDUM re.—Disposal of Russian materials and funds:

Mr. Ughet informs me that, substantially, all Russian purchases made here prior to our entry into the war with funds advanced by the British Government were made through J. P. Morgan & Co., and that practically all of the other direct purchases were made with funds obtained through loans placed with American banks. Russia placed in this country \$11,000,000 in 5 per cent one-year notes, which have been renewed twice and which mature May 1; also, \$25,000,000 of Russian 5½ per cent bonds were sold to a syndicate of bankers; and \$50,000,000 was obtained through a syndicate of banks, headed by the National City Bank, and 6½ per cent certificates were issued against the unused rouble balance. In addition, some interior Russian bonds were sold here.

Mr. Ughet further states that the rails and approximately 9,000 tons of barbed wire, which are stored by Russia in this country, were purchased some time prior to our entry into the war and paid for in most part from the proceeds of loans obtained through American banks. One contract for 35,000 tons of barbed wire, which is now being delivered, was placed through Morgans on behalf of the British Government, and the British Government has already disposed of approximately 10,000 tons of this barbed wire to our War Department, and is applying the proceeds in reduction of Russian obligations held by Great Britain.

Mr. Ughet also informs me that the British Government, with the consent of the Anglo-Russian subcommittee, is disposing of all of the materials which were purchased through Morgans with British funds and applying the proceeds in reduction of Russian obligations held by Great Britain. It would seem, there-

fore, that the British Government is looking after its interests very well in this respect, and that they could have no claim whatever in respect to the rails and Mr. Ughet understands that the British lay no claim whatever to any interest in the rails.

The above-mentioned 9,000 tons of barbed wire are being sold to the Italian Government and Mr. Ughet is of the opinion that the proceeds from this sale should be applied in providing interest for an additional year on the \$11,000,000 note issue maturing May 1, and that any other surplus funds obtained from the sale of materials purchased and paid for from the proceeds of the above-mentioned American loans should be used, as far as practicable, to paying the interest on the other above-mentioned credits. Mr. Ughet's personal opinion is that there are sufficient funds on hand to meet the actual current obligations for contracts, with the exception of the Remington rifle contract.

It now appears that the Russian ambassador has ample funds in the National City Bank to meet the balance due on all contracts here (with the exception of the Remington rifles to be delivered in July and October) for purchases, freight, expenses, and interest to May 1 on all Russian loans placed through American banks.

It should be determined, therefore, what application shall be made of the surplus funds derived from the sale of the rails and other materials purchased with funds advanced to Russia by American banks and by the United States Government, and whether or not entire preference should be given to the Remington rifle contract, or to the payment of interest on the Russian credits and obligations placed through American banks and the obligations held by this Government.

Liabilities as per list of March 1, 1918.

Statement No. 1-----	\$5, 754, 932. 76
Statement No. 2-----	4, 895, 330. 14
For salaries, etc-----	551, 444. 84
Total liability-----	11, 201, 707. 74

Bank balances, March 1.

National City Bank (account A)-----	\$9, 304, 860. 84
National City Bank (account B) parts (amounts concerning transactions of Russian financial attaché are excluded)-----	14, 252. 72
National City Bank (account C)-----	3, 420, 074. 14
Total-----	12, 739, 187. 70

Statement of payments made during February.

From account A, total paid-----	\$2, 812, 546. 72
From account B, total paid-----	170, 642. 17
From account C, direct payment-----	461. 74
Total-----	2, 983, 650. 63

Artillery Department:

No. 146, class 1-----	520. 00
Freight and expenses on guns, class 2-----	1, 000. 00
No. 322, class 2-----	26, 097. 29
-----	27, 617. 29

Technical Department:

No. 300, class 1-----	11, 461. 88
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All-Russian Zeuskys Union A/C Pekosnarm:

No. 127, class 2-----	1, 168. 00
No. 124, class 1-----	210. 00
-----	1, 378. 00

110 FOREIGN LOANS AND AUTHORITY FOR MAKING SAME.

Commissariat Departments:

No. 131, class 1-----	\$132, 165. 26
No. 133, class 1-----	241, 630. 06
No. 135, class 1-----	262, 797. 08
No. 138, class 1-----	284, 800. 74
No. 136, class 1-----	1, 078, 605. 54
	<u>1, 999, 998. 68</u>

Ministry of Supplies:

No. 111, class 1-----	65, 226. 00
No. 100, class 1-----	56, 230. 90
No. 113, class 1-----	88, 888. 80
No. 108, class 1-----	23, 762. 60
No. 107, class 1-----	99, 433. 80
	<u>333, 542. 10</u>

Railway department:

No. 208, class 2-----	93, 904. 80
No. 197, class 1-----	6, 663. 60
No. 41, class 1-----	2, 007. 22
	<u>102, 575. 62</u>

Military attaché:

Protection account, class 4-----	100. 00
	<u>100. 00</u>

Naval department:

No. 226, class 1-----	2, 307. 50
No. 218, class 1-----	6, 600. 00
No. 213, class 1-----	3, 306. 18
No. 214, class 1-----	548. 35
No. 58, class 1-----	25, 106. 25
	<u>40, 068. 28</u>

Machinery department:

No. 290, class 2-----	377. 31
No. 82, class 1-----	435. 10
No. 279, class 1-----	250. 00
No. 260, class 1-----	1, 721. 50
No. 280, class 1-----	1, 551. 20
No. 80, class 1-----	1, 040. 00
	<u>5, 375. 11</u>

Agricultural department:

No. 180, class 1-----	27, 766. 00
No. 181, class 1-----	44, 452. 80
	<u>72, 218. 80</u>

Secretarial department:

Various expenses, class 4-----	35, 997. 19
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Nondepartmental payments:

Various salaries, class 4-----	6, 223. 81
	<u>6, 223. 81</u>

Murman port:

No. 10, class 1-----	10, 567. 34
No. 10, class 2-----	129. 50
	<u>10, 696. 84</u>

Transportation—special:

Various payments, class 2-----	25, 020. 88
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Transportation—general:

Various payments, class 2-----	140, 272. 24
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Account "C":

Class 4-----	461. 74
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Account "B":

(See special statement----- \$170,642.17

Summary:

Artillery department-----	27,617.29
Technical department-----	11,461.88
All-Russian Zemsky Union, account Pokosnarm-----	1,378.00
Commissariat department-----	1,999,998.68
Ministry of supplies-----	333,542.10
Railway department-----	102,575.62
Military attaché-----	100.00
Naval department-----	40,068.28
Machinery department-----	5,375.11
Agricultural department-----	72,218.80
Secretarial department-----	35,997.19
Nondepartmental payments-----	6,223.81
Transportation—Special-----	25,020.88
Transportation—General-----	140,272.24
Murman port-----	10,696.84
Russian financial attaché-----	170,642.17
Direct payment from compte cheque-----	461.74
Total-----	2,983,650.63

Total payments for February:

Class 1-----	2,519,895.39
Class 2-----	\$287,970.02
Class 3-----	129,200.00
Class 4-----	46,585.22
	463,755.24
Grand total-----	2,983,650.63

Russian financial attaché account "B" payments for February.

1918.

Feb. 6. To C. J. Medzikhovsky, class 4-----	\$677.80
6. To V. P. Ananieff, class 4-----	168.80
6. To J. Goodkoff, class 4-----	350.00
6. To Western Union Teegraph Co., class 4-----	98.50
6. To Western Union Telegraph Co., class 4-----	7.25
7. To National City Bank, account General Electric Co., class H-----	4,928.40
13. To American Bank Note Co., class 3-----	58,500.00
13. To American Bank Note Co., class 3-----	500.00
13. To Purchasing Commission, class 3-----	11,200.00
19. To Allis Chalmers Mfg. Co., class 1-----	22,711.29
19. To G. Klodnitzky, class 4-----	2,349.00
23. To American Bank Note Co., class 3-----	58,500.00
23. To American Bank Note Co., class 3-----	500.00
26. To Western Union Telegraph Co., class 4-----	151.15
	170,642.17

MARCH 5, 1918.

DEAR MR. POLK: I beg to submit for your consideration the following information in regard to the disposal of Russian materials and funds:

Mr. Ughet informs me that, substantially, all Russian purchases made here prior to our entry into the war with funds advanced by the British Government were made through J. P. Morgan & Co., and that practically all of the other direct purchases were made with funds obtained through loans placed with American banks. Russia placed in this country \$11,000,000 in 5 per cent one-year notes, which have been renewed twice and which mature May 1; also, \$25,000,000 of Russian 5½ per cent bonds were sold to a syndicate of bankers; and \$50,000,000 was obtained through a syndicate of banks, headed by The

National City Bank, and 6½ per cent certificates were issued against the unused rouble balance. In addition, some interior Russian bonds were sold here.

Mr. Ughet further states that the rails and approximately 9,000 tons of barbed wire, which are stored by Russia in this country, were purchased some time prior to our entry into the war and paid for in most part from the proceeds of loans obtained through American banks. One contract for 35,000 tons of barbed wire, which is now being delivered, was placed through Morgans on behalf of the British Government, and the British Government has already disposed of approximately 10,000 tons of this barbed wire to our War Department, and is applying the proceeds in reduction of Russian obligations held by Great Britain.

Mr. Ughet also informs me that the British Government, with the consent of the Anglo-Russian subcommittee, is disposing of all of the materials which were purchased through Morgans with British funds and applying the proceeds in reduction of Russian obligations held by Great Britain. It would seem, therefore, that the British Government is looking after its interests very well in this respect, and that they could have no claim whatever in respect to the rails, and Mr. Ughet understands that the British lay no claim whatever to any interest in the rails.

The above-mentioned 9,000 tons of barbed wire are being sold to the Italian Government and Mr. Ughet is of the opinion that the proceeds from this sale should be applied in providing interest for an additional year on the \$11,000,000 note issue maturing May 1, and that any other surplus funds obtained from the sale of materials purchased and paid for from the proceeds of the above-mentioned American loans should be used, as far as practicable, to paying the interest on the other above-mentioned credits. Mr. Ughet's personal opinion is that there are sufficient funds on hand to meet the actual current obligations for contracts, with the exception of the Remington rifle contract.

It now appears that the Russian Ambassador has ample funds in The National City Bank to meet the balance due on all contracts here (with the exception of the Remington rifles to be delivered in July and October) for purchases, freight, expenses, and interest to May 1 on all Russian loans placed through American banks.

It should be determined, therefore, what application should be made of the surplus funds derived from the sale of the rails and other materials purchased with funds advanced to Russia by American banks and by the United States Government, and whether or not entire preference should be given to the Remington rifle contract, or to the payment of interest on the Russian credits and obligations placed through American banks and the obligations held by this Government.

Referring to our conversation on the above subject, my understanding is that you are of the opinion that such surplus funds, if any, should be applied by the Russian Ambassador to payment of interest on Russian credits and obligations up to and including July 1, and to any other current obligations as they become due, rather than setting aside a specific amount for payment in July and October on the Remington rifle contracts.

Very sincerely, yours,

R. C. LEFFINGWELL.

Hon. FRANK L. POLK,
Counselor for the Department of State.

[Mr. Polk replied March 7, and we again wrote Mr. Polk March 12.]

SECTION 59.

Russian Decree on Annulment of Loans.

DEPARTMENT OF COMMERCE,
BUREAU OF FOREIGN AND DOMESTIC COMMERCE,
Washington, March 23, 1918.

The DEPARTMENT OF THE TREASURY,
Washington, D. C.

DEAR SIR: I take pleasure in referring to you the attached copy of a communication received by this bureau from one of its foreign representatives, as

indicated below. The bureau is interested in any special comment you may have to offer, but no formal acknowledgment of this reference is necessary.

Very truly, yours,

C. D. SNOW,
Assistant Chief of Bureau.

Submitted by: Commercial Attaché W. C. Huntington.

Place: Petrograd, Russia.

Dated: Received here March 21, 1918.

Subject: Copy of decree adopted by the council of the commissaries of the people on January 1 regarding the annulment of State loans.

ANNULMENT OF LOANS.

The following decrees have been adopted by the council of the commissaries of the people of January 1 regarding the annulment of State loans:

1. All State loans concluded by the Government of the Russian landowners and Russian bourgeoisie, which are enumerated in the inclosed statement, are being annulled (canceled) from December 1, 1917. The December coupons are not subject to payment.

2. In the same way all guaranties are being annulled, which have been given by the above-mentioned Governments on the loans of various concerns and institutions.

3. Absolutely and without any exception, all foreign loans are being annulled.

4. Short time obligations and series of the State chancelery are remaining in force. Interest on them is not paid, but their obligations have the same validity as the credit notes.

5. Citizens of limited means possessing the securities of the interior loan, which are annulled for a sum not exceeding 10,000 roubles (at normal value), receive a lifelong yearly annuity from the State amounting to the sum equivalent to the interest derived from the securities which belong to them.

6. Citizens possessing the annulled securities for a sum exceeding 10,000 roubles do not receive any indemnification for the annulled papers which belong to them.

7. The deposits in the State savings banks and interest on them are inviolable. All the obligations of the loans to be annulled belonging to the savings banks are being replaced by a book debt of the Russian Peasants' and Workers' Republic.

8. The cooperative stores, local self-government, and other universally beneficial or democratic institutions possessing obligations of the loans to be annulled will be satisfied on the basis of the rules which are being worked out by the chief council of national economy together with the representatives of these institutions if it can be proved that these obligations have been purchased prior to the publication of the present decree.

REMARK.—The local organs of the Chief Council of National Economy have the right to determine which institutions come under the head of universally beneficial or democratic.

9. The general management of the liquidation of the State loans is intrusted to the chief council of national economy.

10. The whole matter of liquidating the loans is intrusted to the State bank, whose duty it is to immediately commence the registration of all the obligations of the State loans in the hands of the various proprietors, as well as the other interest-bearing papers; both of those subject and not subject to annulment.

11. The councils of the workers', soldiers', and peasants' deputies form, in connection with the local councils of national economy, commissions for the determination of which of the citizens come under the head of having limited means.

These commissions have the right to annul in their entirety savings obtained not by means of labor, even if these savings do not exceed the sum of 5,000 roubles.

This decree is to be discussed by the Central Executive Committee.

N. GOBUNOFF,
Secretary of the Council of National Commissaries.

VYEK, January 3/16, 1918.

S. Doc. 86, 67-2—8

SECTION 60.

Interest Table.

Payments of interest and other current liabilities on credit operations of the Russian Government due between June 1, 1918, and January 1, 1919.

1. Twenty-five million 5½ per cent bonds.	
(a) Interest due from June 1, 1918.....	\$687,500.00
Commission N. C. B. of New York ¼ per cent of the value of the coupons.....	859.38
Do.....	687,500.00
Dec. 1, 1918.....	859.38
2. Eleven million 5 per cent Treasury notes. (b) Interest due Nov. 1, 1918.....	275,000.00
3. Fifty million credit:	
(a) Interest 6½ per cent due July 10, 1918.....	1,625,000.00
Commission N. C. B. of the New York ¼ per cent of the value of the operation July 10, 1918.....	125,000.00
Oct. 10, 1918.....	125,000.00
Total until Jan. 1, 1918.....	3,526,718.76
4. Jan. 10, 1919. Payment of the \$50,000,000 credit:	
Interest.....	1,625,000.00
Commission.....	125,000.00
Total.....	5,276,718.76

SECTION 59-A.

Memo on Disposal of Russian Supplies.

RUSSIAN SUPPLIES.

Memorandum of plan for disposing of Russian supplies which, when approved by the British and French Governments, is to be submitted by cable to the Secretary of the Treasury at Washington.

Supplies originally intended for Russia are now distributed as follows:

(a) In the United States; (b) in Great Britain, or in British ships which will eventually land their cargoes in Great Britain; (c) in France; (d) in Italy; (e) at Archangel and Murmansk; (f) at Vladivostock and other ports in the Far East, chiefly Japanese ports.

Payment for these supplies has been made in the main, if not entirely, by some of the following methods:

(a) By funds advanced by Great Britain; (b) by funds advanced by France; (c) by funds advanced by the United States.

(Russian funds in the United States, Great Britain, and France, not "earmarked" as having been provided by any particular Government, will be treated herein as if advanced by the country in which the funds were deposited.)

Inasmuch as many of these supplies are likely to deteriorate, and many of them are required for the allied armies or for the United States Army, it is desirable that existing organizations be coordinated for disposing of them (in so far as possession of them can be had), to the best possible advantage for all concerned. To this end the following plan is proposed:

(1) Russian supplies now in Great Britain, or which may be returned in the future, to continue to be disposed of under the direction of the existing Treasury Committee formed for this purpose, to which has been attached a United States representative to control the disposal of stores unloaded in the United Kingdom purchased in the first instance in the United States, either out of Russian funds or out of funds advanced by the United States Government. Should in the future goods be returned to the United Kingdom purchased in the first instance out of funds advanced by the French Government or Russian credits in France, a French representative shall be attached to the above committee for the control of such goods.

(2) Russian supplies now in America, or which may be returned in the future, to be disposed of under the direction of an American committee to which shall be attached representatives of the British and French Governments for the control of goods purchased out of funds advanced by the British or French Governments.

(3) Russian supplies in France to be disposed of under the direction of the French Government, the disposal of any Russian goods in France purchased out of British or United States credits being controlled by representatives of the British or United States Governments.

In disposing of Russian supplies, wherever they may be, the following principles shall govern:

(a) The French Government shall have preference in the purchase of supplies paid for out of advances made by the French Government, or out of Russian funds in France.

(b) The British Government shall have preference in the purchase of supplies paid for out of advances made by the British Government, or out of Russian funds in Great Britain.

(c) The American Government to have preference in the purchase of supplies paid for by advances made by the American Government, or out of Russian funds in the United States.

After the above preferences have been recognized the remaining goods shall be disposed of in such manner as to realize the best possible results.

The proceeds of the liquidation of goods, after deducting any expenses incurred in effecting their sale, shall be disposed of as follows:

(a) The proceeds of goods paid for out of advances by Great Britain shall be turned over to the British treasury, to be dealt with as it shall deem proper.

(b) The proceeds of goods purchased from advances made by the French Government shall be turned over to the French treasury, to be dealt with as it shall deem best.

(c) The proceeds of goods purchased by advances made by the United States Government shall be turned over to the American Treasury, to be dealt with as it shall deem best.

So far as supplies purchased from advances made by the United States, or from Russian funds in the United States are concerned, none shall be sold without the consent of the representative of United States Government, whose approval shall also be necessary before possession is taken of any such supplies still in the hands of the Russians.

If the Supreme War Council shall so direct, a military committee shall be established at Versailles, to be consulted, in case of need, regarding the disposal of the Russian military supplies herein dealt with, in so far as they are not purchased by the respective Governments under the preferences established as above provided.

Sunderland House, Curzon Street, London, W. 1, March 19, 1918.

SECTION 61.

Payment of Interest on Private Loans Before Government Interest Payments Are Met.

APRIL 19, 1918.

MY DEAR MR. POLK: As you will recall, \$11,000,000 of Russian notes placed in this country and now outstanding mature on May 1, next. I understand that about \$2,500,000 of these notes are owned by the National City Bank or the National City Co., and that the Russian ambassador has proposed to pay one year's interest on those notes if the holders agree to extend the same, but his proposal has not as yet been accepted. In case the ambassador's proposal is not accepted before May 1, I should like to know if the State Department would permit the National City Bank to apply, without the consent of the Russian ambassador, any part of the Russian deposits held by the bank to the payment of the principal or interest of any of said notes after their maturity, or to refuse payment of checks drawn against said deposits because the bank or anyone else held some of these notes then past due.

Very sincerely, yours,

R. C. LEFFINGWELL.

HON. FRANK L. POLK,
Counselor for the Department of State.

APRIL 24, 1918.

MY DEAR MR. POLK: I am inclosing herewith copy of a letter which I wrote on April 13 to Mr. Ughet, Russian financial attaché, and copy of a letter to me, dated April 22, from the National City Bank, in reference to the adjustment of Russian Government accounts in accordance with letters of instruction from the Russian ambassador and from the Russian financial attaché on November 28 and December 1, 1917. As you will recall, this was in pursuance of our conversations with the Russian ambassador. I had assumed that the accounts had been arranged in accordance with the instructions given in those letters, but apparently the bank has postponed completing the arrangement pending the definite approval of this department. As an approval of the arrangement as set forth in the above-mentioned letters involves the approval of the Russian ambassador's power or action, it is not a question which the Treasury Department can answer. The National City Bank has informed the Treasury Department from time to time in respect to payments which the Russian financial attaché wished to make, and, so far as I know, the National City Bank has only made payments to which this department offered no objections.

It seems to me that the course which has been pursued by the National City Bank up to the present time has been one which has relieved the Government of the United States of grave embarrassment and that if it is prepared to continue to pursue a like course it would be desirable that that bank should have the definite approval of the Department of State, if that department can consistently give such approval.

As you know, a substantial sum of money remains on deposit with the City Bank, a part of which at least is the proceeds of loans made by the United States.

The \$11,000,000 of Russian notes which were placed in this country about three years ago mature on May 1, next. Mr. Ughet, Russian financial attaché, states that he has just had a meeting with officials of the National City Bank representing that bank and other note holders, and that they have positively refused to accept the payment of one year's interest and extend the notes. In my opinion, it would be unfortunate if at present the Russian financial situation here should be brought to a crisis, and it would be advisable to have a meeting with the National City Bank and any other substantial note holders. If you are of the same opinion I suggest that you arrange an early conference with the note holders.

I understand that the Russian Government has in the United States various military and civilian supplies, purchased in part from United States advances, which probably could be disposed of for from \$25,000,000 to \$40,000,000; that the cash in the National City Bank is probably sufficient to pay in full all unsettled claims of contractors, at least for commodities heretofore delivered; and that there is a deposit of about \$5,000,000 in the Guaranty Trust Co., of New York. Six months' interest will, on May 15, 1918, be unpaid on the demand and past-due obligations of the Russian Government held by the United States.

I understand that Mr. Davis, of this department, is to confer with you about all these subjects to-morrow morning.

Very sincerely, yours,

R. C. LEFFINGWELL.

HON. FRANK L. POLK,

Counselor for the Department of State.

APRIL 29, 1918.

MY DEAR MR. POLK: If it meets with your approval, I will be obliged if you will have the following message, which I have prepared in pursuance of our conversation, cabled to Assistant Secretary Crosby at London:

"From Secretary of Treasury for Crosby. No. 164. Russian one-year notes, to amount of \$11,000,000, placed through National City Bank three years ago, and which have been renewed twice, mature May 1. Russian Ambassador has funds available for paying interest for six months or one year in case notes are extended, but can not, of course, pay principal. It is very desirable that these notes be extended without protest or attempt on part of note holders to attach any Russian property here, which would create a crisis and might force this Government to take over all Russian assets and apply proceeds to credit of Russian obligations. It seems advisable from note holders' standpoint to grant extension and not create a situation whereby this Government would be compelled to take an antagonistic position to protect its own interests, leaving little or nothing for note holders. Notes are held by National

City Bank and few other large interests, all or substantially all assenting to extension, with exception of \$2,500,000, which were purchased by the Russian Corporation in England, of which Holden is president, through proceeds loan from City Bank. City Bank has asked consent of Russian Corporation to grant extension, but has demanded payment of its loan or additional collateral. Russian corporation replied that it could give no additional security, but has indicated its willingness to extend notes, provided City Bank would extend loan without additional securities. Am advised that Russian corporation has other assets, and as City Bank has been cooperating satisfactorily in this and other Russian matters, have agreed to use good offices to get additional security, if available, from Russian corporation. This, of course, is a delicate matter, but British representative suggests advisability of our suggesting that you take matter up unofficially with British Treasury, explaining that apparently nothing would be gained by refusing to extend notes and that City Bank is entitled to additional security.

Very truly, yours,

R. C. LEFFINGWELL.

Hon. FRANK L. POLK,

Counselor for the Department of State.

[On margin: Mr. Crosby replied by his No. 175, May 2. See also our letter to Polk, May 6.]

MAY 4, 1918.

DEAR MR. AMBASSADOR: Inclosed herewith you will please find a table prepared by the Treasurer of the United States showing the amount of interest which become due on May 15, 1918, on the obligations of the Russian Government held by the United States at the close of April 27, 1918. It is my understanding that your Government will pay on May 15 the interest to that date on all obligations of your Government then held by the United States. Please make check payable to the order of "Assistant Treasurer of United States, New York, for credit general account Treasurer of United States," and deliver the same to the Assistant Treasurer of the United States at the subtreasury in New York.

A word of explanation in regard to the inclosed table may not be out of place. On November 15, 1917, the United States held obligations of your Government aggregating in amount \$187,729,750. of which \$97,500,000 in amount were then bearing interest at the rate of $3\frac{1}{2}$ per cent per annum, and \$90,229,750 at the rate of $4\frac{1}{2}$ per cent. Interest on such $4\frac{1}{2}$ per cent obligations has been computed for the period November 15, 1917, to May 15, 1918, at the rate of $4\frac{1}{2}$ per cent.

Under date of November 15, 1917, I wrote you reminding you that it would be necessary to increase the interest rate upon all or part of the $3\frac{1}{2}$ per cent obligations of the Russian Government held by the United States.

The aggregate amount of the loans made to the Governments of the Allies under the act approved April 24, 1917, was \$2,114,000,000. The amount of $3\frac{1}{2}$ per cent bonds of the United States not yet converted into 4 per cent bonds is something under \$1,430,000,000. The difference between these two amounts, or \$684,000,000, is nearly one-third of the total of such loans. Accordingly, for convenience, interest is being charged on \$32,500,000 or one-third of such obligations of your Government at the rate of 4 per cent and on the balance of \$65,000,000 of such obligations of your Government at the rate of $3\frac{1}{2}$ per cent. The privilege of the holders to convert $3\frac{1}{2}$ per cent bonds of the United States into 4 per cent bonds does not expire until May 15, 1918, and the privilege of the holders to convert $3\frac{1}{2}$ per cent bonds and 4 per cent bonds of the United States into $4\frac{1}{2}$ per cent bonds commences as of May 9, 1918, so that the amount of interest to May 15, 1918, on the obligations of your Government held by the United States is necessarily figured approximately, and further adjustment of interest may be required after final figures are available.

It is hoped that the rate to be borne after May 15, 1918, by all the short-time obligations of your Government held by the United States will shortly be determined, and, in that connection, the conversion privileges in respect of both the $3\frac{1}{2}$ per cent and the 4 per cent United States Liberty bonds must be borne in mind.

I am, my dear Mr. Ambassador,

Very truly, yours,

R. C. LEFFINGWELL.

His Excellency B. BAKHMETEFF,

*Ambassador Extraordinary of the Provisional Government of Russia,
The Embassy, Washington, D. C.*

Interest on obligations of the Provisional Government of Russia held by the United States Apr. 27, 1918, as demand obligations.

Date of obligation.	Principal.	Interest rate at which computed.	Interest from Nov. 15, 1917, or date, to May 15, 1918.
1917.		<i>Per cent.</i>	
July 6.....	\$35,000,000.00	3½	\$607,465.75
July 13.....	5,000,000.00	3½	86,780.82
July 13.....	5,000,000.00	3½	86,780.82
Aug. 1.....	2,500,000.00	3½	43,390.41
Aug. 22.....	2,500,000.00	3½	43,390.41
Aug. 24.....	37,500,000.00	3½-4	706,643.84
Aug. 30.....	5,000,000.00	4	99,178.08
Aug. 30.....	5,000,000.00	4	99,178.08
Sept. 25.....	5,000,000.00	4½	105,376.71
Sept. 25.....	5,000,000.00	4½	105,376.71
Sept. 25.....	5,000,000.00	4½	105,376.71
Oct. 2.....	22,200,000.00	4½	467,872.60
Oct. 11.....	5,000,000.00	4½	105,376.71
Oct. 11.....	5,000,000.00	4½	105,376.71
Oct. 11.....	5,000,000.00	4½	105,376.71
Oct. 11.....	5,000,000.00	4½	105,376.71
Nov. 1.....	31,700,000.00	4½	668,088.36
Nov. 15.....	1,329,750.00	4½	28,024.94
Total.....	187,729,750.00		3,674,431.08

¹ On \$15,000,000 interest computed at 3½ per cent; on \$22,500,000 interest computed at 4 per cent.

SECTION 62.

Memo on Deferring the Payment of Russian Interest to the United States.

TREASURY DEPARTMENT,
Washington May 10, 1918.

Memorandum for Mr. LEFFINGWELL:

Mr. Polk, of the State Department, told me by telephone this afternoon that Mr. Phillips had communicated to him the substance of his talk with you this morning relative to the collection of interest accruing on May 15 on the Russian obligations. In substance, the views of Mr. Polk, as expressed to me, are that it would be inadvisable just now to use up all the Russian funds now available for payment of interest. I explained to him that after paying the balance due on the Russian contracts, amounting to approximately \$4,000,000, there would be a balance in bank of approximately \$3,200,000 and that our interest would amount to approximately \$3,700,000, and that to pay interest on other Russian obligations up to and including July 10, an additional \$3,000,000 would be required, but that enough rails could be sold to cover all of this. Mr. Polk then stated that in view of the fact that it might be most desirable a little later on to ship all of the materials required to Russia, and even go to Congress and ask for an appropriation for assisting Russia further, it seemed inadvisable just now to jeopardize the collection of our principal by forcing collection of interest at this moment. He further stated, however, that we would not be running any risk in postponing the collection of interest, at least temporarily, because we could at any time collect the interest by taking over the Russian assets in this country. I explained to him that in view of the fact that we had just permitted the payment of interest on the \$11,000,000 note issue, the Treasury Department could not very well justify allowing everyone else being paid to date and only to stop the payment of interest at the time that our interest becomes due, and that it would be still more difficult to justify our action if we permit the interest to be paid on the other obligations on June 1 and July 10. He agreed that if we should not collect our interest, it would be inadvisable to allow interest to be paid on the other obligations on June 1 and July 10, but as he has been sick for some time and is leaving in the morning for Atlantic City to recuperate, he expressed the hope that you would postpone action until his return and we could discuss further the entire Russian

situation. I asked him if the Secretary of State would write us a letter along this line and he replied that as he was more conversant with the matter himself, he would prefer that I talk to Mr. Miles and request him to draft a letter to be sent to him for signature and stated that he thought, under the circumstances, the Treasury Department would be entitled to a letter from the State Department. I told him that I would endeavor to talk with you and then communicate with him further to-night, and he suggested that if you wished to talk with him yourself, he would be glad to have you call him at his home.

N. H. DAVIS.

NEW YORK, July 2, 1918.

MY DEAR MR. LEFFINGWELL: Referring to your letter of May 4 and subsequent conference which we have had at the State and Treasury Departments regarding the payment of interest due May 15, 1918, on the loans granted by the United States to Russia, and ultimately taking into consideration the letter which Mr. Polk addressed to me on June 22, I beg to state that I am prepared to have this interest paid at the earliest possible convenience.

However, at the present moment the free balance of our accounts is approximately of \$5,000,000, out of which on the 10th of July we have to pay the interest and the commission on our banking operation of \$50,000,000, being \$1,750,000; besides this a certain amount is needed for different emergency expenses as for transportation, expenditures in connection with the personnel and for different claims of American manufacturers, but on the other hand considerable payments are due to my accounts from the United States Shipping Board and from the office of the Director of Military Railroads.

In view of the above, I would propose the following procedure of payment of interest:

(1) Out of the cash balance now at my disposal, I am willing to pay at once \$1,000,000, check for which amount, drawn in favor of the Secretary of the Treasury of the United States, please find inclosed herewith.

(2) On June 26 I addressed a note to the Secretary of State informing him that I was absolutely agreeable that the proceeds of the merchandise purchased on account of American and Russian credits and sold in England be applied in partial cover of above said interest.

Information reached me to the effect that the Treasury Department had been advised by the Equitable Trust Co., of New York, of the receipt by their London office of two amounts of £370,650.10 and £8,731.0 in connection with the Russian liquidation in England. These funds would have to be transferred to the disposal of the Secretary of the Treasury on account of interest due on Russian obligations held by this Government; after that this transaction will have gone through the books of Mr. S. Ughet, Russian financial attaché, and the funds have been deposited with the National City Bank of New York to the credit of my account.

The amounts in question will represent approximately \$1,800,000.

(3) The balance of payment, approximately \$800,000, will be paid at the earliest possible convenience, as soon as sufficient funds for this purpose shall have accumulated at my disposal out of proceeds for the merchandise sold in this country or in England and acquired on account of American or Russian credits, or from the amounts payable to me by the United States Government for chartering of the ships.

Hoping that this proposal will meet with your approval,

I am, my dear Mr. Leffingwell,

Very truly, yours,

B. BAKHMETEFF,
Ambassador of Russia.

HON. R. C. LEFFINGWELL,
*Assistant Secretary of the Treasury
of the United States, Washington, D. C.*

DEPARTMENT OF STATE,
Washington, July 10, 1918.

MY DEAR MR. LEFFINGWELL: Your communication dated July 8 inclosing copy of a letter dated July 2, addressed to you by His Excellency B. Bakhmeteff, ambassador extraordinary of the provisional government of Russia, suggesting a method for the payment of the interest which became due on May 15 on

obligations of the Russian Government held by the Government of the United States, and your reply thereto dated July 8, have been received.

The Department of State sees no objection to the plan of arrangement regarding the settlement of these obligations, and, therefore, has transmitted your communication to Ambassador Bakhmieteff in accordance with your request.

I am, my dear Mr. Leflingwell,

Very truly, yours,

WILLIAM PHILLIPS.

Hon. R. C. LEFFINGWELL,
Assistant Secretary of the Treasury Department,
Washington, D. C.

SECTION 63.

United States Shipping Board Payments to Russian Ambassador.

FINANCIAL ATTACHÉ TO THE RUSSIAN EMBASSY.

NEW YORK, July 6, 1918.

ALBERT RATHBONE, Esq.,
Care Office of Assistant Secretary to the Treasury,
Washington, D. C.

DEAR SIR: Please find inclosed herewith three statements showing the amounts due to us from the United States Government for charter money on the five steamers of the Russian volunteer fleet, the first statement, amounting to \$1,108,755.75, being the gross amount receivable, from which has to be deducted, as per list No. 2, the amount of \$702,121.51 covering expenses in connection with chartering of steamers, as well as amounts due the United States Government in connection with same.

List No. 3 is a recapitulation of said two lists and shows that the net balance due to us is \$493,271.74.

Believe me, dear sir,

Yours, very truly,

SHIPLEY,
Russian Financial Attaché.

J. D. JOLCOWSKI,
Secretary.

Due from United States Government charter money for five steamers of the Russian volunteer fleet, in accordance with respective charter parties, dated in Washington, D. C., March 30, 1918, as per bills presented to division of operations, Emergency Fleet Corporation, United States Shipping Board, Washington, D. C.

Per steamship *Omsk*, 11,950 tons dead-weight:

Bill No. 1, for first month, Apr. 4-May 4-----	\$49,592.50	
Bill No. 6, for second month, May 4-June 4-----	49,592.50	
Bill No. 11, for third month, June 4-July 4-----	49,592.50	
Bill No. 16, for fourth month, July 4-Aug. 4-----	49,592.50	
		\$198,370.00

Per steamship *Irtysk*, 7,100 tons dead-weight:

Bill No. 5, for coal-----	581.25	
Bill No. —, for first month, Apr. 20-May 20-----	29,465.00	
Bill No. 10, for second month, May 20-June 20-----	29,465.00	
Bill No. 15, for third month, June 20-July 20-----	29,465.00	
		88,976.25

Per steamship *Nijni Novgorod*, 4,380 tons dead-weight:

Bill No. 3, for first month, Apr. 11-May 11-----	18,177.00	
Bill No. 8, for second month, May 11-June 11-----	18,177.00	
Bill No. 13, for third month, June 11-July 11-----	18,177.00	
		54,531.00

Per steamship <i>Toula</i> , 3,120 tons dead-weight:	
Bill No. 4, for first month, Apr. 12-May 12-----	\$12,948.00
Bill No. 9, for second month, May 12-June 12-----	12,948.00
Bill No. 14, for third month, June 12-July 12-----	12,948.00
	<hr/> \$38,844.00
Per steamship <i>Kishenev</i> , 3,120 tons dead-weight:	
Bill No. 2, for first month, Apr. 9-May 9-----	12,948.00
Bill No. 7, for second month, May 9-June 9-----	12,948.00
Bill No. 12, for third month, June 9-July 9-----	12,948.00
	<hr/> 38,844.00
Total on bills already presented-----	419,565.25
Up to Dec. 31, 1918, will still be due:	
Per <i>Omsk</i> —	
For fifth month, Aug. 4-Sept. 4--	\$49,592.50
For sixth month, Sept. 4-Oct. 4--	49,592.50
For seventh month, Oct. 4-Nov. 4--	49,592.50
For eighth month, Nov. 4-Dec. 4--	49,592.50
For ninth month, Dec. 4-Jan. 4--	49,592.50
	<hr/> 247,962.50
Per <i>Irtysk</i> —	
For fourth month, July 20-Aug. 20--	29,465.00
For fifth month, Aug. 20-Sept. 20--	29,465.00
For sixth month, Sept. 20-Oct. 20--	29,465.00
For seventh month, Oct. 20-Nov. 20--	29,465.00
For eighth month, Nov. 20-Dec. 20--	29,465.00
For ninth month, Dec. 20-Jan. 20--	29,465.00
	<hr/> 176,790.00
Per Nijni Novgorod—	
For fourth month, July 11-Aug. 11--	18,177.00
For fifth month, Aug. 11-Sept. 11--	18,177.00
For sixth month, Sept. 11-Oct. 11--	18,177.00
For seventh month, Oct. 11-Nov. 11--	18,177.00
For eighth month, Nov. 11-Dec. 11--	18,177.00
For ninth month, Dec. 11-Jan. 11--	18,177.00
	<hr/> 109,062.00
Per <i>Toula</i> —	
For fourth month, July 12-Aug. 12--	12,948.00
For fifth month, Aug. 12-Sept. 12--	12,948.00
For sixth month, Sept. 12-Oct. 12--	12,948.00
For seventh month, Oct. 12-Nov. 12--	12,948.00
For eighth month, Nov. 12-Dec. 12--	12,948.00
For ninth month, Dec. 12-Jan. 12--	12,948.00
	<hr/> 77,688.00
Per <i>Kishenev</i> —	
For fourth month, July 9-Aug. 9--	12,948.00
For fifth month, Aug. 9-Sept. 9--	12,948.00
For sixth month, Sept. 9-Oct. 9--	12,948.00
For seventh month, Oct. 9-Nov. 9--	12,948.00
For eighth month, Nov. 9-Dec. 9--	12,948.00
For ninth month, Dec. 9-Jan. 9--	12,948.00
	<hr/> 77,688.00
	<hr/> 689,190.50
	<hr/> 1,108,755.75

Statement of expenses in connection with statement of chartering steamers of the Russian volunteer fleet to the United States Government and amounts due the United States Government in connection with charter of "Omsk" and "Irtysk."

Paid to United States Government insurance premium for Omsk for voyage from Norfolk to Liverpool-----	\$86,637.50
Paid to United States Government insurance premium for steamship Omsk for voyage from Liverpool for New York (money to be refunded)-----	86,637.50

Advanced to Mr. I. V. Shestacovsky, to pay off Russian crew ex steamship Irtysh-----	\$46,019.90
Advanced to Canadian Pacific Railroad for dispatch and paying off crew ex Nijni Novgorod, Toula, and Kishenev-----	132,000.00
Remark No. 1: Captains and officers of Russian volunteer fleet steamers which are now in New York and which are considered dismissed claim their bonuses and reserve funds, in all due to them-----	90,000.00
Remark No. 2: Mr. Pollakoff, formerly captain of steamship Kamenetz Podolsk, has already presented, through an attorney, claim for \$15,000.	
Due to United States Government charter money for steamship Omsk voyage Norfolk-Liverpool from Apr. 3-May 22, 1918-----	110,826.61
Due to United States Government for repairs of steamship Irtysh, approximately-----	\$130,000
Due to United States Government for repairs steamship Nijni Novgorod, approximately-----	20,000
	<hr/> 150,000.00
Total-----	702,121.51

Statement of account with United States Government for charter money, etc., on steamers "Omsk," "Irtysh," "Nijni Novgorod," "Toula," "Kishenev," up to Dec. 31, 1918, and expenses in connection therewith.

DEBIT.		CREDIT.	
Charter money due per Dec. 31, 1918, as per list No. 1-----	\$1,108,755.75	Total as per statement No. 2 attached-----	\$702,121.51
To be refunded, insurance premium on home trip of steamship Omsk from Liverpool to New York, money was paid prior to United States Government taking the steamer over at Liverpool----	86,637.50	Balance due from United States Government per Dec. 31, 1918-----	493,271.74
	<hr/> 1,195,393.25		<hr/> 1,195,393.25

SECTION 64.

Statement of Condition of Russian Account August, 1918—This Also Shows the Enormous Salaries of the Russian Embassy and Officials Allowed by the United States Out of This Liquidation Fund.

FINANCIAL ATTACHÉ TO THE RUSSIAN EMBASSY.

FLATIRON BUILDING,
New York, August 20, 1918.

MR. ALBERT RATHBONE,
Care Assistant Secretary of the Treasury Department.

DEAR MR. RATHBONE: In accordance with your request, I beg leave to tender you some data concerning the disbursements up to August 1, 1918, and the estimated expenditures from said date up to January, 1919.

Inclosed please find a copy of a letter addressed on December 27, 1917, to Hon. R. C. Leffingwell by the Russian ambassador with two accompanying statements, which we have to consider as the starting point of our figures.

Said documents show the cash available at that time subdivided into different classes of expenditures.

I further inclose several statements showing the disbursements made up to August 1, 1918, the estimates of future expenses up to January, 1919, as well the cash statement as of August 1, 1918.

These estimated expenses show a total of \$6,359,594.08. A further amount of about \$750,000 should be taken into account for obligations on various orders placed from Petrograd. This brings the total to \$7,109,594.08.

The cash on hand on August 1, 1918, shows \$4,975,490.70. This amount must be reduced by \$865,925.08, representing interest paid to the United States Government and not included in the inclosed statements of disbursements. On the other hand, an amount of about \$400,000 must be added, this amount being the estimated net income from charter of Russian steamers to the United States Government. The total means available would thus reach the amount of \$4,509,565.62.

The balance of \$2,600,028.46, to cover the estimated payments in case of necessity, could be provided for from the proceeds of sale of various goods standing at our disposal.

I hope that the above information will meet your request, and I hold myself at your entire disposal for any additional data which you might find necessary.

Believe me, dear Mr. Rathbone,

Very sincerely, yours,

Russian Financial Attaché.

TREASURY DEPARTMENT,
Washington, August 27, 1918.

Memorandum for Mr. Rathbone:

The principal conclusion I draw from the attached figures is that there are a number of items as to which our information is not very full or clear.

In the month of June the only very large item is salary and office expenses, \$71,307, apparently covering salaries and expenses of the embassy and consulates. There is a corresponding amount in May of \$59,517. In April the amount shown under this heading is \$223,958.58, which probably covers more than one month, as there are no exactly corresponding items shown in the earlier months.

The payments for expenses of railway men in Russia amount to a substantial sum, a large proportion of the total being paid through Prof. Lomonossoff. In December there are some very large items for salaries and expenses, as follows:

Artillery department-----	\$422, 822. 88
Secretarial department-----	244, 876. 00
Prof. Lomonossoff-----	300, 000. 00
L. Tiajoloff-----	57, 054. 36

There is an artillery department item of \$86,604.55 in January, but no similar items thereafter. In March there is an item of expenses of consulates at Chicago and Pittsburgh, \$50,000.

SECTION 65.

Large Salaries.

Russian expenditures, class 4.

DECEMBER, 1917.

Artillery department, Col. V. Oranovsky (N. Y.), salaries and expenses-----	\$422, 822. 88
Technical department, M. Yassukovitch, salaries and expenses---	20, 000. 00
Secretarial department:	
C. J. Madjikhovsky and Ananieff, salaries and expenses-----	\$244, 876. 00
S. Ughet, salaries and expenses-----	10, 000. 00
V. P. Ananeiff, salary and expenses-----	128. 66
Prof. Lomonossoff, salary and expenses-----	300, 000. 00
W. P. Anderson—	
Salaries and office expenses-----	\$7, 249. 71
Salary and expenses-----	2, 840. 00
Subsidy on account of services--	308. 46
Christmas gratuities to employees--	766. 10
	<hr/> 11, 164. 27

124 FOREIGN LOANS AND AUTHORITY FOR MAKING SAME.

Secretarial department—Continued.

L. Tiajolloff—	
Salaries and office expenses----	\$57,054.36
Salaries and Xmas gratuities----	3,970.83
	<hr/>
	\$61,025.19
P. A. Morosoff (New York), salaries and office expenses-----	
	906.93
A. A. Vinoff (commissary department), salaries--	40,815.00
V. Petropavlosky, salaries and expenses-----	5,900.00
Various employees—	
Extra compensation for November-----	\$826.37
Salaries for December-----	3,080.00
Christmas gratuities-----	1,783.75
	<hr/>
	5,690.12
A. N. Sakhnovsky (New York), legal services and expenses-----	
	15,946.97
Lieut. Karpoff, traveling expenses-----	23.00
P. A. Morosoff, traveling expenses-----	455.00
S. Ughet, traveling expenses-----	631.62
Lieut. Iampolsky (Canada)-----	346.51
R. V. Poliosky, traveling expenses-----	125.91
C. J. Medzikhovsky—	
Traveling expenses-----	\$50.18
Salaries for employees-----	1,825.36
	<hr/>
	1,875.54
Col. Donnovsky, traveling expenses-----	75.30
Lieut. Platonoff, expenses London to New York--	957.50
Miscellaneous—	
Rent for New York office, December-----	\$1,650.75
New York office expenses, December-----	552.45
Western Union Telegraph Co (Gen. Khrobroy)-----	4,910.52
	<hr/>
	7,113.72
	<hr/>
	\$708,057.24
Nondepartmental payments:	
W. P. Anderson—	
Daily money for two months-----	1,644.46
Advance for Mr. Ignatie-----	500.00
L. Tiojolloff—	
Return expenses to Russia of various officers--	6,878.39
Additional salary for various officers-----	1,208.74
Salary for Col. Abbott-----	1,000.00
Lieut. Maletsky, return expenses to Russia-----	641.46
Lieut. Dmetneff, return expenses to Russia-----	641.46
Capt. Grinoff, salary due in Russia-----	2,345.27
Zimdin & Co. (telegraphic)-----	.92
	<hr/>
	14,860.70
Salaries:	
J. Goodkoff, salary for November-----	350.00
C. J. Medzikhovsky, salary for November-----	806.33
V. P. Ananef, salary for November-----	168.80
	<hr/>
	1,325.13
Miscellaneous:	
Coudert Bros., New York, legal services-----	639.67
Western Union Telegraph Co., bills for November	1,114.66
	<hr/>
	1,754.33
	<hr/>
	1,168,820.28

JANUARY 1918.

Artillery Department, Col. V. Oranovsky, expenses for January-- \$86,604.55

Nondepartmental:

Representative money for Anderson and Kachetkoff-----	\$7,561.30	
Col. Abbott, salary for December-----	1,000.00	
B. L. Brazol (New York), supplementary money-----	510.97	
Lieut. Konshin (New York), salary due in Russia-----	423.60	
		\$9,495.87

Secretarial:

Various employees—		
Extra compensation for December-----	\$883.18	
Salaries for January-----	3,115.00	
		3,998.18
P. A. Morosoff—		
Office expenses-----	2,817.34	
Traveling expenses-----	260.72	
		3,078.06
C. J. Medzikhovsky, traveling expenses-----	115.36	
Gen. A. Ziegler, traveling expenses-----	54.85	
J. D. Jolkovsky, office expenses-----	50.00	
R. Poliokoff—		
Office expenses for December and January-----	\$2,822.95	
Supplementary money-----	2,022.72	
Traveling expenses-----	260.00	
		5,105.67
		12,402.12

Salaries:

Goodkoff-----	350.00	
Medzikhovsky-----	806.33	
Anoneiff-----	168.80	
		1,325.13
K. F. Fabian, salaries and expenses-----	12,600.00	
Bishop Alexander, upkeep of North American Orthodox Mission--	24,000.00	
V. Novitsky (Washington), office expenses-----	6,000.00	
S. Ughet (financial attaché), salary and expenses-----	5,832.92	
Account C, direct payment (Compte cheque)-----	1,652.30	
Miscellaneous, telegraphic-----	.92	

Total----- 159,913.81

FEBRUARY, 1918.

Secretarial department:

A. N. Avinoff (commissary departmentt) office expenses for four months-----	\$26,788.73	
C. D. Medzikrovsky—		
Supplementary money-----	2,200.00	
Various employees' salaries for January and February-----	3,627.42	
P. A. Morosoff, office expenses-----	906.04	
S. Ughet, traveling expenses-----	390.90	
R. Poliakoff, traveling expenses-----	55.55	
Miscellaneous—		
Rent for February, New York office-----	\$1,650.75	
Expenses, New York office-----	377.80	
		2,028.55
		\$35,997.19

Nondepartmental payments:

L. D. Tiajloff—		
Salaries for various officers-----	5,582.35	
Return to Russia of Col. Bek-----	641.46	
		6,223.81

Salaries:

Goodkoff-----	350.00	
Medzikhovsky-----	677.80	
Ananieff-----	168.80	
		1,196.60

126 FOREIGN LOANS AND AUTHORITY FOR MAKING SAME.

G. Klodnitsky, salaries and expenses-----		\$2,349.00
Account C. direct payment (Compte cheque)-----		461.74
Miscellaneous:		
J. J. Connor, salary-----	\$100.00	
Western Union Telegraph Co. (Ughet for December and January)-----	256.88	
		356.88
Total-----		46,585.22

MARCH, 1918.

Nondepartmental payments:

L. D. Tiajloff--		
Advance for salaries-----	\$11,000.20	
Salary of Col. Abbott-----	2,000.00	
Salary of Mr. Chicoff-----	1,881.00	
Lieut. Alexeew, return expenses to Russia-----	494.77	
		\$15,384.97

Salaries:

Goodkoff-----	350.00	
Medzikhovsky-----	1,355.60	
Ananieff-----	377.60	
		2,043.20
K. F. Fabian, salaries and expenses-----	8,500.00	8,500.00
V. Petropavlosky, salaries and expenses-----	8,000.00	8,000.00
Col. Nikolaieff (Washington), expenses-----	1,503.80	1,503.80
M. Oustinoff (New York), expenses of consulates at Chicago and Pittsburgh-----	50,000.00	50,000.00
W. Bashkiroff (New York), expenses-----	10,000.00	10,000.00
W. P. Anderson:		
Expenses of two engineers-----	\$1,800.00	
Assistance to agricultural instructors-----	1,500.00	
	3,300.00	3,300.00
Col. Gadsevitch, expenses-----	263.37	263.37
Novitsky (Washington), expenses-----	9,000.00	9,000.00
Miscellaneous:		
J. J. Connor, salary-----	\$100.00	
Expenses of advertising bonds, N. C. B.-----	150.23	
	250.23	250.23

Railway department:

Count Shulenburg, expenses of railwaymen in Russia-----	95,560.23	
Prof. Lomonossoff, expenses of railwaymen in Russia-----	500.00	
		96,060.23

Secretarial department:

M. Yassukovitch, salaries and office expenses-----	10,000.00	
W. P. Anderson, office expenses-----	2,960.69	
Coudert Bros., legal services to Dec. 31, 1917-----	25,117.00	
Capt. Visotsky, expenses of reorganization of archives-----	1,600.00	
S. Koshkin, traveling expenses-----	23.67	
M. Schumantoff--		
Salary and expenses-----	\$5,154.00	
Traveling expenses-----	150.54	
	5,304.54	
L. D. Tiajloff--		
Office expenses-----	495.54	
Salaries for March-----	2,215.00	
		2,710.54
A. Vinoff, salary-----	1,314.53	
C. J. Medzikhovsky, traveling expenses-----	100.36	
P. A. Morosoff, traveling expenses-----	150.54	
A. Poluboyarenoff, traveling expenses-----	23.58	
J. D. Jolovaky, petty cash for office-----	50.00	
R. Poliakoff, traveling expenses-----	70.00	
S. Ughet, traveling expenses-----	260.72	

Secretarial department—Continued.

Various employees—

Extra compensation for February	\$582. 03	
Salaries for March	2, 935. 00	
		\$3, 517. 03

Miscellaneous—

Office expense, New York	305. 82	
Rent for February, New York	1, 650. 75	
Western Union Telegraph Co. (Gen. Khrabroff)	1, 725. 22	
		3, 681. 79

	\$56, 884. 79
Total	261, 190. 79

APRIL, 1918.

Railway department:

Prof. Lomonosoff—

Expenses of railwaymen in Russia	\$69, 608. 79	
Purchase of technical books	1, 000. 00	
Upkeep of Railway Mission for May	15, 000. 00	
		\$85, 608. 79

Nondepartmental payments:

Salary for Col. Abbott for March and April	2, 000. 00	
Medzikhovsky, return trip to Russia of Gudkoff	962. 00	
Tiajoloff, salaries for April	6, 471. 38	
		9, 433. 38

Transportation department, Medzikhovsky, rent for temporary storage

1,950. 00

Salaries:

Medzikhovsky, salary for April	\$677. 80	
Ananieff, salary for April	168. 80	
		846. 60

Provisional ambassador, expenses and salaries of embassy and consulates

10, 000. 00

Col. Nikolaieff, subsidy to officers

5, 000. 00

Account C

283. 76

Provisional ambassador transfer to Riggs Bank for salaries and expenses of embassy and consulates

223, 958. 58

Miscellaneous:

Rent for storage places	\$510. 60	
Military attaché	32. 28	
		542. 88

Secretarial department:

Tiajoloff—

Office expenses	\$565. 97	
Liquidating bonuses to employees	8, 736. 65	
Liquidation of Remington plant	5, 000. 00	
		14, 302. 62

Pushkiroff, salary for March	300. 00	
Jolosky, petty cash	50. 00	

Various employees:

Extra compensation for March	\$535. 49	
Extra compensation for April	485. 64	
Salaries for April	2, 935. 00	
		3, 956. 13

A. Vinoff:

Office expenses	10, 720. 62	
Liquidating bonuses	21, 955. 48	
		32, 676. 30

Gen. Khrabroff, advance for office expenses

2, 000. 00

Wissotsky:

Advance salary of Stasenکو		
for April	\$175. 00	
Salaries of employees to		
May 1	160. 00	

335. 00

128 FOREIGN LOANS AND AUTHORITY FOR MAKING SAME.

M. Yussukovitch, advance for storage-----	\$1,000.00	
W. P. Anderson:		
Representative money from Jan. 1 to		
May 1-----	\$2,000.00	
Office expenses and salaries-----	1,752.29	4,003.19
Traveling expenses-----	250.90	
		4,003.19
Gen. Ziegler, traveling expenses-----		73.95
S. Ughet, traveling expenses-----		521.44
R. Poliakoff, traveling expenses-----		81.10
C. J. Medzikhovsky:		
Traveling expenses-----	\$140.36	
Liquidating bonuses-----	4,054.26	
		4,194.62
A. N. Sakhnovsky, extra salary from		
Jan. 1 to Nov. 1-----		1,753.04
Miscellaneous:		
Rent for April (New York)-----	\$1,650.75	
Western Union Telegraph Co.—		
Bills for March-----	464.44	
New York Telegraph Co., bills		
for April-----	38.75	
Remington Arms (supplies)-----	664.82	
Office expenses and supplies-----	615.98	
		3,434.274
		\$68,682.13
Total-----		406,306.12

MAY, 1918.

Railway department:		
Count Shulenburg—		
Expense of railway men in Russia-----	\$75,000.00	
Prof. Lonronossoff—		
Expense of railway men in Russia-----	45,575.49	
Upkeep of Railway Mission for June-----	15,000.00	
		\$135,575.49
Salaries, Medzikhovsky, salary for May-----		1,065.55
K. F. Fabian, representative Moscow district supply committee--		4,150.00
Anderson, W. P., and E. Berry, agricultural instructors-----		450.00
Nelse Johnson, trip to Russia-----		2,080.45
Gen. A. Dobrajinsky (salaries)-----		6,169.66
V. Petropavlosky, revision of operations of Russian institutions--		6,000.00
S. MacTaggart, expense in Christiania-----		215.89
Account C-----		748.76
Miscellaneous, Western Union Telegraph Co-----		46.06
Chancery and archives, E. Witssotsky:		
Advance for May, salaries-----	\$59,517.00	
Office expenses-----	1,000.00	
Claims against Russian Supply Co--	5,000.00	
Expense for detective work-----	500.00	
Advance for immediate expenses-----	4,000.00	
Advance for treatment of Strut-		
zinsky-----	120.00	
Telephone service-----	150.00	
Traveling expenses-----	2,000.00	
Advance for overtime-----	1,000.00	
Advance for rent-----	2,074.17	
		\$75,361.17
S. Ughet, expenses of Washington office-----	500.00	
C. J. Medzikhovsky, advance for Brooklyn rent-----	250.00	
Petropavlosky, salaries and expenses of representative		
of Russian State control-----	15,000.00	
Condert Bros., legal services and expenses-----	4,003.26	
G. V. Shestocovsky, advances for telephone, etc-----	150.00	

Capt. Smirnoff, reimbursement for rent of May-----	\$73. 33	
Mrs. O. Leichter (N. Y.), reimbursement funeral expenses of S. Leichter-----	500. 00	\$95, 837. 76
Total-----		252, 339. 62

JUNE, 1918.

Railway department:

L. Lipets—		
Expenses of railwaymen in Russia-----	\$12, 000. 00	
Traveling expenses-----	5, 000. 00	\$17, 000. 00
Medzikhovsky, salary for June-----		1, 052. 55
Fabian, expenses for June-----		1, 340. 00
Novitsky, office expenses-----		9, 000. 00
Petropavlosky, salaries and expenses-----		1, 200. 00
Engineer Paykine, salary due from Russia-----		1, 546. 43
Miscellaneous. Barrow, Wade & Guthrie, accounting-----		5, 000. 00
Chancery and archives:		
Adrianoff, salary from Aug. 1, 1915 to Apr. 17-18-----	2, 737. 34	
Rent for May (N. Y.)-----	\$128. 00	
Rent for June (N. Y.)-----	147. 50	
	275. 50	
Wissotsky, reimbursement for storage-----	255. 30	3, 318. 14
Advances:		
E. Wissotsky, salaries and office expenses for June-----	71, 307. 00	
C. J. Medzikovsky, funds advanced for transportation section-----	15, 000. 00	66, 307. 00
Total-----		125, 764. 12

SECTION 66.

United States Navy Department Payments to the De Facto Russian Ambassador.

28-905-1176

NAVY DEPARTMENT,
Washington, September 24, 1918.

The honorable the SECRETARY OF THE TREASURY.

Subject: Payment of charter rate for steamers *Foam*, *Ripple*, and *Spray*.

Reference: (a) Secretary of State, letter dated May 2, 1918, to the honorable the Secretary of the Navy; (b) Third District Naval Force, requisition No. 139, Bureau S. O., dated July 20, 1918; (c) Third Naval District Reserve Force, requisition No. 140, Bureau S. O., dated July 20, 1918; (d) Third District Naval Force, requisition No. 141, Bureau S. O., dated July 20, 1918; (e) Third District Naval Force, requisition No. 186, Bureau S. O., dated August 3, 1918; (f) Third District Reserve Force, requisition No. 196, Bureau S. O., dated August 2, 1918; (g) Third District Naval Force, requisition No. 500-S. O., dated September 9, 1918; (h) Third Naval District, requisition No. 492, Bureau S. O., dated September 9, 1918; (i) Third District Naval Force, requisition No. 502, Bureau S. O., dated September 9, 1918.

Inclosure: Copy of reference (a), (b), (c), (d), (e), (f), (g), (h), and (i).

The above requisitions cover the payment of charter rates on the steamers *Foam*, *Ripple*, and *Spray*, which have been chartered from the Provisional Government of Russia.

The Secretary of State suggested, in reference (a), "that the approval of the Treasury Department be obtained for the payment of the charter hire to the individual named in the charter party." The Secretary of State evidently

deemed it necessary to have a competent authority to decide whether or not the individual named in the charter party was the proper and competent person to receive payment on behalf of the Provisional Russian Government.

It would be appreciated, therefore, if the Secretary of the Treasury would express an opinion as to whether the party referred to in the attached requisition, namely "S. Ughet, Russian financial attaché, Flatiron Building, New York City," is the proper party to receive the payments called for in the above requisitions.

Refund of papers is requested.

JOSEPHUS DANIELS.

SECTION 67.

Treasury Department O. K.'s Payment of Private Loan Interest from this Fund.

OCTOBER 21, 1918.

J. T. COSBY, Esq.,

*Vice President National City Bank of New York,
55 Wall Street, New York City.*

DEAR SIR: With reference to your letter of October 10, the Treasury Department raises no objections to the payment amounting to some \$20,000 for the coupons maturing this month on the Russian internal 5½ per cent bonds.

Yours, very truly,

ALBERT RATHBONE.

GOM. JF.

SECTION 68.

Money Sent from this Fund to Pay Upkeep of Embassies of De Facto Russian Government in Belgium and Norway.

NOVEMBER 2, 1918.

BASIL MILES, Esq.,

Care of Department of State, local.

DEAR MR. MILES: In accordance with my telephone conversation with you, we have advised Mr. Ughet, Russian financial attaché, that there is no objection to the transfer of \$17,000 and \$8,000, respectively, to the Russian legations in Norway and Belgium. These funds are to be taken from accounts over which we have exercised no direct jurisdiction.

Very truly, yours,

NORMAN H. DAVIS.

SECTION 69.

November 1, 1918, Account.

Estimated situation of accounts of the Russian Government in the United States of America.

ASSETS AS OF NOVEMBER 1, 1918.

1. Cash:

Account A.....	\$1,281,944.60
Account B.....	215,377.49
Account B (confirmed credit for payments for interest on \$11,000,000—5 per cent bonds, May 1, 1919, included).....	330,000.00
Account C.....	767,410.05
Account D.....	21,623.02
Account H.....	4,993,338.72
Account M.....	26,725.00

Total..... 7,636,418.88

2. Amounts receivable on invoiced sales:

a. Rails. up to Dec. 1, 1918.....	141,033.34
b. Various, up to Jan. 1, 1919.....	199,935.93

3. Estimated receipts for rails sold but not invoiced up to Apr. 1, 1919-----	\$6,977,551.37
4. Estimate of gross income up to Jan. 1, 1919, for charter of volunteer fleet steamers (net income \$419,950.74 up to Feb. 1, 1919)-----	1,152,072.25
5. Estimate of receipts for charter of trawlers (up to Jan. 1, 1919)-----	49,112.87
6. Estimated interest on various accounts in the National City Bank (2 per cent on \$6,000,000 for two months, from Nov. 1, 1918, to Jan. 1, 1919)-----	20,000.00
7. Estimate of receipts for sale of Remington's equipment, up to Feb. 1, 1919-----	3,697,649.19
8. Credit balance as of Nov. 1, 1918, of the a/c of the liquidation of the Remington rifle contract-----	391,638.26
Total-----	20,265,412.09

LIABILITIES AS OF NOVEMBER 1, 1918.

1. Payments on statements of liabilities No. and 1 and No. 2-----	1,201,733.51
2. Payments on orders of the chancery of credit:	
a. Moscow Machine Tool Works-----	82,748.50
b. Canning machinery-----	165,000.00
c. Reserve for unsettled payments-----	150,000.00
3. Estimated operative expenses of transportation section, up to Jan. 1, 1919-----	892,000.00
4. Estimated expenses in connection with charter of Russian volunteer fleet steamers up to Jan. 1, 1919-----	732,121.51
5. Estimated freight expenses of Railway Mission up to Jan. 1, 1919, \$490,725.24, less amount included in statement No. 1, \$108,725.24-----	382,000.00
6. Estimate of operative expenses of information and report section for storage and insurance-----	14,000.00
7. Payments for air brakes for closed cars (the sum is approximation)-----	350,000.00
8. Payments on spare parts for closed cars-----	300,000.00
9. Payments for bank notes-----	214,800.00
10. Estimated expenses on the order for 50-copek treasury bills-----	225,000.00
11. Estimate for expenditures on personnel up to Jan. 1, 1919-----	150,000.00
12. Interest up to Jan. 1, 1919, on \$25,000,000, 5½ per cent bonds-----	687,500.00
Commission-----	859.38
13. Interest on \$11,000,000, 5 per cent bonds up to May 1, 1919 (confirmed credit)-----	330,000.00
14. Interest up to Jan. 10, 1919, on \$50,000,000, 6½ per cent bonds-----	1,625,000.00
Commission-----	125,000.00
15. Estimated payments on coupons of Russian internal war loans up to Jan. 1, 1919-----	35,000.00
16. Payment to Remington A. U. M. C. Co. for rifles-----	6,808,350.00
17. Estimated expenses of the Remington trustees-----	42,087.45
Total-----	14,513,200.35
Credit balance-----	5,752,211.74
Grand total-----	20,265,412.09

SECTION 70.

Bakhmeteff Gives His I. O. U. for Almost \$5,000,000 of Interest Due the United States.

RUSSIAN EMBASSY,
Washington, November 14, 1918.

The honorable the SECRETARY OF THE TREASURY.

MY DEAR MR. SECRETARY: Referring to your letter of October 31 in regard to the interest due on the 15th of this month on the obligations of my Government held by the United States, I desire to inform you that at the moment I

have not the cash available which will enable me to pay the interest in the amount of \$4,728,997.60 due on that date.

I have executed and hand you herewith a certificate of indebtedness for \$4,728,997.60, payable on demand, and ask that you receive the same in lieu of a cash payment of the interest referred to, due on the 15th of this month. You will observe that this certificate of indebtedness is payable on demand, so that if we are unable to agree upon arrangements relating to the postponement of any cash payments from my Government, you are in a position to demand payment of this certificate.

Very truly, yours,

B. BAKHMETEFF,
The Extraordinary Russian Ambassador.

SECTION 71.

President Wilson Transfers \$5,000,000 from His Special War Fund Given Him to Prosecute the War for Winter Supplies to Russians in Archangel District, November 20, 1918, Nine Days After the War Was Over.

NOVEMBER 20, 1918.

H. H. PIERCE, Esq.,
War Trade Board, Washington, D. C.

DEAR MR. PIERCE: In accordance with your request over the telephone, I inclose copies of the letters in connection with the allotment by the President of \$5,000,000 from the appropriation of \$30,000,000 for national security and defense for the purpose of providing for winter supplies for the civilian population of the Archangel district of Russia.

Very truly, yours,

N. KELLEY.

SECTION 72.

Kolchak to Pay All Foreign Loans if Successful—He Was Therefore Given Aid by United States.

PEKING, November 27, 1918.

SECRETARY OF STATE,
Washington:

Following from Omsk. 207. Twenty-seventh. All-Russian Provincial Government has issued following statement: "Considering ourselves proper and lawful successors to all lawful Russian Governments which existed up to the end of October, 1917. The Government were such, Admiral Kolchak at its head takes the stand of absolutely executing according to the reestablishment of whole Russia all financial obligations which the Government has taken upon itself; for instance, the payment of interest, the settlement of interior and foreign loans, payments per contracts, the supporting of employees, pensions and all sorts of other payments payable legally from the treasury. The Government has declared that all financial acts which were established by the soviet conference are unlawful and are not to be executed, being acts established by rebels. Signed, Admiral Kolchak and the members of the Government." Minister of Finance Michaeloff confirmed this statement to me yesterday. He further stated that it took 500,000,000 rubles monthly to meet the expenditures of the new Government—350,000,000 were necessary for army and 100,000,000 for Siberian Railroad, leaving only 50,000,000 for miscellaneous expenses. Harris.

REINSCH.

SECTION 73.

One Hundred Thousand Dollars from Liquidation Fund for Expenses of De Facto Russian Government to the Peace Conference.

DECEMBER 5, 1918.

DEAR MR. POLK: In the current statement of proposed disbursements of the Russian Government in the United States is an item of \$100,000. to be placed at the disposal of the ambassador for expenses at the peace conference.

I am informed by Mr. Ughet that you have approved in principle such an allocation, and I should be glad to be advised whether you think it desirable, upon political grounds, that the allocation should be allowed to be made without any objection being interposed by the Treasury.

Statements submitted by Mr. Ughet show assets exceeding liabilities on contracts and other current liabilities, exclusive of interest due to the United States of about \$2,800,000.

Yours, very truly,

ALBERT RATHBONE.

HON. FRANK L. POLK,
Acting Secretary of State, Washington.

DEPARTMENT OF STATE,
Washington, December 7, 1918.

MY DEAR MR. RATHBONE: I have your letter of December 5, in which you inform me that in the current statement of proposed disbursements of the Russian Government in the United States is an item of \$100,000 to be placed at the disposal of the Russian ambassador for expenses at the peace conference.

If the Treasury Department concurs, I would offer no objection to this sum being placed at the disposal of the ambassador, and so informed the ambassador in view of the representations he made concerning his proposal to be in Paris during the time of the peace conference.

I am, my dear Mr. Rathbone,
Very sincerely, yours,

FRANK L. POLK.

The Hon. ALBERT RATHBONE,
Assistant Secretary of the Treasury.

DEPARTMENT OF STATE,
Washington, December 31, 1918.

MY DEAR MR. RATHBONE: I have your letter of December 12, 1918, with reference to the sum of \$100,000 to be placed at the disposal of the Russian ambassador for expenses at the peace conference.

I talked with the Russian ambassador about placing this sum at his disposal, and from what he told me I do not believe it is excessive, and consequently see no objection to placing the entire amount at his disposal.

I am, my dear Mr. Rathbone,
Very truly, yours,

FRANK L. POLK,
Acting Secretary of State.

HON. ALBERT RATHBONE,
Assistant Treasurer.

SECTION 74.

Lansing Postpones Collection of Money Due United States in Order to Keep Up Russian Embassy.

DEPARTMENT OF STATE,
Washington, November 29, 1918.

MY DEAR MR. PRESIDENT: The Russian ambassador, from Russian funds available to him, has been paying interest on the following Russian obligations held in this country:

1. Russian obligations held by the Treasury-----	\$187,729,750
2. Russian Government credit advanced by National City Bank in 1916-----	50,000,000
3. Russian bonds bought by a syndicate of banks, including National City Bank, and partly sold to the public-----	25,000,000
4. Russian notes held by group of banks-----	11,000,000

The Treasury Department advises me that while adequate funds may be available later, for example, from the sale of certain Russian supplies in this

country, the Russian ambassador has not now sufficient funds on hand to meet the interest on these obligations as they fall due. If the interest is collected, the embassy and the Russian consulates still maintained as usual in the United States, will be forced to close; Russia will be without representation.

The Treasury takes the position that unless political considerations, known to the Department of State, urge the contrary, the Government's interest must be protected before that of the private banks; in other words, that interest on obligations held by the Treasury must be collected before interest can be paid on private holdings. I believe that political considerations justify the Government in postponing collection of the interest due it, and, if another arrangement can not be reached, allowing the Russian ambassador to pay the interest on obligations held by the banks and by the public, and to defer payment on obligations held by the Treasury.

I have favored maintaining Russian representation in the United States as long as may be practicable. Moreover, the Government has announced its settled purpose to assist Russia; the public has assumed no such commitment. I think it but a matter of just policy to defer for the time or postpone until the establishment of orderly government the collection of interest due the United States on and after November 15, 1918. I shall be glad to know if you concur, as an interest payment on \$25,000,000, noted above, is payable Monday, December 2: the ambassador will require authority to pay.

Faithfully, yours,

ROBERT LANSING.

The PRESIDENT,
The White House.

DEPARTMENT OF STATE,
Washington, January 7, 1918.

MY DEAR MR. SECRETARY: Referring to our conference yesterday regarding Russian bonds and obligations in this country, I believe the situation is such that it would be unfortunate if we offered any objection at this time to the payment of interest on the \$50,000,000 of Russian bonds due January 10, 1919. I believe political considerations should prompt us to acquiesce in the payment of this interest and shall be glad to know that you concur. It strikes me as especially important that no action should be taken which might affect Russian interests unfavorably until the general question of the relation of ourselves and the other associated Governments toward Russia is more clearly defined.

I am, my dear Mr. Glass,
Very sincerely, yours,

FRANK L. POLK.

The Hon. CARTER H. GLASS,
Secretary of the Treasury.

NEW YORK, *January 14, 1919.*

SIR: Referring to the interest due the 10th of January on our "report" operation of \$50,000,000, with a syndicate of American banks headed by The National City Bank of New York, I beg to state that while this matter was taken up with the Hon. A. Rathbone, Assistant Secretary of the Treasury, Mr. Rathbone informed me that the United States Government would see no objection that this payment on the 10th of January be made by me, provided, however, that the Russian embassy pays to the Treasury Department, in cash, the sum of \$300,000, to apply on account of interest due on November 15, 1918, to the United States Government on the advances made to the Russian Government.

In pursuance of this specific request I beg to inclose herewith my check for \$300,000 to your order, representing a part of the cash payment of the interest due to the United States Government on November 15, 1918.

I would be very much obliged if you would kindly cause the usual receipt to be made and forwarded to me.

Very truly, yours,

SERGE UGHET,
Russian Financial Attaché.

The SECRETARY OF THE TREASURY,
Washington, D. C.

SECTION 74-A.

State Department's Résumé of Russian Situation.

DEPARTMENT OF STATE,
Washington, December 13, 1918.

DEAR MR. SECRETARY: Referring to Department's letter of May 14, 1917, inclosing a telegram from the American ambassador at Petrograd, dated May 11, 1917, stating that the Russian chargé d'affaires here had been authorized to act for Russia until the arrival of Mr. Bakhmeteff about June 15, 1917, and referring to the letter of Mr. C. Onou, the Russian chargé d'affaires, to Mr. Oscar T. Crosby, Assistant Secretary of the Treasury, dated May 16, 1917, inclosing copies of two telegrams of the Russian minister of foreign affairs and stating that they authorize him in the name of the Russian Provisional Government to incur obligations in its behalf under the act of Congress approved April 24, 1917, to sign the bonds of his Government to be purchased by the United States and to agree to terms and conditions in connection with the same, which will be an essential part of the transaction, and referring also to department's letter of May 17, 1917, inclosing a telegram from the American ambassador at Petrograd, dated May 15, 1917, stating that he had been formally advised by the Russian foreign office of the designation by the Russian Government of its chargé d'affaires here, Mr. Onou, in the name of his Government to sign obligations and to make declarations in connection with loans until the arrival of Mr. Bakhmeteff, and referring further to department's letter of June 22, 1917, inclosing the powers of Mr. Bakhmeteff, Russian ambassador to the United States on special mission, authorizing him to enter into financial agreements between the two Governments and to sign the obligations of Russia thereunder, and referring finally to department's letter of October 25, 1917, inclosing a mail dispatch from the American ambassador at Petrograd, dated September 11, 1917, transmitting a note of August 14/27, 1917, of the Russian foreign minister, stating that the Russian ambassador at Washington was authorized to sign in the name of the Russian Provisional Government short-time obligations for advances made by the United States Treasury, I have the honor to confirm your informal advices that demand obligations of the Provisional Government of Russia payable to the United States of America have been executed and issued by Mr. B. Bakhmeteff, in the name of the Provisional Government of Russia from time to time, and delivered to you in the total face amount of \$187,729,750, of which obligations in the face amount of \$186,400,000 were so delivered between July 6, 1917, and November 1, 1917, both dates inclusive, against the contemporaneous payment to Mr. Bakhmeteff for his Government of cash to the full face amount of the respective obligations, and a further obligation in the amount of \$1,329,750 was executed by Mr. Bakhmeteff in the name of his Government under date of November 15, 1917, and delivered to you on November 20, 1917, against a cash advance in like amount made to Mr. Bakhmeteff to enable his Government to pay the interest which became due on November 15, 1917, on its obligations then held by the United States. In view of the circumstances above set out, the above-mentioned obligations issued and executed by Mr. Bakhmeteff in the name of and under full powers of the Provisional Government of Russia are regarded by this department as valid and binding internationally and have its sanction.

I am, dear Mr. Secretary,

Very sincerely, yours,

FRANK L. POLK.

The SECRETARY OF THE TREASURY.

SECTION 75.

Interest Memorandum.

MEMORANDUM RE GENERAL RUSSIAN POSITION AND INTEREST DUE BY RUSSIA.

At the time the Kerensky government was overthrown by the Bolsheviks, and advances to Russia by the Treasury were discontinued (that is, about November 1, 1917), the Russian Government had outstanding large contracts which it expected to meet out of United States credits. Its cash

resources were far from adequate to meet its obligations, but after much negotiation and effort cancellation and sales were effected which put the Russian Government in the possession of sufficient funds to meet its liabilities on these contracts as reduced and to leave a certain balance.

The principal commodity available for sale was a supply of 243,000 tons of rails, of which 220,000 tons were on the eastern seaboard. The sale of these rails seemed especially desirable; first, because they were needed for military railways in France; second, because they were causing congestion at ports; and, third, because the proceeds would greatly alleviate the financial situation of the Russian Government. It appeared that these rails were not purchased from either British or United States Government advances, but from the proceeds of securities sold by Russia in the United States, comprising \$11,000,000 of one-year notes, which have been three times renewed, now maturing May 1, 1919; \$50,000,000 6½ per cent credit negotiated through syndicate bankers and maturing in June, 1919; \$25,000,000 Russian 5½ per cent bonds, and some interior Russian bonds. The interest on these borrowings has been paid as it matured up to the present time. When the \$11,000,000 of notes matured on May 1 last, the Treasury opposed all suggestion as to payment on account of the principal, and eventually the holders agreed to extend them until May, 1919, upon an irrevocable allocation of funds being made to meet the interest maturing during the year. On May 15, 1918, interest became due to the United States Treasury to the amount of \$3,674,431.08. Payments amounting to \$1,865,925.08 were made in cash on July 3 and August 17, 1918, and the remainder is expected to be met out of the proceeds of the sale of certain cargoes realized in England upon the diversion of the steamers from Russian ports by reason of the unfriendly developments in Russia. These cargoes consisted largely of goods purchased out of United States credits, and the proceeds of the cargoes are being deposited with the Treasurer of the United States, the amount at present being \$1,903,806. The Russian ambassador has undertaken to defray, out of his general funds, the amount due to certain private owners of cargo; these payments are estimated at \$85,000, of which approximately \$65,000 have been paid.

Upon November 15, 1918, interest became due to the United States to the amount of \$4,728,997.60. No cash has been paid, but the ambassador has given a demand note to represent the amount of this interest.

With the approval of the State Department, the Treasury interposed no objection to the payment of interest, which became due on December 1, on the \$25,000,000 bonds held by the American public. After conference between the President and the Secretary, the Treasury on December 11 expressed the view that the interest which becomes due on January 10 on the \$5,000,000 6½ per cent credit should not be paid, so long as interest due the United States remained unpaid. Mr. McAdoo, however, advised that the President had given no directions in regard to the matter and the Treasury was free to adopt such policy in regard to the matter as it should deem wise.

Mr. Ughet, the Russian chargé d'affaires, is extremely anxious that this interest, which amounts to \$1,625,000 plus a commission to the bankers of \$125,000, should be paid. He argues forcibly that Russia having avoided default in the United States until now it is undesirable that default should occur just when the peace conference which is bound to concern itself with the future policy toward Russia is about to meet, and just after the Omsk Government, which is regarded by him as the nucleus of a future Russian Government, has announced its policy of recognizing and meeting Russia's external obligations. He also urges that the loan of \$11,000,000, maturing May 1, is secured by Russian internal bonds of a face value of 145,000,000 rubles, and that any default now would greatly depreciate the value of these ruble bonds which the holders of the \$11,000,000 notes may naturally be expected to realize if the note is not paid.

Statements submitted by Mr. Ughet indicate that the Russian Government will be unable to meet its maturing obligations and provide for its outstanding contracts very much longer. His estimate made as of January 1 shows that after collecting all accounts due and meeting maturing interest, current expenditures, and payments on contracts there will be a deficit on May 1 of \$1,660,000 without allowing for any interest due to the United States Government. Examination of this statement which was furnished yesterday raises some questions as to the correctness of the basis upon which it is prepared, but it is doubtless sufficiently accurate to form the basis for determination of a general policy. One very uncertain item in the statement is the provision of

\$2,761,000 for net amount payable under a contract with the Remington Arms Union Metallic Cartridge Co. The amounts payable under this contract are now the subject of arbitration and there is a wide difference between the claims of the two parties, so that the amount payable may be substantially increased or reduced. On the other hand, it does not now seem probable that any determination on this question will be reached before May 1.

Attached is the statement received and also a condensed summary thereof. It will be observed that the principal expenditures for the five months are for freights, transportation expenses, and expenditures in connection with the Russian railways, all of which seem vitally important to the relief and economic reconstruction of Russia. The principal assets are the cash and accounts receivable arising from the sale of rails.

The considerations in favor of the payment of interest have already been brought forward. From the purely Treasury standpoint the question resolves itself into one as to the relative priority of its claim for interest and other claims against Russia, and from a broader standpoint it may be regarded as a question of priority between (1) interest due to the United States Government, (2) interest due to other parties, (3) existing contract obligations, and (4) expenditures for transportation of supplies now owned by Russia in the United States to Russian points.

On November 16, 1918, being the last for which a statement is available, the tonnage of materials belonging to the Russian Government on hand at various United States ports amounted to 81,839 tons, the principal item being 73,440 tons of railroad equipment—locomotives, cars, and car parts.

The following further considerations are put forward for whatever weight, if any, they may have:

During the period since November 1, 1917, approximately \$7,000,000 have been paid in interest, etc., on the bonds held by private holders in the United States. Approximately \$12,000,000 has been realized or is due for property sold which was originally acquired from the proceeds of these bonds. As between the United States and Great Britain the principle has been followed that control of property realized should be with the Government which financed the original purchase.

At November 1, 1917, the debt to the public represented about 32 per cent; that to the United States about 68 per cent of the borrowings of Russia in the United States. If the property then on hand had been distributed to creditors pro rata the private creditors would have received a sum substantially in excess of the amount which they have received up to now.

Of course, the United States has received less in proportion to its debt than the private creditors, but it may be urged that it has been a party to the disposition of the assets in other ways and has an important political interest at stake while the private creditors had no such voice or interest.

Attached is a memorandum of Russian bonds which could be pledged to secure the interest now due the United States, if deemed advisable to receive the same. It is possible that the Russian Government might be induced to pay, say, \$300,000 on account of this interest in cash.

A. R.

JANUARY 3, 1919.

Summary of Russian financial statement as at Jan. 1, 1919, with estimated expenditures to May 1, 1919.

Assets:

Cash	\$5,415,071.09
Accounts receivable	5,884,175.13
Together	<u>11,299,246.22</u>

Liabilities and reserves for expenditures:

Balances of contracts for materials, etc.	1,781,778.64
Freight (ocean and rail) and storage charges Jan. 1. to May 1, 1919	5,337,000.00
Due to Shipping Board for requisitioned steamers Jan. 1. to May 1, 1919	600,000.00
Payments on account of bank notes and 50-kopeck bills	350,300.00
Interest and commission—	
Due Jan. 10, 1919	\$1,750,000.00
Due February to May, 1919	175,000.00
	<u>1,925,000.00</u>

Expenses of Russian representatives, Jan. 1 to May 1, 1919--	\$175,000.00
Expenses of Russian representatives, Jan. 1 to May 1, 1919--	175,000.00
Miscellaneous-----	30,888.43
Estimated balance due on Remington contract-----	2,761,058.00
Total-----	12,961,025.07
Estimated deficit on May 1, 1919-----	1,661,778.85

SECTION 76.

Treasury Department O. K.'s Shipping Board Payment to De Facto Russian Ambassador Without Making Attempt to Collect This Money for the United States and Crediting Russia's Loan or Interest Account.

JANUARY 20, 1919.

DEAR MR. POLK: I have the honor to acknowledge the receipt of your letter of the 18th instant inclosing a copy of a letter from Mr. Medziklovsky dated the 16th day of December, addressed to Mr. Miles.

I understand that it is the view of the Department of State that the amounts due should be paid by the Shipping Board to the Russian embassy because of political considerations the importance of which is appreciated by the Treasury, and which led to the Treasury's making no objection to the payment of interest on the Russian bonds which became due on the 10th instant. Such being the case, the Treasury makes no objection to the contemplated payment of the Shipping Board to the Russian embassy which is now in question.

I am, my dear Mr. Polk,

Very truly, yours,

ALBERT RATHBONE.

Hon. FRANK L. POLK,

Counselor State Department, Washington, D. C.

SECTION 77.

De Facto Ambassador Asks for Money from Fund to Pay for Upkeep of De Facto Embassies in South America, but is Refused.

RUSSIAN EMBASSY,
Washington, January 15, 1919.

SIR: Referring to your note of January 7, No. 69, with which you kindly forwarded to me copy of a dispatch from the American legation, at Montevideo, dated November 15, 1918, together with copy of a memorandum, dated October 3, 1918, submitted by Mr. Alexandre Scherbatskoy, the Russian minister at Montevideo, I have the honor to inform you that I consider it of great importance to enable the Russian minister to Brazil, Chile, Uruguay, and Paraguay to continue his functions, and think it desirable to open to the Russian legation at Montevideo the necessary small credit. Such credit could be opened by me out of general Russian Government funds in this country. Previous to any action in this matter, I would, however, appreciate your views on this question.

Accept, sir, the renewed assurance of my highest consideration.

S. UGHET,

Chargé d'Affaires ad interim.

Hon. FRANK L. POLK,

Acting Secretary of State, Department of State.

LEGATION OF THE UNITED STATES OF AMERICA,
Montevideo, Uruguay, October 3, 1918.

(Memorandum.)

The Russian legation in Brazil, Chile, Uruguay, and Paraguay, which is one single legation, has found itself deprived of resources since November, 1917. It is likewise lacking such kind of emergency financial support as has been afforded to Russian institutions in some countries, or created for them by circumstances. The legation has, up to the present, been maintained upon the personal means of the minister, now exhausted.

Would the Government of the United States deem it possible to open to the said Russian legation a small credit which would allow the continuance of such limited functions as it actually performs in Brazil and Uruguay, pending the constitution of a government in Russia?

Submitted by:

ALEXANDRE SCHERBATSKOY,
Envoyé Extraordinaire et Ministre Plenipotentiaire de Russie.

LEGATION OF THE UNITED STATES OF AMERICA,
Montevideo, Uruguay, November 15, 1918.

The honorable the SECRETARY OF STATE,
Washington, D. C.

SIR: I have the honor to inclose herewith the original memorandum with copies thereof, handed me by the Russian minister, who was accredited to Brazil, Chile, Uruguay, and Paraguay by the Provisional Russian Government and who is at present residing with his family in this capital, where he expects to remain until such time of the reestablishment of a stable government for Russia will enable him to take up the diplomatic representation of his government in the countries referred to.

The minister will find it impossible to maintain Russian representation in South America any longer and as all means of communication are cut off to his former sources of financial support he has very modestly suggested to me that if some provision could be made for his temporary support by the United States Government, that upon the reestablishment of his Government he could continue as a diplomatic representative thereof.

The minister has been informed by the National City Bank of New York that credit can not by it be extended to him without special authorization of the United States Government.

I am authorized to say that he is personally well known to the Secretary of State, having been connected with the Russian Embassy in Washington as counsellor prior to his appointment as minister to South America. The minister will appreciate a telegraphic reply to this communication.

I have the honor to be, sir,
Your obedient servant,

ROBERT EMMETT JEFFERY,
Minister.

(Inclosures: Russian minister's memorandum and copies; Russian minister's card.)

DEPARTMENT OF STATE,
Washington, January 20, 1919.

The honorable The SECRETARY OF THE TREASURY.

SIR: I have the honor to transmit herewith inclosed for your information and recommendation copy of a dispatch number 403, dated November 15 last, from the American Legation at Montevideo, Uruguay; also copy of an original memorandum therewith handed to the American minister there by the Russian minister, who was accredited to Brazil, Chile, Uruguay, and Paraguay by the Provisional Russian Government and who is at present residing with his family in Montevideo.

It will be noted from the memorandum that the minister, Mr. Alexandre Scherbatskoy, desires to know if it would be possible for the Government of the United States to open to the Russian Legation at Montevideo a small credit which would allow the continuance of such limited functions as it actually performs in Brazil and Uruguay, pending the organization of a government in Russia. A copy of these communications was referred to the Russian Embassy on January 7 last, and a reply thereto, dated the 15th instant, has been received, copy also of which is herewith inclosed.

I have the honor to be, sir,
Your obedient servant,

FRANK L. POLK,
Acting Secretary of State.

(Inclosures: Copy of dispatch number 403, dated November 15 last, from American Legation at Montevideo, Uruguay; also copy of an original memorandum therewith handed to American minister there by Russian minister, and reply from the Russian Embassy dated January 15, 1919.)

JANUARY 22, 1919.

SIR: I have the honor to acknowledge the receipt of your letter of the 20th instant addressed to the Secretary of the Treasury, accompanied by the communications therein referred to, all in relation to the desire of the Russian minister accredited to Brazil, Chile, Uruguay, and Paraguay by the provisional Russian Government to obtain a credit in order to allow the continuance of limited functions by the Russian legation in Brazil and Uruguay pending the organization of a government in Russia.

Under the terms and provisions of the bond acts the Secretary of the Treasury in present circumstances would not have authority to open a new credit to be placed at the disposal of the Russian minister accredited to the South American Governments above mentioned.

In Minister Jeffery's communication of November 15, 1918, addressed to the Secretary of State, reference is made to the possibility of an establishment of a credit in favor of the Russian minister above referred to by the National City Bank of New York. This department would have no objection to the National City Bank of New York establishing from its own resources a moderate credit in favor of the Russian minister above mentioned.

In Mr. Ughet's letter to you of the 15th instant he suggests that the Russian ambassador to this country, from the funds at present at his disposal, open a small credit in favor of the Russian minister to Brazil, Chile, Uruguay, and Paraguay. From the Treasury standpoint, the available funds at the disposal of the Russian ambassador to this country should be primarily devoted to payment of the overdue interest upon the obligations of the Russian Government held by the United States. The department realizes there may be political considerations involved, but it is without information as to whether such is the case or as to the importance attached by the Department of State to any such considerations as may exist.

Respectfully, yours,

ALBERT RATHBONE.

The honorable the Acting SECRETARY OF STATE.

SECTION 78.

February 1, 1919, Account.

Memorandum for Mr. Ughet.

Compte Cheques (Account C).

Balance July 1, 1917 (previous to first American credit) -----	\$5,018,262.32
Added to <i>Compte Cheques</i> from advances by American Government between July 1, 1917, and Nov. 13, 1917 -----	67,800,000.00
From the above total the following sums were used for special purposes and disbursed by direction of S. Ughet, Russian financial attaché:	
1. Payment to Guaranty Trust Co., re:	
Russo-Asiatic Bank matter -----	\$5,000,000.00
2. Payment to Russian Supply Committee.	
(S. Ughet, Russian financial attaché) to reimburse amount paid for interest and commission of National City Bank on \$50,000,000 report operation July 10, 1917 -----	1,750,000.00
3. Sum of \$5,000,000 ¹ re: Rumanian matter which was repaid to American Government after Nov. 13, 1917 -----	5,000,000.00
	<u>11,750,000.00</u>
Net sum added to <i>Compte Cheques</i> from July 1, 1917, to Nov. 13, 1917, to increase the general balance -----	56,050,000.00
Balance Nov. 13, 1917, <i>Compte Cheques</i> ¹ -----	32,820,632.70

¹ Actual balance was \$37,820,632.70. The sum of \$5,000,000 is deducted to allow for the return of it to American Government on Dec. 3, 1917.

Amount added to Compte Cheques from sums received for sale of merchandise (account H) from May 1, 1918, to Feb. 1, 1919	\$3, 214, 147. 40
Amount added to Compte Cheques from account A and B, being "unneeded balances" and accumulated interest, etc., from Nov. 13, 1917, to Feb. 1, 1919	11, 950, 598. 06
Amount added to Compte Cheques from accounts previously carried at the National City Bank, as follows:	
"Buying account—kroners" (American credit)	\$1, 100, 000. 00
"Account No. 2" (other sources)	923, 304. 55
"Account No. 3" (other sources)	1, 381, 090. 08
	3, 404, 394. 63
Balance, Feb. 1, 1919	317, 039. 59

Interest and commission on loans.

\$50,000,000 report operation:	
Interest due Jan. 10, 1918, July 10, 1918, and Jan. 10, 1919	\$4. 875, 000. 00
Commission due Jan. 10, 1918, April 10, 1918, July 10, 1918, Oct. 10, 1918, and Jan. 10, 1919	625, 000. 00
Total	5, 500, 000. 00
\$25,000,000, 5½ per cent loan:	
Interest due Dec. 1, 1917, June 1, 1918, and Dec. 1, 1918	2, 062, 500. 00
Commission due Jan. 10, 1917, Dec. 1, 1917, June 1, 1918, and Dec. 1, 1918	3, 437. 52
Total	2, 065, 937. 52
\$11,000,000, loan:	
Interest due May 1, 1918	275, 000. 00
Special segregation for interest due Nov. 1, 1918, and May 1, 1919	660, 000. 00
Total	935, 000. 00
Coupons on war loans: Total payments, Jan. 1, 1918, to Feb. 1, 1919	183, 587. 97
Grand total	8, 684, 525. 49
Interest on advances by American Government:	
Interest due Nov. 15, 1917	1, 329, 761. 64
On account interest due May 15, 1918 (balance, viz, \$1,808,506 covered by sale of cargoes, steamships <i>Oconee</i> , <i>Pawnee</i> , and <i>Dora</i>)	1, 865, 925. 08
On account interest due Nov. 15, 1918	300, 000. 00
Total	3, 495, 686. 72

SECTION 79.

Russia Wants \$20,000,000 Gold in the Form of New Loan, but is Refused.

[Telegram sent.]

DEPARTMENT OF STATE,
Washington, March 19, 1919.AMERICAN CONSUL, *Vladivostok*.
(For Stevens.)

Your March 15, through Gen. Graves, No. 210.

1. Question of advancing twenty millions gold will be taken up by Governments concerned upon receiving formal recommendations from interallied committee.

* American credit included in this total, \$3,563,731.89.

2. Salaries and maintenance of technical board and experts staff should be taken into consideration by interallied committee in recommendations for general plan of financing.

3. Spare parts for locomotives and cars will be forwarded as soon as possible. Conditions here regarding locomotives and cars may demand early shipment in order to avoid complications. If this proves to be the case, can they be taken care of on reaching Vladivostok?

Please forward copy to Smith for his information.

POLK, *Acting.*

[Paraphrase of a cable.]

(Referred for attention to Mr. Stanert.)

TOKIO, *March 24, 1919.*

Referring to your telegram of March 19, 8 p. m., the interallied committee at Vladivostok clearly understood that after their recommendation had been made the Governments concerned would discuss and determine the question of finance. Smith's telegram confirmed the fact that the interallied committee has recommended as preliminary to a detailed and final plan that \$20,000,000 should be made available so that the necessary improvements and purchases will not be delayed until agreement can be reached on all the details. I presume that this amount could be advanced as a credit by the interested powers to the interallied committee in a manner similar to that of the million-dollar credit granted temporarily to Stevens. The committee, I believe, feels that it will take several months of examinations by experts before full official notes can be submitted, and the railway needs are in the meantime imperative.

In regard to military control my understanding was that the allied commanders would determine the matter of troop distribution. I think, strictly speaking, that the interallied committee is without jurisdiction over that question provided the protection is adequate. Accordingly I agree with Matsu Daira, and that is why I have suggested to Gen. Graves that he first discuss the subject with the Japanese command and then with the others.

MORRIS.

SECTION 80.

Cable from Basil Miles Requesting President Wilson's Attitude on Russian Finance and Giving Résumé of Situation to Date March 21, 1919.

MARCH 21, 1919.

AMERICAN MISSION, *Paris*

(For Mr. Lansing and McCormick).

Owing to his more pressing engagements I had no opportunity to discuss with the President the question of the status of the Russian Embassy and the funds and accumulated materials which the embassy controls. The situation which is pressing, is as follows, figures being given in round numbers:

Cash standing to ambassador's chredit in City Bank.....	\$3, 400, 000
Owed ambassador by Shipping Board for charter of Russian steamers of the volunteer fleet.....	1, 400, 000
Owed ambassador by War Department for rails purchased.....	3, 000, 000
Together with lesser items the aggregate approximates (cash).....	8, 000, 000
Materials constitute additional assets, as follows:	
Military supplies, as follows:	
Boots.....	\$8. 500, 000
Sole leather.....	3, 500, 000
Horseshoes.....	200, 000
Total.....	12, 200, 000
Railway supplies, including 137 locomotives and 4,400 cars.....	11, 000, 000
Miscellaneous.....	2, 000, 000
	25, 200, 000
Aggregate assets of cash and materials.....	33, 200, 00

Against these assets of \$8,000,000 cash and \$25,200,000 materials, there are the following major liabilities:

First. Interest on Government loans. Interest on demand obligations of Russia, held by the United States, as follows:

Unpaid and past due	\$4,400,000
Due May 15, 1919	4,700,000
Total	9,100,000

Second. Obligations of Russian Government from private sources, as follows:

Russian treasury notes, maturing May 1, 1919, held by National City and other banks	11,000,000
Interest thereon, secured by confirmed credit, due May 1, 1919	330,000
6½ per cent credit, advanced to Russia by City Bank in 1916, payable June 18, 1919	50,000,000
Interest thereon, due June 18, 1919	1,625,000
Commission, due April 10, 1919	125,000
Commission, due June 18, 1919	125,000
Five-year note, payable, 1921	25,000,000
Interest on these notes, due June 1, 1919	687,000
Total	97,992,000

It is obvious that if the United States, or the private creditors, principally the City Bank, collect their indebtedness when due the embassy will be bankrupt in May or June; furthermore, the supplies of boots, leather, and railway materials, so urgently needed for economic relief for Russia, may be attached and possibly sold.

The situation seems to me to require decision as to certain principles before we can decide what measures it may be necessary to take, as follows:

1. Does the President desire Russian assets of cash and railway supplies, boots, etc., to be protected and used for the purpose for which they were originally obtained by the Russian Government, namely, for assistance to Russia?

2. Does the President desire Russian diplomatic and consular officials to continue to function in this country?

3. If so, does he desire department to lend its good offices to assist the Russian ambassador in safeguarding Russian cash assets adequate for that purpose, say, until July 1, 1920, in case such assistance proves requisite?

4. Does the President desire to postpone collection of interest on Russian obligations held by Treasury Department? This will be necessary if he approves 1 and 2 above.

I am ascertaining just how we can effect the above if the President approves. As a last resort, I believe the following procedure would be justified:

1. Have the War Department requisition all military and railway supplies not shipped to Russia and arranged with the War Trade Board, Russian Bureau (Inc.), for their shipment to Russia and disposal for the best advantage of Russia.

2. That the cash assets of the Russian ambassador be disposed of as follows: Part deposited with the United States Shipping Board, as advance payments of sea freights for Russian supplies, remaining in this country and available for shipment to Russia; a second part deposited with the Railway Administration of the United States as advance payment for railway freight charges for above supplies; and a third part to be deposited with the War Trade Board, Russian Bureau (Inc.), or such other agency as the President may designate, for contingencies and to defray charges and expenses designated by the Russian ambassador and approved by the Department of State, including maintenance and upkeep of Russian officials in this country.

The foregoing procedure is suggested as a last resort. I am hopeful that other arrangements may prove possible. In the meanwhile, however, I can take no effective action until the President approves the general question of principle which I have outlined.

— — — — —, *Acting.*

SECTION 81.

Treasury Department Will Not Establish New Credit for Russia.

APRIL 3, 1919.

DEAR MR. UGHET: I have received your letter of April 2, 1919, in regard to the withdrawal of the unexpended balance of the credits established in favor of the provisional Government of Russia in the sum of \$137,270,250, which has not been available since November, 1917.

I am sorry that you should have obtained the impression that credits opened by the United States Government in favor of the Governments associated with the United States in the war would be formally stopped and the unexpended balances withdrawn as soon as the formal peace treaty should be signed. The authority conferred upon the Secretary of the Treasury by the Congress authorizes the establishment of credits until the termination of the war (under the provisions of the Victory Liberty loan act for certain restricted purposes until 18 months after the termination of the war), and does not require the Secretary of the Treasury to withdraw upon the termination of the war the balance of credits previously established then remaining unavailed of.

The action of the Secretary of the Treasury regarding the withdrawal of credits must depend upon the consideration governing each case. Heretofore the unavailed of parts of credits previously established in favor of certain of the allied Governments have been withdrawn, and similarly the unexpended balance of credits previously established in favor of the provisional Government of Russia has been withdrawn, as the same has not been available since November, 1917.

If by reason of changes in existing conditions the Secretary of the Treasury should be authorized by law to make advances to Russia, any application made for the establishment of new credits in its favor and for advances therefrom would, of course, receive his consideration.

With regard to the establishment of a credit of \$125,000,000, referred to in Mr. McAdoo's letter of November 1, 1917, to the Russian ambassador, developments in Russia immediately after the date of the letter were such as would have rendered it unavailable in view of the conditions set out in said letter, and the credit has never been regarded by the Treasury as effective. I had assumed that the representatives of the Russian Government had been so informed.

I am, my dear Mr. Ughet,
Very truly, yours,

ALBERT RATHBONE.

S. UGHET, Esq.,
Flatiron Building, New York City, N. Y.

SECTION 82.

April 19, 1919: Polk Refuses to Recognize Martens as Ambassador From Russia, and States That Bakhmeteff Has Been Recognized as Such Ambassador Since July 5, 1917.

DEPARTMENT OF STATE,
Washington, April 19, 1919.

Mr. J. H. CARTER,
*Vice President National City Bank of New York,
New York City.*

SIR: The department has received your letter of April 15, 1919, in respect of the demand of Mr. L. A. Martens on the Russian ambassador to the United States for all property in the United States under his control belonging to the Russian Government. In reply I have to state that Mr. Boris Bakhmeteff presented his letters of credence to the President of the United States, and was officially received by the President as ambassador extraordinary and plenipotentiary of Russia July 5, 1917, and that Ambassador Bakhmeteff has, accordingly, since that date, been recognized by this Government as the ambassador of Russia to this country. In a recent telegram from the Secretary of State, in Paris, he states that the only Russian representative recognized by the

United States is Mr. Bakhmeteff, and adds in effect that the claims to a representative capacity put forth by Martens are not to be given credence. I may add that the Government of the United States has not received or recognized Mr. Martens in any representative capacity in the United States on behalf of the Government of Russia, or of any other government, and, moreover, that the department has received no authentic evidence that Mr. Martens is even the representative in the United States of the so-called "Russian Socialist Federal Soviet Republic." As you are no doubt also aware this Government has never recognized the bolshevik régime as a Government, either de facto or de jure.

I am, sir,

Your obedient servant,

FRANK L. POLK,
Acting Secretary of State.

SECTION 83.

Ughet, Russian De Facto Chargé d'Affaires, Gives His I. O. U. to United States for Interest \$1,314,847.23.

RUSSIAN EMBASSY,
Washington, May 1, 1919.

MY DEAR MR. RATHBONE: I beg to acknowledge receipt of your letter of April 25, with the inclosed statement setting forth the dates and principal amounts of obligations of the Russian Government dated later than October 2, 1917, held by the United States at the close of business on April 24, 1919, and showing interest thereon due May 15, 1919, in the amount of \$1,314,847.23.

Further on you request payment of this interest to be made by check payable to the order of the assistant treasurer of the United States, New York, for credit general account of the Treasurer of the United States, to be delivered to the assistant treasurer of the United States at the subtreasury in New York on May 15, 1919.

Referring to this request, I desire to inform you that at the moment I have not the cash available which will enable me to pay the interest in the amount of \$1,314,847.23, due on the 15th of this month.

However, I formally undertake on behalf of the Provisional Government of Russia that the said Government promises to pay, for value received, to the United States of America, or assigns, the sum of \$1,314,847.23, on demand, made at the Russian embassy in Washington, with interest from the date hereof at the rate of 5 per cent per annum. Such principal sum and the interest thereon will be paid without deduction for any Russian taxes, present or future, in gold coin of the United States Government of the present standard, weight, and fineness, at the subtreasury of the United States in New York or at the option of the holder at the Treasury of the United States in Washington.

I am, my dear Mr. Rathbone,

Very truly, yours,

S. UGHET,
Chargé d'Affaires ad interim of Russia.

SECTION 84.

May 12, 1919: No Russian Government Recognized by the United States at That Time.

MAY 12, 1919.

MY DEAR MR. RAYMOND: The Secretary has requested me to reply to your interesting letter of the 7th instant making suggestions as to the payment of the 6½ per cent \$50,000,000 loan and the 5½ per cent \$26,000,000 loan raised in this country by the Russian Government before the United States entered the war. The authority of the Secretary of the Treasury to make loans to foreign Governments is limited to Governments at war with enemies of the United States, and the purposes for which such loans are authorized to be made are the prosecution of the war and also the sale of property owned by the Government of the United States and not needed by it or the sale of wheat owned by the

United States or the price of which has been guaranteed by the United States. At the present time there is in Russia no government which has been recognized by the United States. Under these circumstances, there does not seem to be any way for the Treasury to make advances for the purpose of meeting the Russian maturities, even though it were considered desirable to do so. The credits guaranteed the provisional government of Russia in 1917 were not available to the Russians except to the extent to which advances under them were made by the Treasury, and no such advances have been made since November 15, 1917. Inasmuch as under existing circumstances the Treasury was not in a position to make advances under those credits, the unexpended balances were withdrawn some time ago in order that there might be removed any confusion on the part of the public as to the possibility of making further advances to Russia.

Yours, very truly,

ALBERT RATHBONE.

W. L. RAYMOND, Esq.,
35 Congress Street, Boston, Mass.

SECTION 85.

Costs of Keeping Up Embassy.

MAY 22, 1919.

Memorandum for files:

On the list of deferred payments, May 20, 1919, submitted to me by Mr. Ughet on May 21, appears an item "Russian Embassy, additional amount for upkeep of embassy and connected institutions, \$90,275." Mr. Ughet stated that this was to cover for the period of four months, from May 1 to September 1, the cost of the commercial attaché and the cost of consulates. Mr. Ughet said that these had by error been left out of the previous similar items. To-day I called up Mr. Miles at the State Department about this item and asked him whether to pass it. Mr. Miles said that until the question of the June 1 interest charge was decided, items for the upkeep of embassy and consulates should be passed as heretofore. I thereupon told him that I would pass this item and he approved my doing so.

SECTION 86.

President Wilson O. K's Deferrment of Collection of United States Interest so that Russian Embassy Can Be Kept Up.

Paraphrase of a telegram from the American mission at Paris, dated May 26, 1919, No. 2270, signed by Mr. Lansing and Mr. McCormick.

Utilization of Russian Embassy assets in the United States in order to meet interest on maturing obligations and the postponement of the collection of interest by the Treasury Department has been approved by the President. Furthermore, the possibility of recognizing the Omsk government has so much increased that in our opinion it appears more important than ever to continue this policy and avoid any collapse of Russian finance in America at the present time. In our opinion the administration will not be subjected to any special criticism by adopting this policy, inasmuch as it will probably be necessary to take a very similar position in respect of even the principal allied Governments, where it will probably be necessary to provide some plan to defer, for the present, collection of interest on their obligations by the Treasury, while at the same time allowing these Governments to meet obligations held by the public.

SECTION 87.

Kolchak Government Supported by Allies.

ASSISTANT SECRETARY OF THE TREASURY,
June 19, 1919.

Memorandum for Mr. Rathbone:

Mr. Ughet came in to see me and, referring to what has appeared in the newspapers and his own advices concerning the agreement of the Allies to support the Kolchak government, asked if we were in a position, under exist-

ing legislation, to establish credits for that government. He said he realized that we should have to have advices from the State Department and that at his request the State Department had cabled Paris for instructions. He said that the Kolchak government was at war with Germany, since it had never made peace. I referred him to you.

R. C. L.

SECTION 88.

United States Navy Department Pays for Ship Hire to Russian Ambassador When Payment Should Have Been Made to the United States Treasury and Credited on Russian Loan and Interest.

NAVY DEPARTMENT,
Washington, June 23, 1919.

To: The honorable the Secretary of the Treasury.

Subject: Final payment for charter hire of steamers *Spray* (ID 2491) and *Foam* (ID 2496).

References: (a) F. S. B., S. O. Reqn. No. 16 (1919). (b) F. S. B., S. O. Reqn. No. 17 (1919). (c) Treasury Dept. letter October 15, 1918, to Secretary of the Navy. (d) Treasury Dept. letter May 29, 1919, to Secretary of the Navy.

Inclosures: Copies of references (a), (b), (c), and (d).

For the purpose of effecting final settlement for charter hire of steamer *Spray* (ID 2491) and steamer *Foam* (ID 2496) for the period January 29, 1919, to February 28, 1919, inclusive, which vessels were taken over from the provisional government of Russia, represented by Capt. G. T. Smirnoff, Flatiron Building, New York City, under voluntary charter Form 4-C, and referred to in Treasury Department communication referenced (c) above, information is requested as to the proper official to whom this payment should be made.

In this connection attention is invited to a communication referenced (d) above, covering final payment for charter of steamer *Ripple*, also referred to in Treasury Department letter of October 16, 1918. It will be noted that payment in this case to S. Ughet was authorized, provided the Department of State desires such payment to be so made.

A prompt reply to this communication will be appreciated.

FRANKLIN D. ROOSEVELT,
Acting Secretary of the Navy.

TREASURY DEPARTMENT,
Washington, October 15, 1918.

SIR: Referring to your letter of September 24, 1918, in relation to the charter hire for the steamers, *Foam*, *Ripple*, and *Spray*, chartered from the provisional government of Russia, as stated in my reply of October 5, 1918, I forwarded to the Department of State a copy of your letter and of said reply. I am now in receipt of a letter from the Secretary of State under date of October 10, 1918, in which he asks me to inform you that he knows of no modification of our general relations with the Russian ambassador and sees no objection whatever to payments due in this country to the Russian Government being made to the Russian ambassador or to his duly constituted representative.

Respectfully, yours,

ALBERT RATHBONE.

The honorable the SECRETARY OF THE NAVY.

SECTION 89.

Russian Financial Position June 1, 1919.

Memorandum as to Russian financial position as of June 1, 1919.

Advances from United States Treasury-----	\$187, 729, 750. 00
Proceeds sale of rails and other merchandise-----	13, 000, 000. 00
	<hr/>
	200, 729, 750. 00

148 FOREIGN LOANS AND AUTHORITY FOR MAKING SAME.

The reports of Russian expenditure show itemized expenditures to Dec. 31, 1917, amounting to -----	\$104, 600, 751. 46
For the 12 months of 1918-----	34, 603, 197. 20
For 5 months of the year 1919, to June 1-----	8, 396, 648. 30
	<u>\$147, 600, 596. 96</u>

	53, 129, 153. 04
Deduct cash balance as at June 1-----	<u>1, 694, 129. 11</u>

This leaves unaccounted for a balance of (together with such items as the Russian Government received by way of interest on its bank balances and charter hire for ships) -----	<u>51, 435, 023. 93</u>
---	-------------------------

Of the American credits certain advances were made as follows:

For expenditure in Finland-----	50, 000, 000. 00
For the purchase of Swedish exchange-----	5, 000, 000. 00
For the support of the Russian ministry of finance-----	<u>45, 000, 000. 00</u>

Total -----	<u>100, 000, 000. 00</u>
-------------	--------------------------

If this \$100,000,000 had all been spent outside of the United States the result would be that the difference between the remaining \$100,729,750 made up of the balance of United States advances and of the sale of merchandise and the \$147,600,596.96 accounted for must have been provided by the Russians from other sources. It appears from Russian reports that the Russians had a balance of about \$21,000,000 on July 1, 1917, before American advances began and that \$1,100,000 of the American advance for the purchase of Swedish kroner were not used for that purpose, but were applied by the Russians in their general account. How much of the Russian free credits, amounting to \$45,000,000, and how much of the \$50,000,000 advance for the purchase of Finnish marks were applied to the general balance of the Russians in this country has not been ascertained from the Russian reports. The Russian chargé d'affaires insists that of their expenditures \$32,001,108.33 were made out of their general funds in anticipation of United States advances and that a considerable part of these payments were made with funds derived from British credits or the sale of Russian bonds. The total sum paid by the Russians for rails in 1917-18 amounted to about \$25,000,000, of which slightly over \$11,000,000 were paid out of American credits. Of the expenditures reported by the Russians \$9,130,000 were for interest on Russian bonds privately held and slightly over \$750,000 were for commissions of the payment of interest. The amount paid by the Russian Government to the United States for interest or deposited with the Treasury to cover the payment of interest aggregates \$5,637,717.72. The amount of interest due the United States Treasury and unpaid and unsecured by any deposit with the Treasury amounted, as of May 15, 1919, to \$8,196,580.10. For this, the Treasury holds undertakings by the Russian representative that his Government will pay the amount with interest at 5 per cent.

Provisional Government of Russia.

Accrued interest on Russian obligations held by

United States Treasury:

Nov. 15, 1917-----	\$1 329, 761. 64
May 15, 1918-----	3, 674, 431. 08
Nov. 15, 1918-----	4, 728, 997. 60
Apr. 15, 1918-----	2, 786, 260. 27
May 15, 1919-----	<u>1, 314, 847. 23</u>
	\$13, 834, 297. 82

Payments of interest on Russian obligations:

Nov. 15, 1917-----	1, 329, 761. 64
July 3, 1918-----	1, 000, 000. 00
Aug. 17, 1918-----	865, 925. 08
Jan. 15, 1919-----	<u>300, 000. 00</u>
	3, 495, 686. 72
	<u>10, 338, 611. 10</u>

Proceeds from sale of Russian cargoes carried in Treasurer's special account No. 11 to be used to liquidate accrued interest on Russian obligations ----- \$2, 142, 031. 00

Balance unpaid ----- 8, 196, 580. 10

Interest paid by Russians on private obligations, \$9,130,000; commissions, \$750,000.

PAYMENT OF INTEREST AND COMMISSIONS ON RUSSIAN BONDS AS REPORTED BY MR. UGHET.

\$11,000,000 5 per cent Russian internal bonds:		
Apr. 29, 1918	-----	\$275, 000. 00
Apr. 30, 1918 (Nov. 1, 1918, and May 1, 1919)	-----	550, 000. 00
May 3, 1918 (increase from 5 per cent to 6 per cent)	-----	110, 000. 00
		<hr/> 935, 000. 00
\$25,000,000 5-year 5½ per cent bonds:		
Dec. 1, 1917	-----	687, 500. 00
May 31, 1918	-----	687, 500. 00
Nov. 30, 1918	-----	687, 500. 00
May 31, 1919	-----	687, 500. 00
		<hr/> 2, 750, 000. 00
Commission on above:		
June 21, 1918	-----	2, 578. 14
Nov. 30, 1918	-----	859. 38
May 31, 1919	-----	859. 38
		<hr/> 4, 296. 90
\$50,000,000 3-year 6½ per cent bonds:		
Jan. 7, 1918	-----	1, 625, 000. 00
July 8, 1918	-----	1, 625, 000. 00
Jan. 7, 1919	-----	1, 625, 000. 00
		<hr/> 4, 875, 000. 00
Commission on above:		
Oct. 10, 1917	-----	125, 000. 00
Jan. 7, 1918	-----	125, 000. 00
Apr. 10, 1918	-----	125, 000. 00
July 8, 1918	-----	125, 000. 00
Oct. 11, 1918	-----	125, 000. 00
Jan. 10, 1919	-----	125, 000. 00
Apr. 14, 1919	-----	125, 000. 00
		<hr/> 875, 000. 00
Total	-----	<hr/> 9, 439, 296. 90

SUMMARY OF PAYMENTS REPORTED BY MR. UGHET.

Up to Oct. 1, 1917	-----	\$33, 858, 668. 13	
October, 1917	-----	19, 949, 782. 07	
November, 1917	-----	27, 360, 774. 74	
December, 1917	-----	23, 431, 526. 52	
		<hr/> 104, 600, 751. 46	
January, 1918	-----	7, 904, 781. 64	
February, 1918	-----	2, 983, 650. 63	
March, 1918	-----	3, 842, 736. 90	
April, 1918	-----	3, 812, 363. 21	
May, 1918	-----	2, 475, 425. 98	
June, 1918	-----	1, 406, 622. 63	
July, 1918	-----	3, 538, 396. 59	
August, 1918	-----	1, 510, 112. 18	
September, 1918	-----	2, 961, 499. 78	
October, 1918	-----	1, 645, 713. 07	
November, 1918	-----	1, 574, 402. 20	
December, 1918	-----	947, 492. 39	
		<hr/> 34, 603, 197. 20	

150 FOREIGN LOANS AND AUTHORITY FOR MAKING SAME.

January, 1919.....	2, 475, 551. 64	
February, 1919.....	1, 275, 496. 64	
March, 1919.....	1, 543, 392. 58	
April, 1919.....	1, 243, 928. 21	
May, 1919.....	1, 858, 279. 23	
		\$8, 396, 648. 30
Total		147, 600, 596. 96

CREDITS ESTABLISHED. CREDITS WITHDRAWN. AND ADVANCES MADE IN FAVOR OF PROVISIONAL GOVERNMENT OF RUSSIA.

Credits established:

May 16, 1917.....	\$100, 000, 000	
July 17, 1917.....	75, 000, 000	
Aug. 23, 1917.....	100, 000, 000	
Oct. 12, 1917.....	50, 000, 000	
		\$325, 000, 000

Credits withdrawn, Mar. 31, 1919..... 137, 270, 250

187, 729, 750

Advances:

July 6, 1917.....	35, 000, 000
July 13, 1917.....	10, 000, 000
Aug. 1, 1917.....	2, 500, 000
Aug. 22, 1917.....	2, 500, 000
Aug. 24, 1917.....	37, 500, 000
Aug. 30, 1917.....	10, 000, 000
Sept. 25, 1917.....	15, 000, 000
Oct. 2, 1917.....	22, 200, 000
Oct. 11, 1917.....	20, 000, 000
Nov. 1, 1917.....	31, 700, 000
Nov. 15, 1917.....	1, 329, 750

187, 729. 750

NOTE.—A conditional credit of \$125,000,000 was established in favor of Russia on November 1, 1917, but in view of the conditions to which the credit was subject and of subsequent developments in Russia the credit has never been regarded by the Treasury as effective, and back entries showing its withdrawal were made on December 28, 1917.

PAYMENTS OF INTEREST AND COMMISSIONS ON RUSSIAN BONDS AS REPORTED BY MR. UGHET.

\$11,000,000 5 per cent Russian internal bonds:

Apr. 29, 1918.....	\$275, 000. 00
Apr. 30, 1918 (Nov. 1, 1918, and May 1, 1919)---	550, 000. 00
May 3, 1918 (increase from 5 to 6 per cent)---	110, 000. 00

\$935, 000. 00

\$25,000,000 5-year 5½ per cent bonds:

Dec. 1, 1917.....	687, 500. 00
May 31, 1918.....	687, 500. 00
Nov. 30, 1918.....	687, 500. 00
May 31, 1919.....	687, 500. 00

2, 750, 000. 00

Commission on above:

June 21, 1918.....	2, 578. 14
Nov. 30, 1918.....	859. 38
May 31, 1919.....	859. 38

4, 296. 90

\$50,000,000 5-year 6½ per cent bonds:

Jan. 7, 1918.....	1, 625, 000. 00
July 8, 1918.....	1, 625, 000. 00
Jan. 7, 1919.....	1, 625, 000. 00

4, 875, 000. 00

Commission on above:

Oct. 10, 1917-----	\$125,000.00	
Jan. 7, 1918-----	125,000.00	
Apr. 10, 1918-----	125,000.00	
July 9, 1918-----	125,000.00	
Oct. 11, 1918-----	125,000.00	
Jan. 10, 1919-----	125,000.00	
Apr. 14, 1919-----	125,000.00	
		\$875,000.00
Total -----		9,439,296.90

SECTION 90.

Great Britain Plans to Capture Russian Trade (This Should Probably Be Kept Confidential).

DEPARTMENT OF STATE,
FOREIGN TRADE ADVISER'S OFFICE,
ECONOMIC INTELLIGENCE SECTION.

[Confidential.]

BRITISH PLANS FOR RUSSIAN TRADE.

WARNING.

(By direction of the Second Assistant Secretary of State.)

This monograph has been prepared as a study, and has not been submitted for the consideration or approval of the Secretary of State. It is not in any sense official.

E. M. KAYDEN.

JULY 29, 1919.

1. INTEREST IN RUSSIAN TRADE.

During the last two months of May and June the British press was unusually interested in the question of Russia's importance in the export trade of the United Kingdom. It was felt that it is in Russia that defeated Germany will seek an outlet for her industrial and commercial activities, and that here was the danger of the recrudescence of the spirit of German economic aggressiveness. "No time is to be lost if British trade is to secure the benefit arising from the fact that the Englishman is in business better liked and respected by the Russian than the German," declared a leading article of the Times Trade Supplement of May 17, 1919. Notwithstanding the difficulties in the way of normal trade relations with Russia, such as the matter of ruble exchange, disorganization of transport, absence of any assurance that if goods are misappropriated their rightful owner will be able to make good his claim for their value, and also the practical disappearance of credit on which modern commerce depends, trade with Russia is not felt to be beyond the pale of possibility. The newspapers assert that, unlike in any other country, the cooperative organizations of Russia, with their network of producers', consumers', and mutual credit societies, are at present the best agencies for the resumption of trade, and that what is wanted is "some machinery by which the risks attendant on trade ventures could be shared between those embarking upon them." In other words, there is need for international cooperative effort in the field of foreign trade. The Times closes its article of May 17 with this statement:

"We are convinced that if something could be done on these lines (trade-risk insurance) the benefit to British trade in the future would be incalculably great * * *. We understand that the Government are fully alive to the importance of Russia as a future field for British enterprise and that they are at the present time discussing with the principal interests concerned the possible lines of action that might be taken to revive and expand our trade with Russia."

2. PROPOSAL OF THE DEPARTMENT OF OVERSEAS TRADE.

In the issue of May 24 the Times Trade Supplement outlined in brief the scheme prepared by the department of overseas trade for the promotion and early resumption of trade with non-Bolshevist Russia. It was proposed that arrangements be made, in cooperation with the war-risks office, to take up at a reasonable rate any marine and war-risks insurance which the open market can not absorb on goods passing to and from Britain and Russia, and also to insure (a) British goods from the time of discharge from the steamer and whilst they are lying in a warehouse or store, wherever situated within the area covered by the insurance policy, until the time of sale to the purchaser, and (b) Russian export goods from the time of purchase until goods are loaded on board ship at a Russian port. One of the main objects of the proposed insurance is to enable banks to give advances in the ordinary way of business to traders in respects of shipments between the two countries, and in order to facilitate these advances it is suggested that British banks might perhaps cooperate by opening branches in various parts of Russia.

The Times states that such a scheme will, of course, require legislative sanction, inasmuch as a substantial sum will be required to finance it, but that its ultimate cost to the Government will be *nil*. The scheme has the advantage of elasticity in that it could be put in operation at once and extended or contracted as various parts of Russia are being opened up for commercial intercourse.

The matter was discussed at the third annual meeting of the Russo-British Chamber of Commerce (the Times trade supplement, May 31), and the president, Sir George Buchanan, and Sir Francis Barker cordially approved of the project. In the same issue of the Times a letter, signed "Traveler," said in part:

"The Government of the United States have, with typical sagacity, already voted something like £200,000,000 to financing their export trade. If only the same were done at once by our legislators, and suitable cargoes embarked for the different Russian ports, north as well as south and west, bolshevism and all the consequences it entails would collapse like some hideous nightmare.

"Goods of the value of several million pounds could, I am assured on the best of authorities (the statements of the merchants themselves), be shipped to Russia in the course of a few weeks. What is required of the Government is a generous guaranty and maritime protection, the instant raising of the blockade and more speedy release of *personnel* and tonnage for the great venture for trade and civilization."

At the request of Sir Arthur Steel-Maitland, parliamentary secretary for the department of overseas trade, a meeting of the leading trade organizations was called together in London for the purpose of discussion of ways and means for the resumption of trade with Russia. It was commonly held that one of the most urgent needs was adequate insurance facilities not covered in the ordinary insurance market, and that Government cooperation was essential. Sir Arthur Steel-Maitland has been selected to pilot the bill through the House of Commons. The bill¹ provided that merchants shall be furnished with commercial information regarding Russia; that regular sailings shall be arranged; that goods shall be insured and that banks shall be enabled to make ordinary advances to traders. Banks could also issue warrants against collateral security of insured goods and the warrants would be valid only for purchase of British goods; they would have a fixed value in British money.

The bill prepared for early submission to Parliament asked that a fund of £25,000,000 be set aside to finance the insurance on the transportation of British goods to Russia. Sponsors of the scheme pointed out that the Government probably would make a profit, as was the case with the war risks insurance scheme which netted a profit of £17,000,000.²

The advantages claimed for the plan are that it calls for no allied consultation, raising no controversy as to allied political relationship with soviet Russia, because it would only apply to territories freed from bolshevik rule; that it could be instantly extended to any part of Russia that might be open to commercial intercourse. It was also claimed that the scheme could be put in operation within two weeks, and so render possible the dispatch to Russia of large quantities of British goods within a month of the date of the approval of the scheme.

¹ Tribune, July 6, 1919.

² The Daily Express, London, May 23, 1919.

3. ARRANGEMENTS BY BOARD OF TRADE.

The Times Trade Supplement of June 21 announced that arrangements have now been employed whereby the board of trade war-risk insurance office, 53 Cornhill, E. C., will be able to give facilities for the insurance of the inland risks upon British goods imported into Russia and goods bought by British firms for export from Russia.

The insurance will cover the goods against loss or damage arising from war risks, riots, civil commotions, and other risks usually included in an ordinary Lloyd's policy. Policies will, in the first place, only be issued for the area in southeastern Russia and the northern Caucasus, including the ports of Taganrog, Rostov-on-Don, Novorossisk, and Tuapse.

Facilities for marine insurance will also be given in cases where this can not be obtained through the ordinary channels. The Admiralty has issued instructions whereby vessels carrying cargo for the ports of Taganrog and Rostov-on-Don will now be allowed to pass through the Kertch Straits into the Sea of Azov.

It was hoped that this new scheme of trade-risks insurance would lead to cooperation by the banks in way of advances to traders in respect of shipments from the United Kingdom to Russia and in respect of goods available for export from Russia. Among the leading banks giving special consideration to Russian trade development are the British Trade Corporation, Lloyds Bank, the London Country and Westminster and Parrs' Bank (Ltd.), and the National Provincial and Union Bank of England (Ltd.), which have already intimated that they are now prepared to consider applications for advances against goods sent to Russia, and insured under this measure. The banks are also considering the opening up of business in different parts of Russia.

It is appreciated that it is important that traders should be able to rely on regular and adequate opportunities for shipment of their goods, and the following shipping companies have undertaken to provide sailings at least fortnightly and tonnage for all the cargo which may be forthcoming: The Cunard Steamship Co. (Ltd.), the Ellerman Lines, James Moss & Co. (Ltd.), the Westcott & Laurance Line. The fortnightly service will be maintained, but this can be extended to weekly or even more frequent sailings as soon as the need arises.

C. G. Jerram, of the salaried consular service, has recently proceeded to Novorossisk to act as consul at that port. An economic mission under Lieut. Col. MacAlpine has already left this country to visit Ekaterinodar, and will also visit other centers in the insurance area. W. S. Walton has been appointed as British vice consul at Rostov-on-Don, and will leave this country immediately for that port. The question of making other appointments is also under consideration.

SECTION 91.

Complete Account Showing Over \$1,400,000 Paid the De Facto Russian Ambassador by United States for Hire of Ships—Balance Due, \$339,000.

DIVISION OF OPERATIONS,
UNITED STATES SHIPPING BOARD EMERGENCY FLEET CORPORATION,
Washington, August 14, 1919.

From: John J. Nevin, comptroller, Hooe-Iron Building, Washington, D. C.
To: Mr. S. R. Cate, war loan staff, room 253, Treasury Department, Washington, D. C.

RUSSIAN CHARTER HIRE.

DEAR SIR: Referring to conversation held with you in my office yesterday morning, I now beg to submit to you statement showing the status of our accounts with the Russian Government down to August 4, 1919, midnight.

You will note that the Russian Government, as represented by Mr. Bahkmeteff, representing the Kerensky régime, through Mr. S. Ughet, financial attaché, have made payment to us in the sum of \$794,796.61, leaving balance due us of \$187,820.01, while the Shipping Board has paid to Mr. Ughet \$1,406,788.98, leaving balance due the Russians \$339,219.09; net balance in favor of the Russian Government being \$151,399.08, as per recapitulation on statement.

It is well for me to say also that while the inclosed statement is an actual transcript of our financial relations with the Russian provisional government at the present time, there will be certain changes, due to the fact that the British Government, during the winter 1917-18, seized certain of our ships chartered to the Russians, as well as cargoes aboard them which belonged to the Russians, upon their entrance into British ports, thus necessitating forced redeliveries by the Russians, dates of which have not yet been determined, but which will in all probability when determined result in our becoming debtors to the Russian Government for some two hundred thousand odd dollars more than is shown on the present statement.

Our payments to the Russian provisional government were made on instructions from Mr. Frank L. Polk, Acting Secretary of State, in order that certain funds might be available to the representatives of stability and order in Russia. We understand that all disbursements made from these funds by the embassy of the Russian provisional government in Washington have been made under the supervision of the Treasury Department.

I trust that this statement, together with the facts here presented, will be of service to you before the congressional committee.

I beg also to attach hereto your written memorandum showing statement of our Russian accounts as contained in your file, which you were good enough to leave with me. I beg to advise that I have taken the liberty of making a typewritten copy of same.

Very truly, yours,

JOHN J. NEVIN, *Comptroller.*

Russian statement, May 1, 1919.

Estimated gross income, as per bills already delivered, for charter of Russian volunteer fleet steamers.....	\$1, 544, 548. 90
Estimated expense in connection with charter of Russian volunteer fleet steamers.....	290, 826. 61
Net amount due Russia as at May 1, 1919.....	1, 253, 722. 29

The Russian Government in account with United States Shipping Board Emergency Fleet Corporation for charter hire, etc., to August 4, 1919, midnight.

	Balance.	Payments by Russian Government.	Balance due United States Shipping Board.
<i>Steamship Dora.</i>			
Charter hire June 21, 1917 to Mar. 17, 1918.....	\$756, 111. 11		
Coal on delivery June 21, 1917.....	1, 040. 00		
	757, 156. 11		
Coal on delivery to Publishers Paper Co., Nov. 22, 1917.....	\$4, 455. 00		
Off-hire credits.....	76, 907. 65		
Coal consumed during off-hire.....	1, 375. 00		
Advance to captain, etc.....	1, 624. 31		
Cash paid.....	484, 132. 82		
	568, 494. 78		
	\$188, 661. 33	\$188, 661. 33	
<i>Steamship Ida.</i>			
Charter hire June 20, 1917, to June 15, 1918.....	379, 559. 05		
Coal on delivery.....	1, 034. 00		
Water on delivery.....	45. 00		
	380, 638. 05		
Coal on redelivery, etc.....	\$4, 620. 00		
Cash paid.....	296, 036. 20		
Off-hire credits.....	15, 330. 39		
Advance to master.....	376. 56		
	316, 363. 15		
	64, 275. 80	64, 275. 80	

The Russian Government in account with United States Shipping Board Emergency Fleet Corporation for charter hire, etc.—Continued.

	Balance.	Payments by Russian Government.	Balance due United States Shipping Board.
<i>Steamship Isonomia.</i>			
Charter hire May 26, 1917, to Jan. 23, 1918.....	382,331.49		
Coal on delivery.....	2,607.00		
	384,938.49		
Coal on redelivery, etc.....	\$3,608.00		
Off-hire credits.....	41,346.44		
Cash paid.....	301,490.94		
	346,445.58		
	\$38,493.11	\$38,359.11	\$134.00
<i>Steamship Oconee.</i>			
Charter hire July 7, 1917, to Mar. 9, 1918.....	259,756.04		
Coal on delivery.....	1,386.00		
	261,142.04		
Off-hire credits.....	\$17,303.17		
Coal on redelivery and off-hire.....	2,563.00		
Cash paid.....	168,839.10		
Advance to master.....	1,181.56		
	189,886.83		
	71,255.21	71,255.21	
<i>Steamship Omsk.</i>			
Charter hire Apr. 4, 1918, to May 22, 1918.....	107,963.59	107,963.59	
<i>Steamship Pawnee.</i>			
Charter hire July 28, 1917, to May 28, 1918.....	592,494.22		
Coal on board on delivery.....	1,639.00		
	594,133.22		
Off-hire credits.....	\$71,193.63		
Coal on redelivery and off-hire.....	1,996.50		
Cash paid.....	246,948.87		
Survey fees, etc.....	53.33		
	320,192.33		
	273,940.89	273,940.89	
<i>Steamship Yucca.</i>			
Charter hire May 7, 1917, to Feb. 7, 1918.....	365,982.68		
Off-hire credits.....	\$89,405.13		
Coal on redelivery.....	594.00		
Cash paid.....	253,037.66		
Advance to captain.....	2,043.73		
	345,080.52		
	20,902.16	50,340.68	1 29,438.52
Due Russian Government for repairs, as follows:			
Steamship Nijni Novgorod.....	2,345.51		
Do.....	25,541.98		
Steamship Kishinev.....	2,729.88		
Steamship Toula.....	2,504.98		
Steamship Kishinev—			
Time lost on charter and repairs to tank...	3,765.76		
Loss of value in cargo.....	7,925.21		
Bill rendered by Quartermaster Department for extra trucking.....	144.60		
Steamship Nijni Novgorod, refund to be deducted from hire.....	13,289.76		
Steamship Omsk, repairs per cable from Sims, London.....	6,768.43		
Steamship Irtysh—			
Repairs.....	151,836.22		
Additional charges for watchman, etc.....	272.20		
	217,124.53		217,124.53
Total.....	982,616.62	794,796.61	187,820.00

1 Credit Russian Government.

The Russian Government in account with United States Shipping Board Emergency Fleet Corporation for charter hire, etc.—Continued.

	Balance.	Payments by United States Ship- ping Board.	Balance due Rus- sian Gov- ernment.
Due the Russian Government by United States Shipping Board as follows:			
Charter hire, steamship Omsk, Apr. 4, 1918, to Aug. 4, 1919, midnight.....	\$793,480.00	\$595,110.00	\$198,370.00
Charter hire, steamship Nijni Novgorod, Apr. 11, 1918, to Mar. 28, 1919.....	210,086.05	177,262.39	32,823.66
Charter hire, steamship Kishinev, Apr. 9, 1918, to Mar. 7, 1919, noon.....	141,541.68	126,204.47	15,337.21
Charter hire, steamship Irtysh, Apr. 20, 1918, to May 7, 1919, 2 p. m.....	369,867.60	294,650.00	75,217.60
Charter hire, steamship Toula, Apr. 12, 1918, to Mar. 24, 1919, 5 p. m.....	147,561.95	126,924.62	20,637.33
Steamship Irtysh, coal on delivery.....	581.25		581.25
Supplies sold out of steamship Kishinev.....	194.44		194.44
Refund insurance, steamship Omsk.....	86,637.50	86,637.50	
Payment of our bill for supplies on steamship Yucca.....	6,262.12		6,262.12
Payment of our bill in error, steamship Isonomia.....	134.00		134.00
	\$1,756,346.59		
Less half hire, steamship Kishinev, Feb. 21, 1919, 8 a. m., to Mar. 7, 1919, noon.....	3,275.53		
Less half hire, steamship Toula, Mar. 12, 11.20 a. m., to Mar. 24, 5 p. m.....	2,555.38		
Less half hire, steamship Nijni Novgorod, Mar. 13, 8 a. m., to Mar. 28, 5 p. m.....	4,307.61		
	10,338.52		\$ 10,338.52
Total.....	1,746,008.07	1,406,788.98	339,219.09

* Credit account off-hire.

RECAPITULATION.

Due Russian Government by United States Shipping Board.....	\$339,219.09
Due United States Shipping Board by Russian Government.....	187,820.01
Balance in favor Russian Government.....	151,399.08

SECTION 92.

Cost of United States Forces in Archangel, Russia, and Siberia, Russia.

WAR DEPARTMENT,
Washington, February 1, 1921.

HON. JAMES A. REED,
United States Senate.

MY DEAR SENATOR: I desire to acknowledge the receipt of your letter of January 7, 1921, wherein you request a statement of the total cost to the United States of the maintenance of our troops in Russia and Siberia during their tours of duty in those countries. In reply thereto, I beg to inform you as follows:

ARCHANGEL FORCES.

The actual expenditures made by United States Army disbursing officers at Archangel, August 1, 1918, to March 31, 1920, are as follows:

Pay	\$1,051,496.23
Mileage	1,215.11
General appropriations, Quartermaster Corps.....	86,323.19
Medical and hospital.....	2,031.52
Signal Corps of the Army.....	23.97
Army deposit fund.....	816.10
Engineer operations in the field.....	69.84
Horses for Cavalry.....	589.81
Construction and repair of hospitals.....	6,683.77
Barracks and quarters.....	179.34
Total	1,149,428.88

All supplies furnished in kind for this expeditionary force were obtained by agreement from the British supply service in Russia. The claim submitted by the British Government for furnishing these supplies amounted to £700,417 9s. 2d. Under the "British-American final settlement, Burr-Niemeyer agreement," dated November 23, 1920, final settlement of this claim was made on December 31, 1920, by paying the British Government the sum of £560,000. The rate of exchange employed being \$3.50½ per pound sterling, the amount thus paid equals \$1,963,500, or a total cost of maintaining our troops in Archangel during their tour in that country of \$3,112,928.88.

SIBERIA FORCES.

Actual expenditures made by United States disbursing officer in Siberia in connection with this expeditionary force, August 1, 1918, to August 24, 1920, are as follows:

Pay -----	\$5, 519, 493. 62
Mileage -----	3, 223. 73
General appropriations, Quartermaster Corps -----	2, 321, 435. 68
Medical and hospital -----	(¹)
Signal Corps of the Army -----	(¹)
Army deposit funds -----	(¹)
Engineer operations in the field -----	(¹)
Horses for Cavalry -----	(¹)
Construction and repair of hospitals -----	6, 683. 77
Barracks and quarters -----	198, 231. 51
Total -----	8, 049, 068. 31

Supplies in kind furnished these troops were shipped from Manila and from the United States, while some were procured in China. On the other hand, large quantities thereof were brought back to the United States and to the Philippine Islands, where they were continued in service, consumed, or salvaged. There has not, however, been sufficient time available for the chiefs of the various supply branches to complete their office records with reference thereto, and I regret that it is therefore impossible at this time to furnish you with detailed information in this connection.

Cordially, yours,

NEWTON D. BAKER,
Secretary of War.

SECTION 93.

Allies Recognition of Kolchak Provisional Government of Russia.

[Christian Science Monitor, Saturday, June 14, 1919. By the Associated Press.]

ALLIES RECOGNIZE ADMIRAL KOLCHAK.

PARIS, FRANCE.

The reply sent by the council of four to-day to the note of Admiral Kolchak extends to him and his associates in the All-Russian Government at Omsk the support set forth in the original letter of the council to Admiral Kolchak. This is interpreted here as meaning virtual recognition of the Omsk Government. The text of the reply follows:

"The allied and associated powers wish to acknowledge the receipt of Admiral Kolchak's reply to their note of May 26. They welcome the terms of that reply which seem to them to be in substantial agreement with the propositions they had made and to contain satisfactory assurances for the freedom, self-government, and peace of the Russian people and their neighbors.

"They are therefore willing to extend to Admiral Kolchak and his associates the support set forth in their original letter.

"LLOYD GEORGE.
"WILSON.
"CLEMENCEAU.
"MAKINO."

It is understood that the support referred to involves the furnishing of munitions and supplies for Admiral Kolchak's campaign.

¹ Nothing.

TEXT OF ORIGINAL DISPATCH.

Following is the text of the dispatch originally sent to Admiral Kolchak:

"PARIS, May 26, 1919.

"The allied and associated powers feel that the time has come when it is necessary for them once more to make clear the policy they propose to pursue in regard to Russia.

"It has always been a cardinal axiom of the allied and associated powers to avoid interference in the internal affairs of Russia. Their original intention was made for the sole purpose of assisting those elements in Russia which wanted to continue the struggle against German autocracy and to free their country from German rule and in order to rescue the Czecho-Slovaks from the danger of annihilation at the hands of the bolshevist forces. *Since the signature of the armistice on November 11, 1918, they have kept forces in various parts of Russia. Munitions and supplies have been sent to assist those associated with them at a very considerable cost.* No sooner, however, did the peace conference assemble than they endeavored to bring peace and order to Russia by inviting representatives of all these warring governments within Russia to meet them in the hope that they might be able to arrange a permanent solution of the Russian problem.

"This proposal and a later effort to relieve the distress among the suffering millions of Russia broke down through the refusal of the soviet government to accept the fundamental conditions of suspending hostilities while negotiations for the work of relief were proceeding.

"Some of the allied and associated governments are now being pressed to withdraw their troops and to incur no further expense in Russia, on the ground that continued intervention shows no prospect of producing an early settlement. They are prepared, however, to continue their assistance on the lines laid down below, provided they are satisfied that it will really help the Russian people to liberty, self-government, and peace.

"The allied and associated governments now wish to declare formally that the object of their policy is to restore peace within Russia by enabling the Russian people to resume control of their own affairs through the instrumentality of a freely elected constituent assembly and to restore peace along its frontiers by arranging for the settlement of disputes in regard to the boundaries of the Russian State and its relations with its neighbors through the peaceful arbitration of the League of Nations.

"They are convinced by their experiences of the last 12 months that it is not possible to attain these ends by dealings with the soviet government of Moscow. *They are therefore disposed to assist the government of Admiral Koltchak and his associates with munitions, supplies, and food to establish themselves as the government of all Russia,* provided they receive from them definite guaranties that their policy has the same object in view as that of the allied and associated powers.

"With this object they would ask Admiral Koltchak and his associates whether they will agree to the following as the conditions upon which they would accept *continued* assistance from the allied and associated powers:

"In the first place, that *as soon as they reach Moscow* they will summon a constituent assembly elected by a free, secret, and democratic franchise as the supreme legislature for Russia to which the Government of Russia must be responsible, or, if at that time order is not sufficient restored, they will summon the constituent assembly elected in 1917 to sit until such time as new elections are possible.

"Secondly, that throughout the areas which they at present control they will permit free elections in the normal course for all local and legally constituted assemblies, such as municipalities, zemstvos, etc.

"Thirdly, they will countenance no attempt to revive the special privilege of any class or order in Russia.

"The allied and associated powers have noted with satisfaction the solemn declaration made by Admiral Koltchak and his associates that they have no intention of restoring the former land system. They feel that the principles to be followed in the solution of this and other internal questions must be left to the free decision of the Russian constituent assembly; but they wish to be assured that those whom they are prepared to assist stand for the civil and religious liberty of all Russian citizens and will make no attempt to reintroduce the régime which the revolution destroyed.

Fourthly, that the independence of Finland and Poland be recognized, and that in the event of frontiers and other relations between Russia and these countries not being settled by agreement, they will be referred to the arbitration of the League of Nations.

"Fifthly, that if a solution of the relations between Eathonia, Letvia, Lithuania, and the Caucasian and transcaspiian territories and Russia is not speedily reached by agreement, the settlement will be made in consultation and cooperation with the League of Nations, and that until such settlement is made the Government of Russia agrees to recognize these territories as autonomous and to confirm the relations which may exist between their de facto governments and the allied and associated governments.

"Sixthly, that the right of the peace conference to determine the future of the Rumanian part of Bessarabia be recognized.

"Seventhly, that as soon as a government for Russia has been constituted on a democratic basis. Russia should join the League of Nations and cooperate with the other members in the limitation of armaments and of military organizations throughout the world.

"Finally, that they abide by the declaration made by Admiral Koltchak on November 27, 1918, in regard to Russia's national debt.

"The allied and associated powers will be glad to learn as soon as possible whether the government of Admiral Koltchak and his associates are prepared to accept these conditions, and also whether in the event of acceptance they will undertake to form a single government and army command as soon as the military situation makes it possible.

"G. CLEMENCEAU.

"LLOYD-GEORGE.

"ORLANDO.

"WOODROW WILSON.

"SAIONJI."

ADMIRAL KOLTCHAK'S REPLY.

PARIS, FRANCE.

Admiral Koltchak, the head of the All-Russian Government, at Omsk, in his reply to the first letter from the allied and associated powers, which resulted in a second letter, promising him *allied* support, declared that he did not purpose to retain power longer than required by the interest of the country. He reaffirmed his intention to call elections for the constituent assembly as soon as the bolsheviks have been crushed. The text of the admiral's reply was made public to-night. The allied letter was handed to Admiral Koltchak at Titmon by Mr. de Martel, the French chargé d'affaires at Omsk. The admiral's reply was received in Paris on June 5. It reads:

"The Government, over which I preside, has been happy to learn that the policy of the allied and associated powers in regard to Russia is in perfect accordance with the task which the Russian Government itself has undertaken. That Government being anxious, above all things, to reestablish peace in the country and to assure to the Russian people the right to decide their own destiny in freedom by means of a constituent assembly. I appreciate highly the interest shown by the powers as regards the national movement, and consider their wish to make certain that the political conditions with which we are inspired are legitimate. I am, therefore, ready to confirm once more my previous declarations, which I have always regarded as irrevocable.

"1. On November 18, 1918, I assumed power, and I shall not retain that power one day longer than required by the interest of the country. My first thought at the moment when the bolsheviks are definitely crushed will be to fix the date for the election of the constituent assembly. A commission is now at work on direct preparation for them on the basis of universal suffrage. Considering myself as responsible for that constituent assembly, I shall hand over to it all my powers in order that it may freely determine the system of government; I have, moreover, taken the oath to do this before the supreme Russian tribunal, the guardian of legality.

"All my efforts are aimed at concluding the civil war as soon as possible by crushing bolshevism in order to put the Russian people in a position to express its free will. Any prolongation of this struggle would only postpone that moment; the Government, however, does not consider itself authorized to substitute for the inalienable right of free and legal elections the mere reestablishment of the assembly of 1917, which was elected under the régime

of bolshevist violence, and a majority of whose members are now in the ranks of the soviet. It is through the legally elected constituent assembly alone, which my Government will do its utmost to convoke properly, that there will belong the sovereign rights of deciding the problems of the Russian State, both in the internal and external affairs of the country.

"2. We gladly consent to discuss at once with the powers all international questions, and doing so shall aim at the free and peaceful development of the peoples, the limitation of armaments and the measures calculated to prevent new wars, of which the League of Nations is the highest expression.

"The Russian Government thinks, however, that it could recall the fact that the final sanction of the decisions, which may be taken in the name, Russia will belong to the constituent assembly. Russia can not now and can not in the future ever be anything but a democratic State where all questions involving modifications of the territorial frontiers and of external relations must be ratified by a representative body which is the national expression of the people's sovereignty.

"3. Considering the creation of a unified Polish State to be one of the chief of the normal and just consequences of the World War, the Government thinks itself justified in confirming the independence of Poland, proclaimed by the provisional Russian Government of 1917, all of the pledges and decrees of which we have accepted. The final solution of the question of delimiting the frontiers between Russia and Poland must, however, in conformity with the principles set forth above, be postponed till the meeting of the constituent assembly. We are disposed at once to recognize the *de facto* government of Finland, but the final solution of the Finnish institution must belong to the constituent assembly.

"4. We are fully disposed at once to prepare for the solution of the question concerning the fate of the national groups in Esthonia, Letvia, Lithuania, and of the Caucasian and trans-Caspian countries, and we have every reason to believe that a prompt settlement will be made, seeing that the Government is assuring as from the present time autonomy of the various nationalities. It goes without saying that the limits and conditions of these autonomous institutions will be settled separately as regards each.

"Even in the case difficulties should arise in regard to the solution of these various institutions, the Government is ready to have recourse to the collaboration and good offices of the League of Nations with a view to arriving at a satisfactory settlement.

"5. The above principle, implying the satisfaction of the agreements by the constituent assembly, should obviously be applied to the question of Bessarabia.

"6. The Russian Government once more repeats its declaration of November 27, 1918, *by which it accepted the burden of the national debt of Russia.*

"7. As regards the question of internal politics, which can only interest the powers in so far as they reflect the political tendencies of the Russian Government, I make a point of repeating that there can not be a return to the régime which existed in Russia before February, 1917. The provisional solution which my Government has adopted in regard to the agrarian question aims at satisfying the interests of the great mass of the population, and is inspired by the conditions that Russia can only be flourishing and strong when the millions of Russian peasants receive all guaranties for the possession of the land.

"Similarly, as regards the régime to be applied to the liberated territories, the Government, far from placing obstacles in the way of the free election of local assemblies, municipalities, and zemstvos, regards the activities of these bodies and also the development of the people in self-government as the necessary conditions for the reconstruction of the country, and is already actually giving them its support by all the means at its disposal.

"8. Having set ourselves the task of reestablishing order and justice and of insuring individual security to the population, which is tired of trials and executions, the Government affirms the equality before the law of all citizens without any special privilege. All shall receive, without distinction of origin or religion, the protection of the State and of the law.

"The Government whose head I am is concentrating all the forces and all the resources at its disposal in order to accomplish the task which it has set itself; at this decisive hour I speak in the name of all National Russia. I am confident that, bolshevism once crushed, satisfactory solutions will be found for all questions which equally concern all those populations whose existence is bound up with that of Russia.

"KOLTCHAK."

SECTION 94.

United States War Department Made Contract to Sell War Supplies to De Facto Russian Government, Which Government Put Up \$1,000,000 in Gold as Forfeiture in San Francisco Mint—Contract Was Broken by Russians and the War Department Turned Back to Them Over \$400,000 of This Money, Which Should Have Gone to the United States Treasury.

WAR DEPARTMENT.

Washington, November 5, 1919.

The honorable the SECRETARY OF THE TREASURY.

SIR: Having received information that \$1,000,000 worth of gold has just arrived at San Francisco, Calif., from Vladivostok on the United States Army transport *Great Northern*, I have the honor to request that you issue the necessary instructions to the Subtreasury at San Francisco to accept this gold to be held in safekeeping at the risk of and subject to final disposition by orders from the Secretary of War. This gold is in the nature of a security to guarantee payment by the Russian Government under a contract dated July 31, 1919, whereby there was sold by the War Department to the Russian Government Russian rifles and ammunition for the same. Under the terms of the contract payment was to be made of 40 per cent on January 15, 1920, and payment of 60 per cent on July 15, 1920. In the event that payments, as stated, are made by the Russian Government, this gold is to be returned in kind to the Russian representatives.

For your information I am transmitting herewith a mimeographed copy of the contract under which this gold is being received.

Very truly, yours,

NEWTON D. BAKER,
Secretary of War.

DEPARTMENT OF STATE,
Washington, August 6, 1920.

The Hon. NICHOLAS KELLEY,
Assistant Secretary of the Treasury.

MY DEAR MR. KELLEY: Pursuant to the conference between Mr. Ughet, yourself, and myself this morning, I wish to confirm our understanding of the notification to Mr. Ughet that neither the State Department nor the Treasury would approve the payment of the funds held by the War Department as security for payments on the shipments of arms to Admiral Kolchak, under the terms of the contract entered into between the War Department and Mr. Ughet on behalf of the Russian Government, unless the proceeds were deposited by Mr. Ughet in the Russian liquidation account. The decision of the Departments of State and the Treasury has been communicated by telephone to Maj. Pierson, of the War Department. I beg to suggest that the Treasury confirm by official letter to the War Department the decision of the Departments of State and the Treasury in this matter, and suggest such practical arrangements as you may believe are necessary for carrying out this decision.

Cordially, yours,

VAN S. MERLE-SMITH.

Gold received by Assistant Treasurer at San Francisco for account of Russian Government.

	Face value.	Cash value.
Current gold.....	\$991,535.00	\$991,535.00
Uncurrent gold.....	8,455.00	8,410.42
\$10 short in count.....	999,990.00	999,945.42
To be paid to War Department.....		584,294.58
To be paid to National City Bank of New York for Russian Government.....		415,650.84

SECTION 94-A.

Treasury Department Allowed the Payment of \$1,239,000 Out of Liquidation Fund for Printing of Paper Money for the Various De Facto Russian Governments.

DEPARTMENT OF STATE.
Washington, November 7, 1919.

The Hon. CARTER GLASS,
Secretary of the Treasury.

MY DEAR MR. SECRETARY: In accordance with an agreement made between the Russian ambassador and myself with regard to release of certain rouble bank notes printed by the American Bank Note Co. for the Russian Government. I wish to inform you that the Russian Embassy has informed me of the transfers to account "C" of the Russian Government at the National City Bank, New York, of sums totaling \$1,239,000, equaling the original cost of printing these notes paid from credits originally established by the United States Government, the reason for the transfers referred to herein being to reimburse the accounts from which originally paid.

I am, my dear Mr. Glass,
Very sincerely, yours,

ROBERT LANSING.

SECTION 95.

December, 1919—Itemized Statement of Russian Account.

FINANCIAL ATTACHÉ TO THE RUSSIAN EMBASSY,
New York, December 3, 1919.

N. KELLEY, Esq.,
Treasury Department.
Washington, D. C.

MY DEAR MR. KELLEY: In accordance with your verbal request of some time ago, I beg to send you inclosed herewith statement showing the amounts received by the Russian Government from the United States Government for a total amount of \$187,729,750 (\$192,729,750—\$5,000,000), as well as summary of payments on account of contracts approved by the War Industries Board and Council of National Defense, and summary of payments, for which no special credits have been granted by the Treasury Department, but being payments for the old contracts placed before the first American credit became operative, the necessary amounts have been granted, in accordance with the monthly statements presented by the Russian Embassy from July up to November, 1917.

I am, my dear Mr. Kelley,
Yours, very truly,

SHYHI,
Russian Financial Attaché.

Amounts received from the United States Government.

	Supply committee.	Ministry of finance.
July 6, 1917—\$35,000,000 on account of the first \$100,000,000 credit opened May 16, 1917:		
Contracts and payments of supply committee.....	\$18,300,000.00	
Russian Government credit operations.....		\$7,000,000.00
Free credit at disposal of Russian ministry of finance.....		5,000,000.00
Contracts placed outside of supply committee (\$4,500,000)—		
a. Payments made by supply committee.....	3,225,723.23	
b. Payments made outside of supply committee.....		1,274,276.77
Upkeep of extraordinary mission.....		200,000.00
July 13, 1917—\$10,000,000 (on account of the \$75,000,000 credit opened July 17, 1917) for Finland.....		10,000,000.00
Aug. 1, 1917—\$2,500,000 (on account of the first \$100,000,000 credit opened May 16, 1917) for silver.....		2,500,000.00
Aug. 22, 1917—\$2,500,000 (on account of the first \$100,000,000 credit opened May 16, 1917) for silver.....		2,500,000.00

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Amounts received from the United States Government—Continued.

	Supply committee.	Ministry of finance.
Aug. 24, 1917—\$37,500,000 on account of the second \$100,000,000 credit opened Aug. 23, 1917:		
Contracts and payments of supply committee	7,900,000.00	.....
For payment to Remington Arms Co. for rifles	8,000,000.00	.....
Free credit at disposal of Russian ministry of finance		15,000,000.00
For payments in Sweden		5,000,000.00
For transportation	1,600,000.00	.....
Aug. 30, 1917—\$10,000,000 (on account of the \$75,000,000 credit opened July 17, 1917) for Finland		10,000,000.00
Sept. 25, 1917—\$15,000,000 (on account of the \$75,000,000 credit opened July 17, 1917) for Finland		15,000,000.00
Oct. 2, 1917—\$22,200,000, \$2,413,750 on account of the first \$100,000,000 credit and \$19,786,250 on account of the second \$100,000,000 credit:		
Free credit at disposal of Russian ministry of finance		15,000,000.00
Contracts and payments of supply committee	17,200,000.00	.....
Oct. 11, 1917—\$5,000,000 (on account of the first \$100,000,000 credit opened May 16, 1917) for silver		² 5,000,000.00
Oct. 11, 1917—\$15,000,000 (on account of the \$75,000,000 credit opened July 17, 1917) for Finland		² 15,000,000.00
Oct. 25, 1917—\$5,000,000 for operations with Rumania		² 5,000,000.00
Nov. 1, 1917—\$31,700,000, \$9,900,000 on account of the first \$100,000,000 credit, \$3,700,000 on account of the second \$100,000,000 credit and \$18,100,000 on account of the \$50,000,000 credit:		
Contracts and payments of supply committee	12,600,000.00	.....
For payment to Remington Arms Co. for rifles	2,300,000.00	.....
For payment to Westinghouse Co. for rifles	1,000,000.00	.....
Free credit at disposal of Russian ministry of finance		15,000,000.00
Russian Government credit operations		800,000.00
Nov. 15, 1917—\$1,329,750 for payment of interest to the United States Government		1,329,750.00
Total	² 62,125,723.23	130,604,026.77
Grand total		192,729,750.00
*\$5,000,000 received on Oct. 11, 1917, for operations with Rumania were refunded to the United States Treasury Department on Dec. 23, 1917		5,000,000.00
Total		197,729,750.00

	Originally received.	Paid for direct purposes.	Balance applied to general liquidation purposes.
1	\$5,000,000.00	\$4,246,126.06	\$753,873.94
2	15,000,000.00	14,235,000.00	705,000.00
3	62,125,723.23	² 59,298,873.07	2,826,850.16

¹ Out of this amount \$1,000,000 was for payment to Westinghouse Co. for rifles.

² These amounts were not used in their entirety for objects indicated, and were applied for general liquidation purposes in accordance with the approval of the United States Treasury Department of the weekly lists of deferred payments.

* Details of expenditures on account of this amount are shown in two explanatory statements.

Summary of payments on account of contracts confirmed by the War Industries Board and Council of National Defense, placed in America by the Russian Government Supply Committee.

American Government number.	Contract number.	Date of contract.	Name of firm.	Object.	Value.	Amount canceled.	Payments from other sources outside of American credit.	Payments from American credit.
128	RZ-22	Aug. 1, 1917	W. H. McElwain Co.	250,000 pairs shoes.	\$1,222,500.00	\$205,213.74	\$828,536.26	\$800,000.00
129	RZ-22	Aug. 22, 1917	Option on preceding contract....	125,000 pairs shoes.	611,250.00			
130	RZ-21A	Aug. 1, 1917	E. E. Taylor Co., L. Q. White Shoe Co., Jos. M. Herman Shoe Co.	750,000 pairs shoes.	3,629,850.00			
131	RZ-21A	Aug. 22, 1917	Option on preceding contract....	375,000 pairs shoes.	1,814,925.00	1,557,016.61	3,757,083.79	130,674.60
132	RZ-21	Aug. 1, 1917	E. E. Taylor Co., L. Q. White Shoe Co., Jos. M. Herman Shoe Co.	1,000,000 pairs shoes.	4,829,800.00			
133	RZ-21	Aug. 22, 1917	Option on preceding contract....	500,000 pairs shoes.	2,414,900.00	660,716.65	2,714,657.95	3,869,325.40
134	Gr. 5	July 31, 1917	U. S. Horse Shoe Co.	1,000,000 horseshoes.	113,750.00			
135	RZ-27	Oct. 19, 1917	F. M. Hoyt Shoe Co.	400,000 pairs shoes.	1,983,000.00	660,998.33	1,322,001.67	113,181.27
136	RZ-28	Oct. 24, 1917	E. E. Taylor Co., Jos. M. Herman Shoe Co., B. A. Corbin & Son.	600,000 pairs shoes.	3,224,820.00	1,080,846.81	2,143,973.19	
137	RZ-29	.....do.....	.....do.....	200,000 pairs shoes.	1,084,940.00	361,648.49	723,291.51	
138	RZ-30	.....do.....	W. H. McElwain Co.	300,000 pairs shoes.	1,533,000.00	511,000.00	1,022,000.00	
139	RZ-23	Oct. 19, 1917	U. S. Leather Co.	336,000 leather sides.	3,606,075.00	915,945.92	2,690,129.08	
140	RZ-24	.....do.....	Armour Leather Co.	75,000 leather sides.	824,850.00	384,298.97	440,551.03	
141	RZ-25	.....do.....	Howes Brothers Co.	200,000 leather sides.	2,199,000.00	523,550.82	1,676,049.18	
142	RZ-26	.....do.....	Proctor Ellison Co.	160,000 leather sides.	1,642,650.00	691,327.52	951,322.48	
11	350-C	July 11, 1917	American Car & Foundry Co.	6,500 closed cars.	10,530,000.00	8,371,350.00	1,053,650.00	1,105,000.00
12	347-C	July 5, 1917	Baldwin Locomotive Works.....	250 locomotive "Decapode"	13,932,500.00	10,896,000.00	250,000.00	2,780,500.00
13	346-C	July 25, 1917	Standard Steel Car Co.	3,500 closed cars.	5,670,000.00	4,507,650.00	453,600.00	798,750.00
14	349-C	July 9, 1917	American Locomotive Sales Corporation.	250 locomotive "Decapode"	13,932,500.00	10,896,000.00	250,000.00	2,780,500.00
15	360-C	Aug. 14, 1917	.....do.....	Spare parts for locomotives "Decapode."	947,187.38	.....	947,187.38	.....
16	359-C	.....do.....	Baldwin Locomotive Works.....	.....do.....	623,636.50	.....	2,622,691.89	.....
17	369-C	Sept. 11, 1917	Andrew M. Feuss.....	1 generator and board.	6,265.00	.....	6,265.00	.....
18	372-C	Sept. 17, 1917	Ingersoll Rand Co.	Spare parts for Vladivostok repair shops.	39,270.60	.....	39,270.60	.....
19	371-C	Sept. 12, 1917	Westinghouse Air Brake Co.	Air brakes for 10,000 cars.	646,000.00	645,741.60	258.40	.....
20	437-C	Dec. 6, 1917	.....do.....	500 sets for locomotive air-brake equipment.	525,000.00	420,000.00	105,000.00	.....
24	395-C	Oct. 18, 1917	American Steel Export Co.	Galvanized pipes and rails.	32,792.06	928.13	31,863.93	.....
25	396-C	.....do.....	Ingersoll Rand Co.	Carbon.....	160.00	160.00	.....	.....
26	399-C	Oct. 20, 1917	F. C. Austin Drainage Excavator Co.	4 ditchers and spares.....	34,400.00	34,400.00	.....	.....
27	400-C	Oct. 22, 1917	Zin-Ho Manufacturing Co.	2 pumping units.	2,400.00	2,400.00	.....	.....
28	402-C	Oct. 25, 1917	Ingersoll Rand Co.	500 hammers and spares	63,248.00	.....	63,248.00	.....

29	403-C	Oct. 26, 1917	Cornell & Underhill.....	Pipes, etc.....	450.39	3.46	446.93	
30	390-C	Oct. 15, 1917	Erie Foundry Co.....	Steam forging hammer.....	4,630.00	89.98	4,540.02	
31	405-C	Oct. 26, 1917	The Howe Scale Co.....	4 scales.....	231.40		231.40	
32	384-C	Oct. 11, 1917	E. A. Woods Machine Co.....	Planners.....	31,500.00	630.00	30,870.00	
33	385-C	Oct. 13, 1917	Ingersoll Rand Co.....	Pneumatic riveting machine.....	1,700.00		1,700.00	
34	383-C	Oct. 11, 1917	Taylor & Fenn.....	2 grinding machines.....	715.00		715.00	
35	382-C	Oct. 10, 1917	Andrew W. Fuess.....	70 barrels oil and 2,900 pounds metal.....	1,784.50	54.79	1,729.71	
36	381-C	.....do.....	Niles Bement Pond Co.....	1 steam hammer.....	1,330.00	1,330.00		
37	380-C	.....do.....	Westinghouse Electric Manufacturing Co.....	42 rheostat motor pannels.....	2,830.57		2,830.57	
38	379-C	.....do.....	Greenlee Bros. Co.....	Drill machines.....	1,674.00		1,674.00	
39	406-C	Oct. 30, 1917	Landis Machine Co.....	Lathes and accessories.....	904.50		904.50	
40	407-C	.....do.....	Jas. M. Mathews Co.....	667 stamps.....	340.50	10.00	330.50	
41	409-C	Nov. 1, 1917	Monarch Engine Co.....	Tilting furnace.....	2,007.23	.01	2,007.22	
42	413-C	Nov. 2, 1917	Orton & Steinbrenner.....	4 cranes and spare parts.....	48,630.92	48,630.92		
43	414-C	.....do.....	Baldwin Locomotive Works.....	Construction of plant for erection of locomotives at Vladivostok.....	1,730,170.00	1,555,459.11	174,710.89	
44	415-C	Nov. 9, 1917	Graton & Knight Co.....	Belts.....	1,298.70	25.97	1,272.73	
45	416-C	.....do.....	Worthington Pump & Machine Co.....	32 pumps.....	21,310.00	21,310.00		
46	420-C	Nov. 13, 1917	Vernon Bridge Co.....	20 deck turntables.....	114,000.00	114,000.00		
47	421-C	Nov. 14, 1917	Draper Manufacturing Co.....	20 pneumatic locomotive turntable motors.....	12,500.00	3,125.00	9,375.00	
21	386-C	Oct. 13, 1917	Howe Scale Co.....	Scales.....	1,975.00		1,975.00	
22	387-C	.....do.....	Niles Bement Pond Co.....	Lathes, Pratt & Whitney.....	1,302.00	1,302.00		
25	425-C	Nov. 16, 1917	Ingersoll Rand Co.....	8 pneumatic machines.....	9,100.00	9,100.00		
48	Special credit granted for sending American railway men to Russia, to apply on this credit the following contract:			to apply on this credit the following:				
49	430-C	Nov. 6, 1917	Western Electric Co.....	Various telephone equipment (\$136,676.19).....	1,500,000.00		1,500,000.00	
90	63	Aug. 16, 1917	American Smelting & Refining Co.....	1,500 tons lead.....	367,920.00		367,920.00	
91	1-625-69	Oct. 5, 1917	The Wah Chung Mining & Smelting Co.....	405 tons antimony.....	111,132.00		111,132.00	
92	2-4413-70	Oct. 2, 1917	L. Vogelstein & Co.....	300 tons lead.....	49,500.00		49,500.00	\$ 26.65
93	3-10-1048-71	.....do.....	American Smelting & Refining Co.....	2,100 tons lead.....	346,500.00	297,000.00	49,500.00	
1	Gr. 2, No. 11	Sept. 10, 1917	Remington Arms Union Metallic Cartridge Co.....	1,000,000 rifles.....	25,000,000.00	8,707,681.14	5,992,318.86	10,300,000.00
2			Option contract between J. P. Morgan and Westinghouse.....	Option contract for 400,000 rifles.....	12,000,000.00	6,000,000.00	4,000,000.00	2,000,000.00
3			.....do.....	Option contract for 200,000 rifles.....	6,000,000.00	4,250,000.00	1,750,000.00	
122	1 Gr. 556	July 16, 1917	E. Landress & Co.....	3,000 dozen files.....	4,650.00		4,650.00	
123	4 Gr. 555	July 20, 1917	.....do.....	7,000 crosscut saws.....	10,500.00	6,600.00		4,396.00
124	3 Gr. 555	Aug. 3, 1917	Sutton Vaughn Equipment Co.....	25,000 crosscut saws.....	36,250.00	27,570.00	8,680.00	
125	2 Gr. 555	Aug. 7, 1917	Jos. Ohlen & Sons Saw Manufacturing Co.....	10,000 crosscut saws.....	15,000.00	525.00		14,475.00
126	1 Gr. 555	July 10, 1917	Simonds Manufacturing Co.....	11,000 crosscut saws.....	16,500.00			16,500.00

¹ \$568.73 were rebated.² Balance, \$944.61, is not paid yet.³ Additional for overplus 323 pounds of lead.⁴ \$204 were rebated.

Summary of payments on account of contracts, confirmed by the War Industries Board and Council of National Defense, placed in America by the Russian Government Supply Committee—Continued.

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FOREIGN LOANS AND AUTHORITY FOR MAKING SAME.

Ameri- can Gov- ernment number.	Contract num- ber.	Date of contract.	Name of firm.	Object.	Value.	Amount canceled.	Payments from other sources outside of American credit.	Payments from American credit.
127	3 Gr. 552	July 9, 1917	American Locomotive Sales Cor- poration.	68 locomotives.....	\$854,080.00		\$854,080.00	
	2 Gr. 556	July 26, 1917	United States Machinery Export Co.	1,000 dozen files.....	1,810.00	\$1,810.00		
99	31	Nov. 13, 1917	Brown Shoe Co.....	12,600 pairs shoes.....	35,049.00	60.00	34,989.00	
100	32	do.	International Shoe Co.....	18,576 pairs shoes.....	56,253.60	22.70	56,230.90	
101	33	do.	Beals & Torrey Shoe Co.....	3,960 pairs shoes.....	11,664.00	720.00	10,944.00	
102	34	do.	Luedke, Shaper & Butler Co.....	1,032 pairs shoes.....	3,457.20	80.40	3,376.80	
103	35	do.	Milwaukee Shoe Co.....	4,212 pairs shoes.....	12,720.96		5,162.10	\$7,558.86
104	36	Nov. 9, 1917	McElwain, Morse & Rogers.....	12,662 pairs shoes.....	38,551.25		\$38,539.47	
105	37	Nov. 13, 1917	Selz, Schwab & Co.....	40,200 pairs shoes.....	95,970.00	49.95	95,920.05	
106	38	do.	Weinberg Shoe Co.....	8,220 pairs shoes.....	25,322.30		\$100.00	25,322.30
107	39	do.	Harsh & Edmond Shoe Co.....	30,912 pairs shoes.....	103,806.40	1,016.20		102,760.20
108	40	do.	A. H. Weinbrenner.....	8,180 pairs shoes.....	23,774.00	11.40		23,762.60
109	41	do.	Hamilton Brown Shoe Co.....	92,450 pairs shoes.....	249,620.00	1,007.50	248,612.50	
110	42	do.	C. M. Brett Co.....	10,704 pairs shoes.....	25,018.80	54.40	24,964.40	
111	43	do.	Nunn & Bush Shoe Co.....	21,664 pairs shoes.....	65,446.05	220.05	65,226.00	
112	44	Nov. 9, 1917	Nathaniel Fisher Co.....	4,303 pairs shoes.....	12,536.20		\$12,585.65	
113	45	do.	Endicott Johnson Co.....	127,786 pairs shoes.....	342,347.64		\$343,310.35	
114	46	Nov. 15, 1917	Franklin Shoe Co.....	9,682 pairs shoes.....	29,020.55		29,020.55	
115	47	Nov. 16, 1917	Winsh Bros. Co.....	2,859 pairs shoes.....	8,636.65	131.65	8,505.00	
116	48	do.	W. H. Walker Co.....	10,021 pairs shoes.....	24,301.50		\$24,782.40	
117	49	do.	Interstate Shoe Co.....	22,088 pairs shoes.....	57,382.80		\$57,694.80	
118	50	do.	Parker Holmes Co.....	3,362 pairs shoes.....	9,960.05	30.95	9,929.10	
119	51	do.	M. Fincovitch (Inc.).....	3,535 pairs shoes.....	6,830.50		6,830.50	
120	52	do.	Graddock, Terry Shoe Co.....	3,517 pairs shoes.....	8,640.20		8,640.20	
121	53	do.	McElwain Barton Shoe Co.....	63,600 pairs shoes.....	180,232.80	138.90	180,093.90	
96	T-90	Sept. 27, 1917	B. D. Said.....	Spare parts for 5-ton and 3-ton White trucks.....	48,821.70			48,824.70
97	T-91	Sept. 15, 1917	Bausch & Lomb.....	300 lenses.....	49,600.00	45,337.50	4,232.50	
94	T-85	do.	B. D. Said.....	200 pairs driving chains.....	6,642.00			6,642.00
95	T-92	Sept. 11, 1917	Austin Manufacturing Co.....	25 rollers.....	82,646.81			82,646.81
98	T-91	Sept. 15, 1917	Herbert & Huesgen.....	Photo supplies.....	\$16,355.24		162.00	16,455.24
59	120-PRM-165	Sept. 4, 1917	E. Landress & Co.....	600 rules and tapes.....	404.58			404.58
60	121-PRM-165	do.	do.	6,500 files.....	3,443.14	733.86		2,709.28
61	123-PRM-422	Sept. 27, 1917	Tinius Olsen Testing Machine Co.	3 testing presses.....	825.00			825.00
62	125-PRM-165	do.	Fairbanks Morse Co.....	5 electromotors.....	2,339.00			2,339.00
63	127-PRM-165	do.	E. Landress & Co.....	8,000 drift pins.....	800.00			800.00

64	128-PRM-165	.....do.....	Eimer & Amend Co.	Balances, thermometers, etc.	231.00			231.00
65	126-PRM-165	.....do.....	C. & C. Electric Manufacturing Co.	10 electromotors	8,294.72		8,294.72	
66	129-PRM-355	Oct. 13, 1917	United Hardware & Tool Manufacturing Co. of America.	7,800 crosscut saws	7,507.50		7,507.50	
67	124-PRM-165	Sept. 27, 1917	Crocker Wheeler Co.	3 electromotors	876.00		876.00	
68	134-PRM-317	Oct. 26, 1917	Acme Machinery Co.	1 riveting machine	3,400.00		3,400.00	
69	139-PRM-355	Oct. 29, 1917	United Hardware & Tool Manufacturing Co.	7,200 crosscut saws	7,329.00		7,329.00	
70	131-PRM-355	Oct. 23, 1917	E. Landress & Co.	4,000 dozen files	6,200.00		6,200.00	
71	142-PRM-165	Nov. 1, 1917	Schaeffer & Budenberg Manufacturing Co.	7 recording pressure gauges	199.00		199.00	
72	143-PRM-165	.....do.....	Simplex Valve & Motor Co.	2 air valves	83.00	1.25	81.75	
73	148-PRM-165	Nov. 7, 1917	Standard Optical Co.	2,000 Stoco safety goggles	1,125.00		1,125.00	
74	154-PRM-355	Nov. 13, 1917	United Hardware & Tool Manufacturing Co.	5,400 crosscut saws	5,575.50		5,575.50	
75	155-PRM-165	.....do.....	Union Water Meter Co.	3 Nilo velocity meters	567.00		567.00	
76	157-PRM-165	.....do.....	Taylor Instrument Co.	4 hydrometers	20.40		20.40	
77	149-PRM-165	Nov. 8, 1917	Columbia Hardware Co.	72 blacksmith's tools	2,188.94	60.68	2,108.26	
78	151-PRM-165	.....do.....	Wilmarth & Morman Co.	Drill and 20 grinding wheels	350.00		350.00	
80	133-PRM-165	Oct. 26, 1917	Hess Machinery Works	2 cutting machines	1,040.00		1,040.00	
81	144-PRM-165	Nov. 1, 1917	E. Landress & Co.	11 gross file handles	32.34		32.34	
84	152-PRM-165	Nov. 10, 1917	Kaefel & Esser Co.	1 anemometer	26.60		26.60	
82	156-PRM-165	Nov. 13, 1917	Millard F. Smith Co.	10 hydrants	441.50	6.40	435.10	
83	159-PRM-165	Nov. 14, 1917	E. Landress & Co.	12 sets blacksmith's tools, 200 dozen axes	248.00		248.00	
85	164-PRM-355	Nov. 14, 1917	E. Landress & Co.	1,000 dozen files	1,550.00			1,550.00
79	130-PRM-355	Oct. 22, 1917	Simonds Manufacturing Co.	35,000 crosscut saws	52,500.00	5,250.00	47,250.00	
86	150-PRM-165	Nov. 8, 1917	Strong Kennard & Nut Co.	300 adjustable goggles	208.25		208.25	
	No. 1 Gr. 401	Sept. 5, 1917	Remington Typewriter Co.	105 typewriters	10,468.00			10,468.00
				580 ribbons	241.00			
87	170-PRM-165	Nov. 9, 1917	E. Landress & Co.	2,900 carbon twist drills and 36 carbon-steel bridge reamers	2,433.44	147.07	2,286.37	
88	171-PRM-459	.....do.....	.....do.....	1,200 dozen files	7,425.00		7,425.00	
89	172-PRM-459	Nov. 10, 1917	.....do.....	312 dozen files	1,989.85		1,989.85	
288	153-PRM-165	.....do.....	Duff Manufacturing Co.	20 locomotive jacks	671.00		671.00	
4	No. 1 Gr. 702	Sept. 6, 1917	United States Steel Products Co.	6,000 tons annealed wire	626,976.00	626,976.00		
5	No. 1 Gr. 703	Oct. 20, 1917	Peoria Cordage Co.	500 long tons binder twine	216,720.00	216,720.00		
6	No. 2 Gr. 702	.....do.....	Gr. Weinberg & Al. Posner Eng. Co.	100 long tons wire	11,424.00	118.42	11,305.58	
7	No. 3 Gr. 702	Nov. 1, 1917	.....do.....	150 long tons wire	17,136.10			17,136.10
	No. 3 Gr. 703	.....do.....	Hooven Allison Co.	150 long tons binder twine	63,000.00	63,000.00		
8	No. 2 Gr. 703	.....do.....	J. A. Rosen (Grundyke)	2,200 long tons binder twine	944,032.32	608,477.48	335,554.84	
9	No. 4 Gr. 902	Nov. 9, 1917	Columbian Rope Co.	155 long tons binder twine	65,851.02	65,851.02		
10	.....do.....	.....do.....	Supplies for the Murman ports		1,100,000.00	518,087.27	558,370.26	23,542.47
50	207-6A	Oct. 8, 1917	Pluym & Ochs Co.	11 automobiles, "Pierce Arrow"	60,500.00		60,500.00	
51	207-6B	.....do.....	.....do.....	Spare parts for above	12,088.06	12,088.06		
52	207-4A	Sept. 15, 1917	.....do.....	50 automobiles, "Federal"	157,500.00		157,500.00	
53	207-4B	.....do.....	.....do.....	Spare parts for above	31,500.00	2,961.90	28,538.10	
54	213-25	Sept. 13, 1917	Duesenberg Motor Corp.	Spare parts for 8 motor launches	16,325.73	55.80	16,269.93	

* Additional payments.

* Paid above this amount \$262.

Summary of payments on account of contracts, confirmed by the War Industries Board and Council of National Defense, placed in America by the Russian Government Supply Committee—Continued.

American Government number.	Contract number.	Date of contract.	Name of firm.	Object.	Value.	Amount canceled.	Payments from other sources outside of American credit.	Payments from American credit.
55	213-29	Oct. 18, 1917	C. & C. Sales Corp.	do.	\$6,437.03	\$82.86	\$6,354.17	
56	211-13	Oct. 19, 1917	Greenport Basin & Construction Co.	3 wireless outfits.	6,600.00		6,600.00	
57	211-16	Nov. 13, 1917	Herz & Co.	3,000 Herz plugs and 200 spare insulators.	2,211.60			2,211.60
58	207-5A	Nov. 14, 1917	Sterling Motor Co.	50 Sterling trucks, Army bodies, and headlight for same.	126,375.00	101,178.75	25,196.25	
Total					131,251,801.07	66,644,162.39	38,961,692.48	25,646,437.69

Summary of payments not covered by special credits allocated by the United States Government.

American Government No.	Contract No.	Date of contract.	Name of firms.	Object.	Value.	Payments from American credit.
			Bethlehem Steel Co.	Erection of stores for shells	\$400,000.00	\$400,000.00
			General Electric Co.			
			American Can Co.			
			Iznoskoff & Co.	2 lathes	1,860.00	1,860.00
			Carbondale Machine Co.	Lathes	48,140.00	48,140.00
	53-PRM-206	Apr. 25, 1917	Iznoskoff & Co.	1 Norton lathe	1,951.25	1,951.25
	69-PRM-3	May 9, 1917	Davis Machine Tool Co.	4 lathes	1,800.00	1,800.00
	57-PRM-202	Apr. 30, 1917	Defiance Machine Works	10 various lathes	7,540.00	7,540.00
	58-PRM-202	do.	do.	4 lathes	9,395.00	9,395.00
271	59-PRM-202	do.	do.	3 lathes	945.00	945.00
	60-PRM-202	do.	do.	14 lathes	4,805.00	4,805.00
273	61-PRM-202A	do.	do.	10 electromotors	1,195.40	1,195.40
	62-PRM-202B	do.	do.	3 saws	1,770.00	1,770.00
	73-PRM-207	May 17, 1917	Pratt & Whitney Co.	5 spindlers	120.00	120.00
	63-PRM-140	May 2, 1917	Walter H. Foster Co.	2 lathes	8,525.00	8,525.00
	75-PRM-30	May 21, 1917	American Machinery Syndicate	do.	2,200.00	2,200.00
284	76-PRM-202A	do.	American Wood Working Machine Co.	do.	891.90	891.90
	78-PRM-204	do.	Baker Bros.	1 lathe	1,450.00	1,450.00
	85-PRM-202	do.	Defiance Machine Works	Spare parts for contract 57-PRM-202	1,103.25	1,103.25

86-PRM-202A	June 11, 1917	do.	Spare parts for contract 60-PRM-202A	686.55	686.55
87-PRM-202B	do.	do.	Spare parts for contract 62-PRM-202B	259.72	259.72
88-PRM-202A	June 23, 1917	do.	6 drills	30.00	30.00
90-PRM-140	June 25, 1917	Walter H. Foster Co.	192 various instruments	750.00	750.00
97-PRM-202A	June 28, 1917	Greenlee Bros. Co.	2 machines	1,021.25	1,021.25
112-PRM-202A	July 30, 1917	Fairbanks Morse Co.	2 electromotors	250.00	250.00
81-PRM-205	June 2, 1917	Keller Mechanical Engraving Co.	2 lathes	4,108.30	4,100.05
122-PRM-202A	Aug. 20, 1917	E. Landress & Co.	32½ dozen chisels	541.74	541.74
No. 2 Gr. 701	Aug. 18, 1916	International Harvester Co.	Agricultural machinery	7,892,818.15	7,892,818.15
No. 1 Gr. 701		Massey Harris Co.	do.	771,886.27	771,886.27
No. 3 Gr. 701		Noxon Co.	do.	137,584.00	137,584.00
No. 11 Gr. 701	In Petrograd.	American Steel Export Co.	Scythe blades	315,000.00	315,000.00
No. 4 Gr. 701		Adrianne Platt Co.	Agricultural machinery	643,387.50	643,387.50
T-85	Oct. 15, 1917	B. D. Said	200 pairs driving chains	483.00	483.00
53-PRM-4	Mar. 27, 1917	Cincinnati Electrical Tool Co.	2 lathes	102.40	102.40
No. 6 Gr. 24	July 20, 1917	Pool Engineering & Mach. Co.	80 guns and 400,000 shells	1,334,000.00	1,237,700.00
291-C	June 5, 1917	Ingersoll Rand Co.	Various instruments	1,992.00	1,992.00
168-C	Nov. 11, 1916	American Locomotive Works	Spare parts	90,625.00	13,751.15
238-C	Mar. 28, 1917	Orton & Steinbrenner Co.	10 cranes and spare parts	125,000.00	122,440.84
323-C	July 19, 1917	Zin-Ho Manufacturing Co.	Air pumps	22,500.00	13,413.60
364-C	Aug. 21, 1917	Andrew W. Feuss	Condenser	2,497.00	2,497.00
362-C	do.	do.	Engine	13,500.00	13,500.00
328-C	July 26, 1917	Flannery Bolt Co.	Spare parts	20,822.50	20,822.50
270-C	May 22, 1917	American Car & Foundry Co.	Bandages for 10 cranes	3,080.00	3,080.00
271-C	May 23, 1917	American Steel Export Co.	Spare parts	34,300.00	34,300.00
231-C	Apr. 5, 1917	Baldwin Locomotive Works	53 locomotives	1,522,955.00	278,530.00
174-C	Dec. 22, 1916	Pressed Steel Car Co.	978 trucks and spare parts	144,997.64	144,997.64
202-C	Mar. 26, 1917	Baldwin Locomotive Works	Spare parts	6,415.17	6,415.17
392-C	Oct. 17, 1917	Andrew W. Feuss	Crane	10,500.00	10,500.00
294-C	June 14, 1917	Norton & Co.	12 jacks	202.56	202.56
292-C		Young Corley & Dillon	Files	944.94	663.18
285-C		do.	Instruments	922.98	861.60
157-C	July 22, 1916	Allie Contracting Co.	Rails and accessories	9,733,849.52	3,537,532.10
158-C	July 25, 1916	American Steel Export Co.	do.	5,181,241.62	2,495,879.81
207-C	May 8, 1917	Allied Contracting Co.	Switches	639,000.00	610,245.00
281-C	June 11, 1917	Andrew W. Feuss	Steamfeeding pipe connections	696.89	696.89
199-C	Mar. 25, 1917	Ingersoll Rand Co.	Spare parts	677.25	520.58
167-C	Nov. 11, 1916	Baldwin Locomotive Works	do.	125,421.98	12,988.00
201-C	May 28, 1917	do.	8 jacks	24,700.00	1,200.00
292-C	Apr. 27, 1917	Ingersoll Rand Co.	Spare parts	1,269.80	124.99
159-C	June 23, 1916	United States Steel Products Co.	Rails and accessories	10,217,015.03	5,115,761.96
			Technical books for the Russian Railway Mission	1,000.00	1,000.00
70-PRM-165	May 11, 1917	Chas. Shieren Co.	49 belts	1,020.27	1,020.27
71-PRM-165	May 14, 1917	American Saw Mill Machinery Co.	2 saws	727.20	727.20
72-PRM-165	May 17, 1917	Fairbanks Morse Co.	15 saws	43.80	43.80
36-PRM-165	May 22, 1917	Fay & Egan Co.	2 saws and 1 lathe	1,220.00	1,220.00
55-PRM-165	Apr. 27, 1917	C. & C. Electric Manufacturing Co.	16 electromotors	7,573.00	7,421.54
56-PRM-165	do.	J. G. White Engineering Co.	5 electromotors	1,556.00	1,556.00
68-PRM-165	May 9, 1917	S. A. Woods Machinery Co.	2 machines and spare parts	1,623.30	1,623.30
66-PRM-165	May 5, 1917	do.	2 saws and spare parts	619.30	619.30
65-PRM-165	May 7, 1917	J. G. White Engineering Co.	8 electromotors	2,489.00	2,489.00

Summary of payments not covered by special credits allocated by the United States Government—Continued.

American Government No.	Contract No.	Date of contract.	Name of firms.	Object.	Value.	Payments from American credit.
261	107-PRM-165	July 16, 1917	American Rolling Mill Co.	1-ton galvanized iron	\$236.38	\$236.38
	93-PRM-165	Apr. 27, 1917	P. B. Yates Machine Co.	2 lathes	8,066.00	8,066.00
	92-PRM-165	June 26, 1917	B. F. Sturtevant Co.	2 fans	6,808.00	6,808.00
	94-PRM-165	.....do.....	P. B. Yates Machine Co.	Various spare parts	1,289.94	1,289.94
	95-PRM-165	June 27, 1917	American Saw Mill Machinery Co.	1 saw	1,149.00	1,149.00
	96-PRM-165	.....do.....	Woods Machine Co.	2 saws	706.00	706.00
	98-PRM-165	June 28, 1917	Greenlee Bros. Co.	1 lathe	1,896.20	1,896.20
	99-PRM-165	.....do.....	Smith Machine Co.	.....do.....	101.25	101.25
	100-PRM-165	June 30, 1917	Woods Machine Co.	.....do.....	3,934.50	3,934.50
	101-PRM-165	June 29, 1917	American Saw Mill Machinery Co.	1 saw	834.00	834.00
	102-PRM-165	.....do.....	Greenlee Bros. Co.	2 lathes	3,792.40	3,792.40
	103-PRM-165	June 30, 1917	Woods Machine Co.	Spare parts	1,117.00	1,117.00
	105-PRM-165	July 10, 1917	Washburn Shops of Worcester	3 electromotors	438.00	438.00
	106-PRM-165	July 14, 1917	American Tool Works	1 lathe	1,507.00	1,507.00
282	108-PRM-165	July 18, 1917	Matt Co.	.....do.....	1,687.25	1,687.25
	109-PRM-165	July 25, 1917	Fairbanks Morse Co.	2 electromotors	752.00	752.00
	110-PRM-165	July 26, 1917	Machinery Co. of America	1 saw	176.40	176.40
269	111-PRM-165	July 27, 1917	B. F. Sturtevant Co.	2 exhausters, etc.	2,747.00	2,747.00
	113-PRM-165	July 30, 1917	Washburn Shops of Worcester	18 grinders	49.50	49.50
283	114-PRM-165	Aug. 2, 1917	White Engineering Corporation	4 electromotors	1,025.00	750.00
	89-PRM-165	June 25, 1917	Greenlee Bros. Co.	2 saws	740.00	740.00
	115-PRM-165	Aug. 2, 1917	Fairbanks Morse Co.	1 motor	376.00	376.00
	104-PRM-165	July 9, 1917	Chas. E. Shieren Co.	33 various belts	851.58	851.58
270	119-PRM-165	Aug. 20, 1917	Carborundum Co.	134 grinders	408.02	399.86
280	116-PRM-165	Aug. 2, 1917	C. C. Electric Manufacturing Co.	3 electromotors	1,551.20	1,551.20
	Gr. 4	Aug. 27, 1917	Phonex Horse Shoe Co.	2,000,000 horseshoes	227,500.00	227,500.00
	No. 1-555			Supplies for Murman Railway	869,567.83	869,567.83
	82-PRM-25	June 4, 1917	Osgood Co.	Additional payment for 600 saws	900.00	900.00
				Steam shovel	8,075.00	8,075.00
	49-PRM-210	Apr. 13, 1917	Weston Electrical Instrument Co.	Expenses of sending workmen to Russia	7,500.00	7,500.00
	41-PRM-35	Feb. 16, 1917	.....do.....	Instruments	7,912.95	7,912.95
212	213-16	Mar. 26, 1917	Sterling Engine Co.	.....do.....	2,149.29	2,149.29
213	213-11	Feb. 21, 1917	Melchior Armstrong & Dessau	Spare parts for 54 motors, Sterling	32,521.55	22,141.69
214	213-19	Feb. 20, 1917	.....do.....	Spare parts for 76 motors, Buffalo	45,923.00	37,828.80
215	213-18	.....do.....	.....do.....	Spare parts for 20 motors, Buffalo	11,436.50	9,371.25
216	213-7	Feb. 21, 1917	.....do.....	Spare parts for 94 motors, Van Blerk	73,338.50	54,719.30
217	213-9	.....do.....	.....do.....	30 motors, Van Blerk	165,600.00	8,280.00
	213-15	Mar. 10, 1917	Duessenberg Motor Corporation	76 motors, Buffalo	156,560.00	62,624.00
221	213-15A	June 6, 1917	.....do.....	18 motors, Duessenberg	89,100.00	89,100.00
	212-7	Feb. 8, 1917	Goodrich Transit Co.	Spare parts for above	18,562.70	8,490.24
	217-7A	Apr. 3, 1917	Manitowoc Shipbuilding Co.	Icebreaker, Nevada	725,000.00	455,000.00
	212-7A	Apr. 25, 1917	.....do.....	4 engines for above	4,900.00	4,900.00
				Hose	7,328.00	7,328.00

212-7B	Apr. 3, 1917	.....do.....	Spare parts.....	1,500.00	1,500.00
212-7C	Aug. 25, 1917	.....do.....	Hose connections.....	216.00	216.00
220 213-20	Feb. 20, 1917	Melchoir Armstrong & Dessau.....	8 motors, Buffalo.....	14,800.00	5,920.00
223 213-22	In Petrograd.....	.....do.....	10 starters.....	13,200.00	13,200.00
218-4	Feb. 20, 1917	American Chain Co.....	Chains.....	62,720.00	27,275.13
226 211-13	Apr. 17, 1917	C. D. Durkee Co.....	Ship telegraphs.....	37,630.00	33,192.50
215-2	Jan. 14, 1916	New London Ship & Engine Co.....	Air tanks.....	14,500.00	7,250.00
232 204-1	Aug. 31, 1917	Electric Boat Co.....	5 submarines.....	3,712,500.00	185,625.00
233 211-14	Mar. 21, 1917	Greenport Basin & Construction Co.....	8 launches.....	352,000.00	158,400.00
234			Surplus expenses for repairs and supplies for yachts and trawlers.....	988,430.70	988,430.70
218 213-14	Oct. 16, 1916	Melchoir, Armstrong & Dessau.....	10 motors, Mietz.....	150,000.00	88,000.00
227 208-5	Apr. 21, 1916	Moscow Machine Tool Works.....	Instruments.....	4,831.95	106.09
74-PRM-254	May 18, 1917	Defiance Machine Tool Co.....	Supplies for Murman port.....	141,516.29	141,516.29
80-PRM-41	May 31, 1917	Blanchard Machine Co.....	Machinery.....	12,623.00	12,623.00
16-PRM-41	Mar. 21, 1918	American Tool Works Co.....	10 grinders.....	171.00	168.60
		Gaston Williams & Wigmore.....	Lathe.....	7,367.00	2,307.00
		Nankiwell, Dawson & Co.....	50 trucks, Packard.....	233,600.00	233,600.00
		.....do.....	20 automobiles, Pathfinder; 25 automobiles, Chandler.....	237,341.00	237,341.00
		.....do.....	84 Glen trailers; 80 automobiles, Chandler... ..	315,331.00	315,331.00
		.....do.....	Automobile machine shops.....	38,000.00	38,000.00
		.....do.....	10 automobiles, Locomobile; 87 automobiles, Chandler.....	274,161.00	274,161.00
		.....do.....	14 Glen trailers; 4 trucks, Lombard.....	43,146.00	43,146.00
		Freight, inspection, etc.....		4,958,861.85	4,958,851.85
		Total.....		53,650,154.16	33,652,435.38

SECTION 96.

Interesting Epitome of Conference Between Ughet, of the Russian Embassy, and Kelly, Assistant Secretary of State in Charge of Foreign Loans, on Russian Finances and Conditions.

I first asked him for information regarding results of his trip abroad. He stated that the Russian representatives had met and decided to continue aid to Wrangel. In regard to the currency situation, Wrangel's minister of finance desired to know whether bank notes printed in America would be available for Wrangel and had explained the plan of issuance of Wrangel treasury certificates and at some later time retirement of these certificates and other currencies, including bolshevik and foreign, all at some stated rate of exchange, and the issuance of new bank notes. He said that the notes would not be issued except in connection with this process of retirement.

I told him I wished to discuss frankly with him the general situation in regard to Russian funds. I spoke somewhat as follows:

Our understanding of the fiction of the Russian Embassy was that it represented the "Russian people" at present submerged under a despotic minority. We had the deepest sympathy, regard for, and future faith in this Russian people; that our steadfast feeling, without selfish political ends, I believed was stronger than on the part of the Allies and was as strong to-day as ever. On the basis of this feeling we had felt convinced of the wisdom of aiding the continued existence and functioning of the embassy; that the way Bakmetief and Ughet had acted in a difficult capacity had justified our reliance on them to carry out this purpose and had given us material aid in the carrying out of the policy of preventing the dismemberment of the Russian heritage. We felt that faith in Ughet and his square dealings justified perfect frankness on our part, although with others we might fear that such funds might be absconded with or dissipated in ways inconsistent with the policy of this Government.

The Kerensky régime, in which the Russian people had an opportunity for expression, had been engulfed in the wave of bolshevism, and there had then succeeded various phases—Denekin, Yudenich, Kolchak—through each of which in turn it was hoped the Russian people would again find expression. Whether a better result could have been obtained if these enterprises had been handled differently from within or without is now academic. The facts show failure. In the case of Kolchak the United States Government had approved the embassy aiding him, hoping that his faction would gather to itself the Russian people and the real Russia could be recognized through him.

Now, perhaps the situation has changed. As a matter of personal opinion I felt that the possibility of factions entering from outside Russia, gathering to themselves the nucleus of the Russian people, had become far remote, if not entirely out of the realm of possibility. Aid from the Allies, coupled perhaps with an impression that such aid was given for selfish purposes, plus the Polish attack, had apparently raised a spirit of nationalism which very likely would damn from the beginning the chances of any outside intervention being received other than with mistrust.

As a matter of personal opinion I believed the hope and expression of Russia must now come from the inside—a result not at all impossible—perhaps by an overthrow of bolshevism through the military organization. With this possibility in the future the eventual accounting of the embassy to such resulting government, if it had the Russian people behind it, must be seriously considered by the embassy, and in this connection the department's views as to the functions of the embassy, i. e., a real representative of the Russian people, must be regarded. Therefore it should be seriously considered whether—for the accomplishment of the purpose to which I believed Ughet had sincerely committed himself and carried out, and for his own eventual protection and the ratification of his acts—it was not advisable for him to bring the Kolchak funds, which I believed were based in the main on old Russian gold reserves, property of the Russian people, under the supervision of our Government in a manner perhaps somewhat similar to the present liquidation account.

I told him that the matter was under consideration merely by the department, but I requested him to take the matter up with the ambassador and reach a decision for the purpose of further discussion with Mr. Davis. This he agreed to do without objection. I should judge that he had in his mind the possibility of our taking such a position and that it was very possible that they would be willing to take such a step.

Mr. Ughet pointed out that before the dissolution of the Kolchak government he had been authorized by that government to dispose of funds for purposes helpful to Denekin or Wrangel in south Russia. I explained to him that we doubted whether such authorization would protect him now that his former principal, the Kolchak government, had dissolved.

I brought up the question of the million dollars held as security by the War Department. I notified him that we considered that (1) these were funds brought officially to the notice of the Government on account of their having been held by the Government, that (2) the contract was made in behalf of the Russian Government, and (3) the situation had now changed and his formerly existing principal, the Kolchak government, which we had approved, had now dissolved. For these reasons we felt that the sum should be either held by the War Department or deposited in the liquidation account. This was accepted without any protest on his part.

With regard to the Shipping Board fund, I explained to him that this was again a case where the funds were held by the Government and came within our official notice. In addition, the volunteer fleet was a separate entity, and we felt doubtful about the ability of the embassy to give a valid receipt to the Shipping Board for the funds. And, therefore, it had been decided that the funds held by the Shipping Board should be retained until such time as the Russian volunteer fleet should again come into official existence or some other solution could be reached.

The question of the bank notes was discussed and it was pointed out that after consideration of the subject it was felt that the Government could not avoid a certain measure of responsibility in regard to their issuance, and that, therefore, it did not feel itself able to become a party to the issuance of the notes unless surcharged with a statement that they were to be issued by Wrangel's government in order to avoid what might on their face appear a fraud in that they purported to be obligations of the Russian State Bank.

He argued this point, stating that these bank notes were products of additional contracts made entirely with Kolchak and paid with his funds, and that the notes could be distinguished by the issue-letter designations, and that they would be only issued for the purpose of redemption of present coinage.

I stated that was not sufficient reason to cause us to change our opinions and we were convinced of the necessity of requiring a surcharge before permitting exportation. He pointed out that as a practical matter, on account of the cost and time required to surcharge, it might very probably make impractical the issue of the notes. I told him that was to be regretted, but that we would have to protect ourselves in view of our indirect responsibility.

The question of liquidation of railway rails in Yokohama and ports in China was brought up. He stated that in view of the fact that there had been certain delays in their shipment, perhaps involving claims against the British and Japanese Governments, and that only about one-third of the rails had been bought with United States credits, he was not inclined to take the responsibility of selling the rails at this time, which might involve impairing future Russian claims against the British and Japanese Governments. He desired us to sell the rails. Mr. Kelley told him the Treasury did not like to take such responsibility. I left the matter with Mr. Kelley for further arrangements.

The War Department was notified by telephone of our views on the payment of the million-dollar security fund to Ughet.

VAN S. M.-S.

SECTION 97.

Agreement Between the United States Treasury and Russian Embassy on Russian Finance.

SUMMARY OF MEMORANDUM ON AGREEMENT ENTERED INTO BY THE TREASURY DEPARTMENT AND THE DEPARTMENT OF STATE WITH BAHKEMETEFF FOR CONTROL OF RUSSIAN EMBASSY FINANCES.

1. The Treasury Department and the Department of State undertook to direct the liquidation of the claims of American manufacturers against the Russian Government growing out of the war contracts.

2. The Treasury Department undertook to exercise a negative control over the expenditures from funds in the National City Bank, i. e., it did not direct or supervise these expenditures, but all checks drawn upon these funds were submitted to the Treasury for visé, and the checks were not honored unless the Treasury approved.

3. The purpose of the arrangement was, first, to insure the payment of the just claims of American manufacturers against the Russian Government, and, second, to prevent the payment of money from the fund in the National City Bank for purposes of which the Treasury did not approve.

4. It was evidently the intention not to create the impression that a forcible receivership had been established, and care was taken, apparently, to avoid the charge that, by interfering to too great an extent in the liquidation, this Government had invalidated the claims against the Russian Government.

SECTION 98.

Answers to Senate Resolution, Page 6, Showing a Total of \$11,047,346.20 Paid by United States War Department to De Facto Russian Ambassador for Materials Purchased by United States War Department; This Also Shows \$1,921,597.48 Paid the De Facto Russian Government by the United States Shipping Board for Ship Hire.

FEBRUARY 25, 1921.

SIR: Pursuant to Senate resolution 417, I have the honor to furnish the following information:

Question 1. Are funds of the United States being used either directly or indirectly to support or maintain an embassy in the city of Washington, D. C., representing the so-called Kerensky government of Russia, and if so, how much money has been thus expended and what authority is there for such expenditure?

Answer. No funds of the United States have been so used. The funds of the United States were used solely for the purchase of obligations of the Russian Government in accordance with the Liberty loan acts. The funds paid by the United States to the Russian Government to purchase its obligations became the funds of the Russian Government. Among the expenditures of the Russian Government from its funds, as shown by the below-mentioned reports, are disbursements to support or maintain the Russian Embassy in Washington.

Question 2. Was money advanced from the Treasury of the United States to establish a credit on behalf of the Kerensky government, and if so, in what amount, and for what purpose was it used?

Answer. As set forth in the Annual Report of the Secretary of the Treasury for the fiscal year 1920, in pursuance of the authority of the Liberty loan acts, the Secretary of the Treasury did from time to time, with the approval of the President, establish credits in favor of the provisional government of Russia, but no such credits were established subsequent to the fall of the so-called Kerensky government in November, 1917. Advances were made to the said Russian Government on the following dates and in the following amounts:

1917—July 6	\$35, 000, 000	1917—October 2	\$22, 200, 000
July 13	10, 000, 000	October 11	20, 000, 000
August 1	2, 500, 000	November 1	31, 700, 000
August 22	2, 500, 000	November 15	1, 329, 750
August 24	37, 500, 000		
August 30	10, 000, 000	Total	187, 729, 750
September 25	15, 000, 000		

The proceeds of the advance of \$1,329,750 made on November 15, 1917, were simultaneously applied by the Russians to the payment of interest to the Government of the United States. *No advances were made after November 15, 1917.*

As shown in Exhibits 26 and 28, on pages 338 and 342 of the Annual Report of the Secretary of the Treasury for the fiscal year 1920, respectively, the expenditures reported by the Russian Government for the period April 6, 1917, to December 31, 1917, were as follows:

Expenditures.

Munitions, including remounts	\$58, 698, 646. 58
Exchange and cotton purchases	53, 186, 352. 70
Other foods	1, 706, 909. 48
Other supplies	49, 338, 982. 34
Transportation	2, 155, 769. 40
Shipping	1, 324, 678. 54
Interest	4, 129, 761. 64
Maturities	5, 000, 000. 00
Miscellaneous	3, 041, 568. 89
Total	178, 582, 669. 57

Subsequent to January 1, 1918, further expenditures for similar items were reported to the amount of \$50,058,684.89. The total expenditures reported for the entire period from April 6, 1917, to December 15, 1920, were, therefore, \$228,641,354.46. The Russian representatives have reported receipts since December 31, 1917, of \$25,466,962.83. Certain of these are doubtless refunds of payments included among the expenditures, and others may be the proceeds of goods purchased by means of the expenditures. There is reason to believe, however, that a large portion of the receipts are the proceeds of materials purchased by the Russians out of resources other than United States advances.

Question 3. What amount of money, if any, does the Kerensky government owe to the Government of the United States, how is it secured, what rate of interest does it bear, and when does it mature?

Answer. For its advances to Russia, as stated on page 55 of the Annual Report of the Secretary of the Treasury for the fiscal year 1920, the Secretary holds obligations of the Russian Government corresponding in amount and bearing the respective dates set forth in the foregoing table of advances. Said obligations are in the form of certificates of indebtedness payable to the United States, without deduction as to principal and interest, for taxes of the debtor Government in gold coin of the United States of the present standard of weight and fineness, at the Subtreasury of the United States in New York or at the Treasury of the United States in Washington. They are signed in the name of the provisional Government of Russia by a representative of that Government designated to the Treasury by the Department of State as being authorized to sign them in the name and on behalf of that Government. Certain of the certificates were payable at fixed dates of maturity, all of which are now past, so that they are now held as demand obligations.

The remainder were expressed to be payable on demand. Certain of them were expressed to bear interest at the rate of $3\frac{1}{2}$ per cent per annum and the others at the rate of $4\frac{1}{2}$ per cent per annum, being the same rates borne by the obligations issued at that time by the United States Government. By arrangement similar to that made with other Governments, interest has been charged on all Russian obligations since May 15, 1918, at a rate equivalent to 5 per cent per annum on the total amount thereof. As stated on page 57 of my annual report, the amount of interest heretofore paid on the above-mentioned Russian obligations is \$4,595,564.15, being the interest up to November 15, 1917, in full, together with a partial payment of \$1,865,925.08 on account of the interest which became due May 15, 1918, and partial payments of \$1,399,877.43 on account of the interest which became due November 15, 1918. As stated on page 58 of the annual report, the Secretary holds a special fund of \$1,803,506, which is equal to the unpaid balance of the interest matured on Russian obligations on May 15, 1918, and which, it is believed, ultimately can be applied in discharge of that balance, and a similar fund of \$335,095.07 which it is believed will be applicable upon the unpaid balance of interest which became due November 15, 1918. As shown at the same page of the report, the interest accrued and remaining unpaid on the above-mentioned Russian obligations for the half years ending November 15, 1918, April 15, 1919, and May 15, 1919, October 15, 1919, and November 15, 1919, April 15, 1920, and May 15, 1920, and October 15, 1920, and November 15, 1920, amounts in all, after deduction of the special funds above mentioned, to \$21,187,741.90. For the interest which became due November 15, 1918, the Treasury holds an obligation of that date executed in the name of the provisional government of Russia, payable on demand with interest at the rate of 5 per cent per annum, and for the interest which became due subsequently, the Treasury holds formal undertakings executed by the Russian representatives on behalf of the provisional government of Russia that said government promises to pay the respective amounts so becoming due on demand, with interest at the rate of 5 per cent per annum.

As shown on pages 65, 66, and 67 of the report, the Treasury has received as custodian from the Secretary of War on account of sales of surplus war supplies a Russian obligation dated August 8, 1919, for \$406,082.30, payable June 30, 1922, with interest at 5 per cent, on which the sum of \$10,179.87 has been received on account of interest accrued for the period from June 30, 1919, to December 30, 1919, and has also received from the American Relief Administration, on account of relief, pursuant to act approved February 25, 1919, Russian obligations dated July 1, 1919, for \$4,465,465.07, payable on June 30, 1921, with interest. No interest has been paid on these obligations.

Question 4. After the downfall of the Kerensky government, did the Government of the United States purchase war material or other supplies from the

officials of the Kerensky government with funds of the United States and, if so, what was the nature of the supplies, how much money was paid for the same, and was the purchase made at a time when the Kerensky government was indebted to the United States, and, if so, in what amount?

Answer. It is my understanding that subsequent to November 15, 1917, the Government of the United States purchased through its various departments and agencies certain materials from the Russian representatives. The correspondence in my office indicates purchases as follows:

Rails and accessories-----	\$9,188,318.92
Machine guns-----	1,572,021.00
Motor trucks and parts-----	214,500.00
Lenses-----	4,270.00
Ammunition-----	68,236.28
Total-----	11,047,346.20

I believe there were also other purchases, the total amount of which was only a small fraction of the foregoing. This Government also paid the Russian representatives \$1,921,597.48 charter hire for ships. These items include, as I understand it, substantially all the payments made by departments of this Government. Exact figures can be obtained only by reference to the departments and agencies concerned. Such payments would appear in the Treasury records only in the accounts presented to the auditor by the various disbursing officers who made them and could be ascertained only by a physical examination of the accounts and vouchers. This would require months of work by many people, is impracticable, and was not, as I understand it, contemplated by the resolution. The funds mentioned above in this answer were placed in the liquidation account. The cargo of certain Russian ships diverted from Murmansk and Archangel to England was sold in England and purchased in part by and for the use of the American Expeditionary Forces. The special funds referred to above as being held to cover interest payments are composed of proceeds of these cargoes.

Question 5. Has the Government of the United States taken any steps to reimburse itself for money advanced or loaned to the Kerensky government?

Answer. Except to the extent above stated, I am not aware that the Government of the United States has taken any steps to reimburse itself for money advanced or loaned to the Russian Government.

As of December 1, 1917, the unpaid balance on contracts made by the Russian Government with our people was something over \$102,000,000. The contracts were in all stages of performance. The funds on hand of the Russian Government in the United States amounted to about \$56,000,000. At the end of December, 1917, as a result of the payment, cancellation, or reduction of contracts, the unpaid balance on contracts in America was reduced to less than \$50,000,000. The liquidation has since been completed, liability under said contracts discharged, and a substantial amount of property shipped to Russians in territory not under the control of the bolsheviks.

These matters were dealt with at length by Mr. Polk, then Undersecretary of State, and Mr. Leffingwell, then Assistant Secretary of the Treasury, in hearings before the Committee on Expenditures in the State Department of the House of Representatives in the summer and autumn of 1919, and were also considered in the hearings on Russian propaganda before a subcommittee of the Committee on Foreign Relations of the Senate in the winter and spring of 1920. For the information of the Senate, copies of the statements by Mr. Polk and Mr. Leffingwell are attached.

Respectfully,

D. F. HOUSTON.

THE PRESIDENT OF THE SENATE.

GREECE

SECTION 99.

Greece.

Under the various Liberty loan acts which provided that the Secretary of the Treasury could, with the approval of the President, make loans to foreign Governments then engaged in war with enemies of the United States for the purpose of prosecution of the war, there was a credit established for Greece of \$48,236,629.05. Of this credit there was advanced to Greece up to November 15, 1920, a total of \$15,000,000. There now remains on the books of the Treasury Department a credit in favor of Greece for \$33,236,629.05.

No money whatsoever was advanced to Greece during the actual progress of the war. The first advance was made to Greece December 15, 1919. The next advance was January 16, 1920, of \$5,000,000. The third advance was September 17, 1920, of \$5,000,000.

Loans were made to Greece under an entirely different plan and system from those made to any of the other allies. In February, 1918, England, France, and the United States made an agreement with Greece whereby these three countries agreed to underwrite a Greek loan for 750,000,000 drachmas which have the same value as francs. Each of the three countries agreed to make its share of one-third of the loan. This 750,000,000 franc loan was the outside limit of the loan to be made. That is, it was the maximum amount for the 1918 expenditures.

In pursuance to this loan Greece agreed to keep a certain number of men in the field and make other military and naval operations.

This loan was to be paid to Greece upon certain conditions. Those conditions were, first, the money was to be paid if at any time during the war the credit of the National Bank of Greece fell below 100,000,000 francs. Second, if the money was not paid during the war, then it was all to be due and payable six months after the conclusion of peace.

A further condition was added that in no case were the three countries referred to to pay more than one-third of the expenditures for 1918 as shown by vouchers from the Greek Treasury, which vouchers were to be passed upon by the financial commission appointed for this purpose.

On the strength of this promised loan, the Greek Government issued a bond issue which it sold to its own people.

The correspondence shows that this agreement was couched in such vague terms that there was considerable dispute as to its actual meaning.

The correspondence shows that though the United States has up to date advanced \$15,000,000 on this credit so established, neither of the other countries have advanced any of their share. All that they have done was to establish book credits.

The correspondence also shows that when our advances were finally made, they were made not to take care of war purposes but to rehabilitate Greece. In fact, all of the proposals for advances mentioned the fact that the advances are to be used for rehabilitation and relief purposes. The Treasury Department only agreed to these advances when they were assured that they were to be made for expenditure in the United States.

There is nothing in the correspondence on Greece showing any itemized statement as to how this money was spent other than a statement in French, giving merely the names of the parties who received the money, no statement being given of what the money was spent for.

It must also be borne in mind with reference to the Greek loan that this loan was made to the Venizelos government, which government has since collapsed, and the former King Constantine, who had been ousted from the throne by Great Britain and France because of his pro-German leaning, has been returned to the throne by a popular plebiscite of Greece.

At the time of the political disturbances in Greece, just prior to the return of Constantine, a fourth advance of \$5,000,000 was asked, but this request has never been granted by the Treasury Department. The correspondence with the committee only runs to January 14, 1921, and it does not show a direct refusal on the part of the Treasury Department of the United States of this request.

For a complete understanding of the political bearing on these cash advances see the last subdivision of letters in the Greek file, attached hereto.

Because of the United States Treasury's refusal to release all or a large part of the credit established for Greece, Greece adopted retaliatory measures in the form of a high tariff on certain American goods sold in Greece. It increased the tariff on oleomargarine 300 per cent.

The Treasury's report shows that up to November 15, 1920, the interest on the Greek advances were paid.

We hold no obligations of Greece for military supplies sold or foodstuffs supplied by the American Relief Commission.

SECTION 99-A.

File Begins with the Three-Party Agreement Entered into at Paris Between the Representatives of England, France, the United States, and Greece. This Agreement Became the Basis for All Credits Established by the Above-Named Countries with Greece and is Always Referred to in Subsequent Correspondence Attached as the February 10, 1918, Agreement, Although it is Headed as Entered into December 1, 1917. This Agreement is Appended in the Original French as Well as in an English Rough Translation Made for the Treasury Department. To These Documents is Added a Translation of Ratification of the Agreement by the Royal Greek Government.

SUNDERLAND HOUSE,
London, February 20.

DEAR MR. SECRETARY: In accordance with my telegram No. 77 of February 16 I am sending herewith the original and copy of translation of the agreement executed between the Government of France, Great Britain, and the United States on the one hand and the Greek Government on the other.

Copies of my letter to the Greek minister in London in regard to a modification of article 3 in so far as the Governments of France and Great Britain are concerned, and of my supplement letter of instructions to the American consul general at Athens, are also inclosed. The cable instructions given by me to the consul general were repeated to you in my No. 77.

Sincerely, yours;

OSCAR T. CROSBY.

HON. WILLIAM G. MCADOO,
Secretary of the Treasury, Washington, D. C., U. S. A.

The financial delegates of the United States of America, Great Britain, and France, as a consequence of the decision of the Supreme War Council, dated December 1, 1917, the American delegates, ad referendum, have approved the following agreement with the Greek Government:

ARTICLE 1.

The Governments of the United States of America, France, and Great Britain agree to make advances to the Greek Government by equal shares during the year 1918 in order to allow them to get in their own country the credits necessary to provide:

1. For the settlement of arrears.
2. For expenses during 1918 of the Greek Army and Navy, the strength of which having been increased as delineated in the military arrangements.

The latter expenses, including navy expenses, to be made in Greece, apply to the following items:

- (a) Pay and indemnities of the army.
- (b) Separation allowances.
- (c) Utilization of local resources.
- (d) Requisition of the animals and carts of the country.
- (e) Transports by sea and rail.

The advances mentioned in this article will be liable to come up to the amount of francs 750,000,000, including the 50,000,000 about which the arrangement of November 30, 1917, was made.

ARTICLE 2.

These advances will be dealt out to the Greek Government according to their needs from time to time upon their asking and subject to the agreement of an interallied financial commission, which will be created in Athens. This commission will include delegates of the United States, France, Great Britain, and Greece.

The employment of these credits will be controlled by the aforesaid commission as far as the arrears are concerned and by a similarly composed interallied military commission, also meeting in Athens, which commission, previous to the grant of advances meant for the organization and keeping of the army and navy, will have given its advice to the financial commission.

ARTICLE 3.

These advances, granted in dollars, francs, and sterling, intended to be security for issues of the National Bank of Greece to the same amount, will be available during the war within the scope of needs by means of drafts on one or the other of the lending countries in case the foreign balances of the Greek treasury and the national bank should fall below 100,000,000 francs.

Six months after the conclusion of peace the balance of these advances will be available without the restrictions of the first paragraph.

ARTICLE 4.

The advances will be represented by obligations of the Greek Government.

For each draft, and from the day on which it will have been made, these obligations will yield interest at a rate determined with each of the Governments concerned, and, save the right reserved by the Greek Government of beginning the amortization in advance, will be redeemable by the end of the fifteenth year following the cessation of hostilities.

Until the redemption of the aforesaid obligations, no new security may be used for an exterior loan without the assent of the Governments of the United States of America, France, and Great Britain.

ARTICLE 5.

In consideration of the advances granted to them, the Greek Government pledge themselves to take immediately the necessary steps to prevent in future the granting in Greece of remittances upon foreign countries, unless it be for legitimate needs, and upon production of documentary evidence.

Done in Paris, 1918, in four copies.

A. BONAR LAW.

Lu et approuvé :

LL. KLOTZ.

Approved ad referendum :

OSCAR T. CROSBY.

GENNADIUS.

The above contract has been approved by the Government of the United States of America with the following reservation :

The obligations given to the Government of the United States of America may be redeemed within a lapse of time which will not exceed the maximum limit allowed by the laws of the United States, but will never be longer than 15 years from the date of the cessation of hostilities.

OSCAR T. CROSBY.

FEBRUARY 13, 1918.

Les délégués financiers des Etats-Unis, de la Grande-Bretagne et de la France ont, en conséquence de la décision du Comité supérieur de guerre en date du 1er décembre 1917, donné leur approbation-les représentants des Etats-Unis ad referendum-à l'accord ci-dessous avec le Gouvernement hellénique :

ARTICLE 1.

Les Gouvernements des Etats-Unis, de la France et de la Grande Bretagne sont d'accord pour consentir, par parts égales, au cours de l'année 1918, au Gouvernement hellénique, des avances destinées à permettre à celui-ci de se procurer les ressources intérieures nécessaires 1°-à la liquidation de l'arriéré, 2°-aux dépenses, pendant ladite année 1918, de l'armée et de la marine helléniques portés aux effectifs prévus dans les arrangements militaires. Ces dernières dépenses, y compris celles de la marine à effectuer en Grèce, s'appliquent aux objets suivants :

- (a) Solde et indemnité de la troupe.
- (b) Allocations aux familles des nobilisés.
- (c) Exploitation des ressources locales.
- (d) Réquisition des animaux et voitures du pays.
- (e) Transports par voie ferrée et de mer.

Les avances visées au présent article seront susceptibles d'atteindre 750 millions de francs, y compris les cinquante millions qui ont fait l'objet de l'arrangement du 30 Novembre 1917.

ARTICLE 2.

Ces avances seront mises à la disposition du Gouvernement hellénique, au fur et à mesure de ses besoins, sur sa demande et sur l'avis conforme d'une Commission financière interalliée qui sera instituée à Athènes. Cette Commission comprendra des représentants des Etats-Unis, de la France, de la Grande-Bretagne et de la Grèce.

L'emploi de ces ressources sera suivi tant par ladite Commission en ce qui concerne le paiement de l'arriéré que par une Commission militaire interalliée d'une composition semblable siégeant également à Athènes et qui, préalablement à l'octroi des avances ayant pour objet l'organisation et l'entretien de l'armée et de la marine, aura fourni son avis à la Commission financière.

ARTICLE 3.

Ces avances, accordées en dollars, francs et livres sterling, destinées à gager des émissions de la Banque Nationale de Grèce pour des montants égaux pourront, pendant la durée de la guerre, être utilisées dans la limite des besoins par des tirages sur l'un ou l'autre des Etats prêteurs dans le cas où l'avoir disponible

à l'Etranger du Trésor hellénique et de la Banque Nationale tomberait audessous de 100 millions de francs.

Six mois après la conclusion de la paix, le solde de ces avances pourra être utilisé sans les restrictions de l'alinéa premier.

ARTICLE 4.

Les avances seront représentées par des obligations du Gouvernement hellénique.

Pour chaque tirage et à dater du jour où il aura eu lieu, ces obligations, pour un montant égal à celui du dit tirage deviendront productives d'intérêt à un taux fixé respectivement avec les parties, et seront, sauf le droit que se réserve le Gouvernement hellénique de les amortir par anticipation, remboursables à la fin d la quinzisième année qui suivra la cessation des hostilités.

Jusqu'au remboursement des dites obligations aucun gage nouveau ne pourra être affecté à un emprunt extérieur sans l'assentiment des Gouvernement des Etats-Unis, de France et de Grande Bretagne.

ARTICLE 5.

En considération des avances qui lui sont accordées, le Gouvernement hellénique s'engage à prendre immédiatement les mesures nécessaires pour qu'il ne soit plus à l'avenir délivré en Grèce de remises sur l'étranger que pour des besoins légitimes et sur production de documents justificatifs./.

Fait à Paris, le en quatre exemplaires.

A. BONAR LAW.

Approuvé ad referendum.

OSCAR T. CROSBY.

GENNADIUS.

Le contrat ci-dessus a été approuvé par le Gouvernement des Etats Unis sous la réserve suivante:

les obligations qui seront remises au Gouvernement des Etats Unis comporteront un délai de remboursement qui ne pourra excéder le délai maximum autorisé par la législation des Etats Unis, mais ne sera en aucun cas supérieur à quinze ans, à compter de la cessation des hostilités.

OSCAR T. CROSBY.

FEBRUARY 13, 1918.

Ratification of the financial agreements signed January 28/February 10, 1918, between the Governments of France, England, and the United States on the one hand and the Greek Government on the other. Also addition of article 8A to law GCMB of March 6/19, 1910.

LAW 1235.

We, Alexander, King of the Hellenes, in unanimity with the House of Parliament, have resolved and do decree:

ARTICLE 1.

The financial agreements signed January 28/February 10, 1918, between the Governments of France, England, and the United States on the one hand and the Greek Government on the other, including the supplements to such agreements, are hereby ratified. The original and the translation of said agreements read as follows:

French.

Greek.

ARTICLE 2.

The minister of finance is empowered to sign or to intrust to his deputy to sign the bonds (of article 4 of above agreement) for the payment of the 750,000,000 francs in advance.

ARTICLE 3.

Article 8A is added to the law GCMB of March 6/19, 1910, concerning loan, maximum 240,000,000, in gold drachmas, for abolishing compulsory circulation and modifying the terms of the regulation, ratified by law BFIT, of February 26, 1898, on international control, re redeemable and consolidated loans in gold therein discussed. Article 8A runs as follows:

"ARTICLE 8A.

"The National Bank of Greece is authorized to issue bank notes according to the provisions of the preceding article against credits made over by the Greek treasury to the order of the bank at the exchequers of England, France, and the United States of America, or against credits opened in favor of the bank by the said exchequers at the banks of the said countries.

"In case the foreign exchange is depreciated as regards the Greek drachma, this exchange and the credits of the preceding paragraph are entered as assets of the national bank at par, the difference between these credits and the bank notes issued being entered as liabilities of the national bank under the title 'Exchange difference in independent account according to article 8A of law GCMB.'"

Possible gain or loss by reason of the exchange difference in the cases provided for by the first paragraph of this article are to be reckoned to the debit or credit of the Greek treasury.

The gain or the loss is determined at the moment of the realization of the credits by the national bank through sale of the corresponding bill of exchange abroad.

The minister of finance can assure to the National Bank of Greece for the expenditures of manufacture, transportation, substitution, etc., incident upon management of the bank notes issued according to the present article, one-eighth per cent annually on said bank notes.

This percentage will cease being paid by the treasury according to what amount and for as long a time as the above credits of the Allies are interest bearing.

ARTICLE 4.

The minister of finance is authorized to proceed without auction to leasing buildings for the installation of the Interallied Financial and Military Commission, as also offices for the general accountant.

ARTICLE 5.

The Interallied Finance Commission and the Interallied Military Commission are allowed expenditures for personnel and all other expenses by money orders at the demand and in the name of the Interallied Finance Commission or agent appointed by the same without further ceremony.

Five hundred drachmas monthly for expenses attendant upon representation are granted to the Greek representative in the Interallied Finance Commission, and 250 drachmas monthly for the same purpose to the Greek representative in the Interallied Military Commission, said sums being paid to both at the beginning of each month.

For payment of above expenditures an annual credit of 300,000 drachmas is entered in the budget of expenditures of the ministry of finance.

The present law goes into force on December 1, 1917.

Let the present law, enacted by Parliament and confirmed by us to-day, be published in the Government Gazette and be executed as a law of the State.

ALEXANDER.

MILTIADES NEGROPONTIS,

Minister of Finance.

Viséed and the great seal of the State impressed.

I. D. TSIRIMOKOS,

Minister of Justice.

ATHENS, April 4, 1918.

DECEMBER 8, 1917.

DEAR MR. PRESIDENT: I have received, through the State Department, a cable from Assistant Secretary Crosby containing the following passage with reference to Greece:

Referring to Greece Supreme War Council at Versailles. Meeting concluded. House voting affirmatively that it is of prime military importance that Venizelos should return to Greece. Satisfied with support Allies and asked finance section of interallied conference to prepare plan for such support. After prolonged conference, following plan satisfactory to Venizelos and his finance minister, Diomides, is unanimously recommended to Governments of United States, France, and Great Britain military requirements of Greece for coming year, based on report of France finance and military missions, involving promptly increasing active army from present three divisions to at least nine divisions, will require about 600,000,000 francs for munitions and supplies for army and navy herein called munition and supplies fund, and 750,000,000 francs for payment of soldiers and sailors and other local military expenditures, including certain arrears herein called military funds. France and Great Britain have agreed to provide munition and supply fund, reserving for determination until after conclusion of peace extent and manner of their reimbursement by Greece in light of various considerations, including results of terms of peace to Greece. I have declined to recommend participation by the United States in this advance because of extent to which European political questions which do not concern us may be involved in ultimate settlement. Representatives of Great Britain and France recognize fairness of this position, but may later urge that we share this burden. Conditioned upon this fund being supplied by France, Great Britain recommends that United States join with France and Great Britain in supplying military fund of 750,000,000 francs upon following terms: Advances to be provided as required under supervision of military and financial commissions sitting at Athens, including representatives of United States, France, and Great Britain, and Greece. I believe our present minister and military attaché, if there is one, will be sufficient representation for us in commissions above mentioned. Advances to take form of credits in dollars, francs, and sterling, which will serve as basis for Greek bank notes, Greece to have right actually to draw against these credits during the war only in case balances abroad of Greek treasury and National Bank should fall below 100,000,000 francs. Six months after conclusion of peace, credit can be drawn upon without restriction. The three powers joining in advances are to receive Greek 5 per cent obligations, loan 15 years after cessation of hostilities, Greece agreeing that no pledges shall be created in favor of any subsequent exterior loan without consent of three leading Governments. So long as and to extent that Greece does not draw against credits interest on obligations will be remitted. Obligations to be received by United States to contain special provisions meeting the requirements of our September law. Agreement contains other details for protection of lenders. Col. House and Gen. Bliss join in recommending our joining in support of Greece in view of urgent military necessity and upon principle that we should join with Great Britain and France in supporting military programs of weaker nations whose military cooperation is important to aid in accomplishing desired victory, even though involving advance for expenditures outside our country. If plan approved will agree upon precise amount, dollar credit to represent our third in the aggregate advance herein for convenience expressed as 750,000,000 francs. Greek minister at Washington will be authorized to sign obligations.

I am disposed to feel that, in view of the joint recommendation of Col. House, Gen. Bliss, and Mr. Crosby, that this be done. We should join with Great Britain and France and advance one-third of the 750,000,000 francs to Greece, although this does involve expenditures outside of our country. If you approve, may I ask that you indicate your approval upon this letter, carrying as it will the establishment of a credit for Greece of 250,000,000 francs, or approximately \$43,859,649.12 at the current rate of exchange.

Cordially, yours,

W. G. McADOO, *Secretary.*

The PRESIDENT,
The White House.

THE WHITE HOUSE,
December, 1917.

Approved:

WOODROW WILSON.

SECTION 100.

Approval of Credits.

Operating under the general approval of credits to the amount of approximately \$44,000,000 by President Wilson, Secretary Lansing (letter of June 17, 1918, to Secretary of Treasury) approved and Assistant Secretary Leffingwell established a credit of \$15,790,000, which amount was the one-third share to be borne by the United States of book credits to be opened by England, France, and the United States of 150,000,000 francs and 120,000,000 francs by arrangements of December 1, 1918, and April 18, 1918, entered into by agents of the four countries acting in pursuance to the three-party agreement.

On June 20, 1918, the Treasury Department advised the Greek minister at Washington by letter that the credit had been established. Assistant Secretary of the Treasury, Mr. Leffingwell, in a letter dated July 12, 1918, notified the Treasurer of the United States that on June 21, 1918, the credit of \$15,790,000¹ had been established in favor of the Royal Greek Government; that the obligation would bear interest at rate of 5 per cent only upon such sums as were actually advanced; and that the Treasurer should hold the credit available to meet drafts drawn upon the Treasury by the National Bank of Greece and presented by the Greek minister at Washington.

Upon investigation it was found that the British Government had established credits with Greece on the gold-parity rate between pounds sterling and francs, and the two American negotiators (Mr. Crosby and Mr. Cravath) of the three-party agreement advised the Treasury Department that it was the intention that credits established in accordance therewith should be established at the gold-parity rate.

Consequently, on November 25, 1918, Acting Secretary of State, Mr. L. S. Rowe, addressed the President asking his approval of an additional credit of \$4,236,630. This was necessary to add to the \$44,000,000 already approved in order that the whole credit would equal 250,000,000 francs at gold-parity rate, or the full share of the United States under the three-party agreement.

NOVEMBER 25, 1918.

DEAR MR. PRESIDENT: Under date of December 10, 1917, you approved the establishment in favor of the Greek Government of a credit of 250,000,000 francs, which in the request for your approval of the credit was stated to be at the then rate of exchange equivalent to approximately \$44,000,000, and the credit which you approved has been since carried on the books of this department at \$44,000,000. Your approval of the establishment of this credit in favor of the Greek Government was asked to enable this department to carry out its part of the financial arrangement entered into about a year ago between the British, French, and American Treasuries and the Greek Government which provided for certain credits to be established against which bank notes of the Greek National Bank were to be issued for the purpose of providing for certain of the expenditures required to be made by the Government of Greece in the prosecution of the war.

The Government of Greece has insisted that it was the purpose and intent of the agreement referred to that the credits to be established thereunder should be established at the gold-parity rate between francs and dollars. Upon inquiry

¹ This credit of \$15,790,000 represented the equivalent of 90,000,000 francs at the then current rate of exchange.

it is found that the British Government has established under the said agreement credits at the gold-parity rate between pounds and francs, and Mr. Crosby and Mr. Cravath, who negotiated the agreement, advise that it was the intention that credits established in accordance therewith should be established at the gold-parity rate.

Accordingly, your approval is now asked to the establishment in favor of the Greek Government of an additional credit in the amount of \$4,236,630, which, with the \$44,000,000 credit you have already approved, will be the equivalent at gold parity of 250,000,000 francs, the limit of the credit to be established by the United States in favor of the Greek Government under the agreement aforesaid.

If the establishment of this further credit meets with your approval, will you be good enough to so indicate at the foot of this letter?

Cordially, yours,

L. S. ROWE,
Acting Secretary.

The PRESIDENT,
The White House.

THE WHITE HOUSE,
November 27, 1918.

Approved.

(Signed) WOODROW WILSON.

SECTION 101.

No Cash Advances Made to Greece Prior to Armistice.

[See note to following statement.]

NOVEMBER 30, 1918.

Complete statement of expenditures in the purchase of obligations of foreign Governments under acts September 24, 1917, April 4, 1918, and July 9, 1918.

Great Britain -----	\$2, 641, 000, 000. 00
France -----	1, 360, 000, 000. 00
Italy -----	916, 000, 000. 00
Belgium -----	150, 495, 000. 00
Russia -----	90, 229, 750. 00
Cuba -----	10, 000, 000. 00
Serbia -----	9, 114, 697. 70
Czecho-Slovak National Council -----	5, 000, 000. 00
Total -----	5, 182, 039, 447. 70

NOTE.—A credit in favor of the Greek Government of \$15,790,000 has been formally established to meet drafts to be drawn on the Treasurer of the United States, but not yet presented, under arrangements heretofore entered into with the Greek Government. There have been drawn upon the Treasurer of the United States, but not yet presented, drafts in the amount of \$5,000,000, the status of which is not determined, in favor of the Rumanian Government.

SECTION 102.

Correspondence Establishing a Second Book Credit of \$23,764,036 or an Equivalent at Gold Parity of 115,000,000 Francs—Credit Established December 3, 1918.

DECEMBER 3, 1918.

DEAR MR. MINISTER: I have the honor to inform you that as contemplated by the financial agreement entered into in Paris by the representative of your Government and the financial representatives of the Governments of France, Great Britain, and the United States, the Secretary of the Treasury has established a credit in favor of the Royal Greek Government in the amount of \$23,764,036. This credit is in addition to the credit of \$15,790,000 heretofore established in favor of your Government by the Secretary of the Treasury.

The sum of the two credits thus established in favor of your Government is \$39,554,036, the equivalent at gold parity of 205,000,000 francs. In establishing the above credit of \$23,764,036 in favor of your Government it is done on the understanding that the British and French Governments have each established credits in favor of your Government in pursuance of the financial agreement before mentioned up to the equivalent at gold parity of 205,000,000 francs, or that said Governments are each about to establish additional credits in favor of your Government under said agreement which with the amounts previously established thereunder in favor of your Government by said Governments, respectively, will bring the total amounts of the credits established by each of said Governments in favor of your Government under said agreement up to the equivalent at gold parity of said amount of 205,000,000 francs.

The credit of \$23,764,036 will be made available against the duly executed obligations of your Government in a corresponding amount and in a manner to be arranged, to comply with the provisions and limitations of the Paris agreement above mentioned.

I am, my dear Mr. Minister,

Yours, very truly,

ALBERT RATHBONE.

Mr. GEORGE ROUSSOS,

Envoy Extraordinary and Plenipotentiary,

The Royal Greek Legation, Washington, D. C.

LEGATION ROYALE DE GRÈCE,

Washington, December 3, 1918.

DEAR MR. SECRETARY: I acknowledge the receipt of the letter of Mr. Rathbone of even date advising of the establishment by the Secretary of the Treasury of a credit in favor of the Royal Greek Government in the amount of \$23,764,036, which with the \$15,790,000 credit previously established by you in favor of my Government is the equivalent of 205,000,000 francs at gold parity.

I hand you herewith the obligation of my Government in the aggregate amount of \$23,764,036, which I have executed in the name of my Government pursuant to the authority which it has conferred upon me, and pursuant to like authority I am authorized to receive from you the advance to my Government in a corresponding amount for the purpose of making it available for the use contemplated by the financial agreement entered into in Paris by the representative of my Government and the financial representatives of the Governments of France, Great Britain, and the United States. I shall be obliged, however, if you will cause the above amount to be held by the Treasurer of the United States to be paid by him only when and to the extent from time to time that there shall be presented to him drafts drawn upon him by the National Bank of Greece. I shall arrange to furnish you with the necessary authorization from the National Bank of Greece and to its officers authorized from time to time to execute these drafts in its behalf, and as well specimens of their signatures, and shall also arrange that all such drafts presented to the Treasurer of the United States shall bear a notation signed by the Greek minister of finance in substantially the following words:

"The draft upon which this notation is made is drawn under and in accordance with the provisions of the Paris financial agreement, dated February 10, 1918."

The authority hereby conferred upon the Treasurer of the United States to pay drafts drawn by the National Bank of Greece is irrevocable. I understand that the interest on the obligation of my Government handed to you herewith will be remitted until payments are made against drafts of the National Bank of Greece, each amount so paid to carry interest from the date of its payment by the Treasurer of the United States.

I am, my dear Mr. Secretary,

Yours, very truly,

G. ROUSSOS.

The honorable the SECRETARY OF THE TREASURY,

Washington, D. C.

DECEMBER 3, 1918.

DEAR MR. MINISTER: I acknowledge the receipt of your letter of even date and, in accordance with your request, take pleasure in informing you that the amount of the obligation of your Government, handed me therewith, namely, \$23,764,036, will be held by the Treasurer of the United States and paid by him, from time to time, only when and to the extent that there shall be presented to him drafts drawn upon him by the National Bank of Greece. I note that you will furnish the Secretary of the Treasury the necessary authorization from the National Bank of Greece as to the officers who may, from time to time, execute such drafts and as well specimens of their signatures. I also note that you will arrange that drafts drawn by the National Bank of Greece when presented to the Treasurer of the United States for payment will bear notation as set forth in your letter of even date. While I understand that the authority which you have given by your letter to make payments of such drafts so presented is irrevocable, the Secretary of the Treasury reserves all rights conferred on the United States by the financial agreement of Paris referred to in your letter above mentioned, and the arrangement made between us is not intended as an extension of the undertakings of the United States Government, as set forth in such agreement, nor to commit the Secretary of the Treasury or the Treasurer of the United States to make payment of drafts except in the circumstances provided in the Paris financial agreement above referred to. I take pleasure in confirming the understanding reached in Paris that, although the obligation of the Royal Greek Government above referred to by its terms bears interest from its date, the interest thereon will be remitted to the extent necessary to the end that interest shall be collected on such obligation only upon amounts which the Treasurer of the United States shall actually pay upon drafts of the National Bank of Greece and only from the respective dates when such payments are made.

I am, my dear Mr. Minister,

Yours, very truly,

ALBERT RATHBONE.

Mr. GEORGE ROUSSOS,

Envoy Extraordinary and Minister Plenipotentiary.

The Royal Greek Legation, Washington, D. C.

DECEMBER 3, 1918.

SIR: Referring to my letter of July 12 last, on June 21, 1918, a credit of \$15,790,000 was established in favor of the Royal Greek Government and an obligation of that Government payable to the Government of the United States in a like amount was transmitted to you to be placed in the vaults of your office under your custody. To-day a further credit of \$23,764,036 was established in favor of the Greek Government, making the total credits established in favor of that Government \$39,554,036, and a similar obligation, dated to-day, in the sum of \$23,764,036 was likewise transmitted to you to be placed in the vaults of your office under your custody. These obligations by their terms are stated to bear interest from their respective dates at the rate of 5 per cent per annum, but by an understanding entered into in Paris the interest on the obligations will be remitted to the extent necessary to the end that interest shall be collected on such obligations only upon amounts which shall actually be paid by you upon drafts of the National Bank of Greece and only from the respective dates when such payments are made.

Pursuant to the establishment of the credits referred to and in accordance with the understanding between the Secretary of the Treasury and the Royal Greek Government it is expected that there will be drawn against the credits from time to time drafts upon you by the National Bank of Greece. The Greek minister at this capital will furnish the necessary authorization from the National Bank of Greece as to the officers authorized from time to time to execute these drafts on its behalf and will provide specimens of their signatures and will also arrange that all such drafts presented to you shall bear a notation signed by the Greek Minister of Finance in substantially the following words:

"The draft upon which this notation is made is drawn under and in accordance with the provisions of the Paris financial agreement dated February 10, 1918."

Please cause to be made upon your books the necessary entries opening said credit in the amount of \$39,554,036 in favor of the National Bank of Greece to be availed of only as aforesaid. Before making any advances under said credit or against the obligations above mentioned or honoring any draft drawn under or against the same please consult this office.

By direction of the secretary.

Respectfully,

ALBERT RATHBONE.

The honorable the TREASURER OF THE UNITED STATES.

SECTION 103.

Correspondence Relating to Establishing Third Book Credit of \$3,858,930, or an Equivalent of 20,000,000 Francs at Gold Parity—Credit Established March 25, 1919.

LEGATION ROYALE DE GRÈCE,
Washington, January 13, 1919.

Mr. ALBERT RATHBONE,
*Assistant Secretary to the Treasurer,
Treasury Department, Washington, D. C.*

DEAR SIR: With reference to our telephone conversation of even date, I have the honor to inform you that my Government has telegraphed inquiring about the further portion of 20,000,000 francs which was to complete the amount of 225,000,000, which, according to a financial agreement of February 10, 1918, the United States had agreed to loan to Greece.

The Governments of France, England, and the United States, having agreed to advance 225,000,000 each, it seems that the British Government has already put to the credit of the National Bank of Greece the 20,000,000 francs representing the last portion of their part of 225,000,000.

I would appreciate very much your informing us how this matter stands with the United States Government.

Very sincerely, yours,

S. X. CONSTANTINIDI,
First Secretary, Greek Legation.

JANUARY 15, 1919.

DEAR SIR: I have the honor to acknowledge receipt of your letter of the 13th instant inquiring as to the establishing by the United States of a credit in dollars equivalent to 20,000,000 francs in favor of the Greek Government, thus bringing the total credit established by the United States in favor of your Government to the dollar equivalent of 235,000,000 francs.

In this connection I am to-day cabling Mr. Norman H. Davis, the representative in Paris of the United States Treasury, for information as to whether the French Government has established or agreed to establish an additional credit in the amount of 20,000,000 francs, thus bringing the total credit established by the French Government in favor of your Government up to the amount of 225,000,000 francs, and also for information as to whether a report has been received from Mr. Weddell in Athens upon certain inquiries previously addressed to him concerning the establishment of the credit in question. This department had previously cabled to Paris for information on the two points above mentioned, and has for some time been expecting a reply.

Very truly, yours,

ALBERT RATHBONE.

Mr. S. X. CONSTANTINIDI,
First Secretary Greek Legation, Washington, D. C.

LEGATION ROYALE DE GRÈCE,
Washington, January 30, 1919.

Mr. ALBERT RATHBONE,
*Assistant Secretary to the Treasury Department,
Washington, D. C.*

DEAR SIR: Referring to your letter of January 15, 1919, the contents of which I had brought to the knowledge of the Royal Greek Government, I have the honor to inform you that the minister of finance, by a new cablegram, requests

me to proceed with the necessary steps in order that the amount of 20,000,000 francs should be placed to the credit of the National Bank of Greece.

This sum constitutes the part of the United States in the last credit of 69,000,000 francs made to Greece by the Allies, completing thus the amount of 225,000,000 which, according to the financial agreement of February 10, 1918, the United States agreed to loan to Greece.

I would appreciate very much your informing us how this matter stands now with the United States Government.

Yours, very truly,

M. TSAMADOS,
Chargé d'Affaires of Greece.

JANUARY 31, 1919.

DEAR SIR: I have the honor to acknowledge the receipt of your letter of the 30th instant and take pleasure in advising you that before establishing an additional credit in favor of your Government in an amount equivalent to 20,000,000 francs this department is awaiting advices from the representative of this Government at Athens as to whether the difference between the total military and naval expenses for November and December, estimated by your Government at 90,000,000 drachmas, and the credits to be established to the equivalent of 60,000,000 francs by the Governments of Great Britain, France, and the United States under the 3-party agreement, is amply sufficient to permit of the restitution of the amount of certain emergency purchases of wheat and tin during the year 1918 which were improperly charged to the agreement above mentioned.

In order to make a credit so established effective in favor of the National Bank of Greece, as contemplated by the tri-party agreement above mentioned, it is necessary that this department receive the duly executed obligation of your Government in a corresponding amount. This department has received advices from our Department of State as to the authority of the Greek minister to execute in the name and on behalf of your Government such obligations. I was informed some days ago that the Greek minister was about to leave for Europe, and I then addressed an inquiry to our Department of State asking whether in his absence anyone else was authorized and empowered to execute the necessary obligations in connection with the credit above mentioned in the name and on behalf of your Government.

I am, my dear Mr. Tsamados,

Very truly, yours,

(Signed) ALBERT RATHBONE.

Mr. M. TSAMADOS,
*Chargé d'Affaires of Greece, the Greek Legation,
1715 Massachusetts Avenue NW., Washington, D. C.*

LEGATION ROYAL DE GRECE,
Washington, March 20, 1919.

Mr. ALBERT RATHBONE,
Assistant Secretary, Treasury Department, Washington, D. C.

DEAR SIR: Referring to your letter of January 31, 1919, I beg to state that the Royal Government of Greece requests me to give them any information concerning the additional credit of the equivalent of 20,000,000 francs in favor of Greece.

The Greek Treasury Department's cablegram states that the French and British Governments have already credited the National Bank of Greece with their quota, and that the French Mission (I presume the French Military Mission), has assumed the task of furnishing the information for which the United States is asking.

Would you kindly let me know how matters now stand?

Yours, very truly,

M. TSAMADOS,
Chargé d'Affaires of Greece.

MARCH 24, 1919.

MY DEAR SIR: I have received your letter of March 20, stating that your Government requests information concerning the additional credit of the equivalent of 20,000,000 francs in favor of Greece. On my return to Washing-

ton this morning I am in receipt of a cable from a representative of the United States Treasury in Europe, giving the information needed by this department before establishing a further credit in favor of your Government.

I now take pleasure in informing you that, as contemplated by the financial agreement entered into in Paris by the representative of your Government and the financial representatives of the Governments of France, Great Britain, and the United States, the Secretary of the Treasury has established a credit in favor of the Royal Greek Government in the amount of \$3,858,930, equivalent at gold parity to 20,000,000 francs. This credit will be made available against the duly executed obligation of your Government in a corresponding amount, and in a manner to be arranged to comply with the provisions and limitations of the Paris agreement above mentioned.

I addressed a letter some time ago to our Department of State, asking whether, in the absence of the Greek minister, any other representative of the Royal Greek Government is authorized to execute obligations in its name and on its behalf in favor of the Government of the United States. The Treasury must receive advices from the Department of State as to the authority to sign such obligations on behalf of the representatives of foreign Governments. I understand that the Department of State has conferred with you in regard to the matter of obtaining the authority needed.

When the Treasury Department has been advised by the State Department regarding such authority I should be pleased to arrange with the representatives of your Government as to making available the credits above mentioned in its favor, as contemplated by the Paris agreement.

I am, my dear Mr. Tsamadou,

Very truly, yours,

ALBERT RATHBONE.

Mr. M. TSAMADOS,

Chargé d'Affaires of Greece, The Greek Legation, Washington, D. C.

MAY 24, 1919.

SIR: Referring to Mr. Leffingall's letter of July 12 and my letter of December 6, 1918, on March 24, 1919, a further credit of \$3,858,820 was established in favor of the Royal Greek Government, making the total credits established in favor of that Government \$45,412,966. On May 26, 1919, an obligation dated May 24, 1919, of the Royal Greek Government, payable to the Government of the United States, in the amount of \$2,858,930 was transmitted to you to be placed in the vaults of your office under your custody. This obligation by its terms is stated to bear interest from its date at the rate of 5 per cent per annum, but in accordance with the understanding entered into in Paris the interest will be remitted to the extent necessary to the end that interest shall be collected thereon only upon so much of the amount thereof as shall actually be paid by you upon drafts of the National Bank of Greece, and only from the respective dates when such payments are made.

Pursuant to the establishment of the credit referred to and in accordance with the understanding between the Secretary of the Treasury and the Royal Greek Government, it is expected that there will be drawn against this credit, from time to time, drafts upon you by the National Bank of Greece. The Greek Legation at this Capital will furnish the necessary authorization from the National Bank of Greece as to the officers authorized from time to time to execute these drafts on its behalf, and will provide specimens of their signatures, and will also arrange that all such drafts presented to you shall bear a notation signed by the Greek Minister of Finance in substantially the following words:

"The draft upon which this notation is made is drawn under and in accordance with the provisions of the Paris financial agreement dated February 10, 1918."

Please cause to be made upon your books the necessary entries opening said credit in the amount of \$3,858,930 in favor of the National Bank of Greece, to be availed of only as aforesaid. This credit, together with those as to which you have already received instructions, will bring the total credits opened on your books in favor of the National Bank of Greece to the amount of \$43,412,-

966. Before making any advances under said credits or against the obligations which have been delivered to you or honoring any draft drawn under or against the same please consult this office.

By direction of the Secretary.

Respectfully,

ALBERT RATHBONE.

The TREASURER OF THE UNITED STATES.

SECTION 104.

Correspondence Relating to Greek Politics and Attitude of Certain American Officials Toward Establishing New Credits.

BRITISH DELEGATION,
Paris, March 2, 1919.

DEAR DAVIS: A conference took place this morning, which you were unable to attend, between M. Sergent and myself on the question of financial assistance to Greece in 1919.

I present to M. Sergent the statement set forth in the inclosed paper. It appeared that there was even more uncertainty than I supposed as regards the exact amount of the surplus available from 1918, but apart from this the paper was accepted as fairly representing the situation, and the proposals therein received the concurrence of the French Treasury.

As regards the American position, I gave it to the conference as my personal opinion that the evident reluctance of the American Government to share in the advances was due to a belief on their part that the issues involved *were more political than financial*, and that considerations were present to which it would be difficult for them to be a party. This suspicion on the part of the American administration was based on various projects and proposals which had been in the air from time to time, and which had actually materialized in one case, namely, in the dispatch of Greek troops to Odessa. I added that my Government also was unwilling to afford financial assistance in this connection, and that I had explicit instructions from the war cabinet that the British Government could not make itself responsible for expenditure arising out of the expedition to Odessa. This point of view was accepted by the French treasury. I continued that the British treasury recognized no liability except for expenditures consequential on the operations of 1918 and involved in the question of demobilization. I ventured to say further that I did not believe the United States Treasury would adhere to their present attitude as soon as they were perfectly satisfied that the expenditure proposed *arose out of the operation of 1918*, and was not connected with any new enterprises.

I hope after perusing the inclosed document that you may be able to present the matter to your Government in this light. Unless some new element is introduced, surely as great a moral obligation lies upon the United States Treasury as upon the British or French Treasury to finance to a conclusion expenses which were undertaken with their direct approval.

Gen. Bonnier, who was present, undertook to convey my propositions to M. Venizelos, and to suggest to M. Venizelos that it was for him to take up with Mr. Lansing the question of American assistance. I asked, however, that this proposed communication to M. Venizelos should be postponed until I had had an opportunity of writing this letter to you, to put you au courant with the proceedings.

Sincerely, yours,

J. M. KEYNES.

NORMAN H. DAVIS, Esq.,
American Peace Commission, Hotel Crillon, Paris.

DRAFT CABLE TO TREASURY.

JUNE 11, 1919.

My 285. Your 1043. Greek credit.

1. Weddell advises that by June 30 vouchers covering proper expenditures for 1918 will be approved sufficient to bring total up to 750,000,000 drachmae, excluding payments for foodstuffs, remittances abroad, and other doubtful items referred to my D 285.

S. Doc. 86, 67-2—13

2. Weddell also states that interallied financial mission at Athens has never proceeded upon the assumption that obligation to make advances ceased December 31, 1918, but has felt that the agreement covered all expenditures within its scope made during 1918 up to 750,000,000 drachmae although not vouchered until after December 31, 1918.

3. British and French have each established credit for 250,000,000 drachmae. *I have always opposed extending agreement to cover expenditures after 1918, but think it would be very unfortunate for us without very strong grounds to give this agreement a construction different from that of the French and British after they have established credit for full amount to cover 1918 expenditures.* Weddell has very strong feelings on this matter, and I myself think that if you are unwilling to establish credit at present time you should at least reserve 25,000,000 drachmae for establishment later on when vouchers have been approved as stated your 1043, paragraph 4.

DAVIS, *American Mission.*

TREASURY DEPARTMENT,
Washington, June 13, 1919.

Memorandum for Mr. Kelley.

While I feel very reluctant to advance anything further to Greece under the old Paris agreement, in view of Davis's cable, 344, and the fact that the British and French have construed that agreement to cover up to the total amount of the credit therein stipulated for 1918 expenditures, whether or not made during 1919, I feel inclined to establish the further credit equivalent to 25,000,000 francs at gold parity as before. If Mr. Leffingwell agrees as to this, will you draft the papers the same as those used before and cable in reply to Davis's 344?

A. R.

JUNE 26, 1919.

AMERICAN MISSION, *Paris.*

For Davis from Rathbone. Treasury, 1125.

Mission's 2511, June 11, 7 p. m. Your D-344.

As British and French have construed Paris agreement to cover up to the total amount of the credit therein stipulated for 1918 expenditures, whether or not made during 1919, and in view of your recommendation, Treasury prepared to establish Greek credit of \$4,823,663.05, equivalent at gold parity to 25,000,000 francs, upon receipt from Greek representative here of request for same.

ALBERT RATHBONE,
Assistant Secretary of the Treasury.

SECTION 105.

Correspondence Relating to Establishment of Additional Credit of \$4,823,-863.05, or Equivalent at Gold Parity of 25,000,000 Francs—Credit Established July 31, 1919.

No. 1667.

LEGATION ROYALE DE GRECE,
A Washington, July 25, 1919.

DEAR MR. SECRETARY: Complying with a telegraphic order of the Royal Government of Greece, I have the honor to request the honorable Treasury Department to open in favor of the Greek treasury a credit in the amount of the equivalent of 25,000,000 francs, at gold parity, this being the balance of the participation of the United States in the 150,000,000 francs loan to Greece. I am ready to sign, as in the previous case, the necessary obligations in the name of the Royal Government of Greece.

I am, my dear Mr. Secretary,

Yours, very truly,

M. TSAMADOS,
Chargé d'Affaires of Greece.

The SECRETARY OF THE TREASURY,
Washington, D. C.

JULY 31, 1919.

MY DEAR MR. TSAMADOS: I acknowledge receipt of your letter of even date, addressed to the Secretary, and, in accordance with your request, take pleasure in informing you that a sum of money equal to the amount of the obligation of your Government handed me therewith, namely, \$4,823,663.05, will be held by the Treasurer of the United States and paid by him from time to time only when and to the extent that there shall be presented to him drafts drawn upon him by the National Bank of Greece. I note that you will furnish the Secretary of the Treasury the necessary authorization from the National Bank of Greece as to the officers who may from time to time execute such drafts, and as well specimens of their signatures. I also note that you will arrange that drafts drawn by the National Bank of Greece when presented to the Treasurer of the United States for payment will bear notation as set forth in your letter of even date. While I understand that the authority which you have given by your letter to make payments of such drafts so presented is irrevocable, the Secretary of the Treasury reserves all rights conferred on the United States by the financial agreement of Paris, referred to in your letter above mentioned, and the arrangement made between us is not intended as an extension of the undertakings of the United States Government, as set forth in such agreement, nor to commit the Secretary of the Treasury or the Treasurer of the United States to make payment of drafts except in the circumstances provided in the Paris financial agreement above referred to. It is to be understood that the foregoing amount will not be available to meet drafts of the National Bank of Greece until vouchers for expenditures prior to 1919 shall have been submitted to and approved by Mr. Weddell, the American delegate to the interallied financial commission, up to 750,000,000 francs. I take pleasure in confirming the understanding reached in Paris that, although the obligation of the Royal Greek Government above referred to by its terms bears interest from its date, the interest thereon will be remitted to the extent necessary to the end that interest shall be collected on such obligation only upon amounts which the Treasurer of the United States shall actually pay upon drafts of the National Bank of Greece and only from the respective dates when such payments are made.

I am, my dear Mr. Tsamados,
Yours, very truly.

ALBERT RATHBONE.

Mr. M. TSAMADOS,
Chargé d'Affaires, Greek Legation,
1715 Massachusetts Avenue NW., Washington, D. C.

WASHINGTON, D. C., July 31, 1919.

DEAR MR. SECRETARY: I acknowledge the receipt of the letter of Mr. Rathbone of even date advising of the establishment by the Secretary of the Treasury of a credit in favor of the Royal Greek Government in the amount of \$4,823,663.05, which, with the \$43,412,966 credit previously established by you in favor of my Government, is the equivalent of 250,000,000 francs at gold parity.

I hand you herewith the obligation of my Government in the amount of \$4,823,663.05, which I have executed in the name of my Government pursuant to the authority which it has conferred upon me, and pursuant to like authority I am authorized to receive from you the advance to my Government in a corresponding amount for the purpose of making it available for the use contemplated by the financial agreement entered into in Paris by the representative of my Government and the financial representatives of the Governments of France, Great Britain, and the United States. I shall be obliged, however, if you will cause the above amount to be held by the Treasurer of the United States to be paid by him only when and to the extent that there shall be presented to him from time to time drafts drawn upon him by the National Bank of Greece. I shall arrange to furnish you with the necessary authorization from the National Bank of Greece as to its officers authorized from time to time to execute these drafts in its behalf, and as well specimens of their signatures, and shall also arrange that all such drafts presented to the Treasurer of the United States shall bear a notation signed by the Greek minister of finance in substantially the following words:

"The draft upon which this notation is made is drawn under and in accordance with the provisions of the Paris financial agreement dated February 10, 1918."

The authority hereby conferred upon the Treasurer of the United States to pay drafts drawn by the National Bank of Greece is irrevocable. I understand that the interest on the obligation of my Government, handed to you herewith, will be remitted until payments are made against the drafts of the National Bank of Greece, each amount so paid to carry interest from the date of its payment by the Treasurer of the United States.

I am, my dear Mr. Secretary,

Yours, very truly,

M. TSAMADOS.

The SECRETARY OF THE TREASURY.

JULY 31, 1919.

MY DEAR MR. TSAMADOS: I take pleasure in informing you that, as contemplated by the financial agreement entered into in Paris by the representative of your Government and the financial representatives of the Governments of France, Great Britain, and the United States, the Secretary of the Treasury has established a credit in favor of the Royal Greek Government in the amount of \$4,823,663.05, the equivalent at gold parity of 25,000,000 francs. This credit will be made available against the duly executed obligation of your Government in a corresponding amount and in a manner to be arranged to comply with the provisions and limitations of the Paris agreement above mentioned, and on the same terms as the previous credits, totaling \$43,412,966, advanced to your Government.

I am, my dear Mr. Tsamados,

Yours, very truly,

ALBERT RATHBONE.

Mr. M. TSAMADOS,

Charge d'Affaires Greek Legation, Washington D. C.

JULY 31, 1919.

SIR: Referring to Mr. Leffingwell's letter of July 12 and my letters of December 3, 1918, and May 24, 1919, on July 31, 1919, a further credit of \$4,823,663.05 was established in favor of the Royal Greek Government, making the total credits established in favor of that Government \$48,236,629.05. On July 31, 1919, an obligation dated July 31, 1919, of the Royal Greek Government, payable to the Government of the United States, in the amount of \$4,823,663.05, was transmitted to you to be placed in the vaults of your office under your custody. This obligation by its terms is stated to bear interest from its date at the rate of 5 per cent per annum, but in accordance with the understanding entered into in Paris the interest will be remitted to the extent necessary to the end that interest shall be collected thereon only upon so much of the amount thereof as shall actually be paid by you upon drafts of the National Bank of Greece and only from the respective dates when such payments are made.

Pursuant to the establishment of the credit referred to and in accordance with the understanding between the Secretary of the Treasury and the Royal Greek Government, it is expected that there will be drawn against this credit from time to time drafts upon you by the National Bank of Greece. The Greek Legation at the capital will furnish the necessary authorization from the National Bank of Greece as to the officers authorized from time to time to execute these drafts on its behalf, and will provide specimens of their signatures and will also arrange that all such drafts presented to you shall bear a notation signed by the Greek minister of finance in substantially the following words:

"The draft upon which this notation is made is drawn under and in accordance with the provisions of the Paris financial agreement dated February 10, 1918."

Please cause to be made upon your books the necessary entries opening said credit in the amount of \$4,823,663.05 in favor of the National Bank of Greece, to be availed of only as aforesaid. This credit, together with those as to which you have already received instructions, will bring the total credits opened on

your books in favor of the National Bank of Greece to the amount of \$48,236,629.05. Before making any advances under said credits or against the obligations or honoring any drafts drawn under or against the same, please consult this office.

By direction of the Secretary.

Respectfully,

ALBERT RATHBONE.

The TREASURER OF THE UNITED STATES.

SECTION 106.

Annual United States Consular Report for 1918 of Greece, Showing (1) High Public Debt \$93.80 per Capita; (2) Inadequate Receipts and Revenues.

The Treasury Department as well as the State Department was in possession of these and other facts and reliable information concerning the situation of Greek fiscal and financial affairs *before any cash advances had been made.*

Excerpt: Annual report on commerce and industries for 1918 for the Kingdom of Greece.

From: Alexander W. Weddell, consul general.

Place: Athens, Greece.

Date: June 16, 1919.

Greece of to-day is a country of approximately 5,000,000 souls, in a territory of about 44,700 square miles. The public debt on December 31, 1918, was Drs. 2,431,925,845, or some Drs. 486—\$93.80 per capita. In addition to this heavy debt, there must sooner or later be added the outstanding Turkish debt on the territories acquired as a result of the Balkan wars of 1912-1913. The above figures of public debt of 1918 represent a gain of 100 per cent over that of 1913.

To meet present and future financial needs of the country the Government has enacted within the 12 months a number of laws imposing fresh taxes or increasing the scales of those already in force. Among these may be cited:

(a) Increase of tithes. Taxes on import permits. Taxes on revenues of mines.

(b) Taxes on exportation of tobacco. Taxes on tobacco production. Taxes on wine-consumption, and consumption of spirits.

(c) Taxes on stock-exchange transactions. Stamp taxes on legal documents. Taxes on consumption of electric current. Taxes on forest products. Taxes on incomes from war-profits. (Taxes on incomes (augmenting)).

It is anticipated that from these imposts the Government will receive for 1918 some 57,170,000 drachmas (\$11,036,810) and for 1919, 69,795,000 drachmas (\$13,470,435), with a natural tendency to a decline in the following years as taxable war profits diminish following the dawn of peace.

Returning to the question of the public debt of Greece it is interesting to recall that this is in large measure under the control of the International Financial Commission, created in 1898, following Greece's disastrous war with Turkey. This commission has under its control as monopolies of the Government the sale of salt, kerosene, matches, playing cards, cigarette paper, emery; various stamp taxes; the revenue of certain customhouses, and certain surtaxes on tobacco.

The year just closed was one of the most profitable in the history of the commission, despite the existence of war. The total receipts of the commission amounted to 90,133,297.75 drachmas against 66,342,115 drachmas in 1917, and 55,021,654 drachmas in 1913.

Of the various monopolies only those of salt, playing cards, tobacco, and stamped paper showed gains. The heavy advance record of was due in large measure to receipts from the Piraeus customhouse, these amounting in 1918 to 31,185,798 drachmas, against 14,262,000 drachmas for the preceding 12 months, which, however, were marked by a blockade for half the period of this and other important Greek ports.

SECTION 107.

First Demand by Greece for a Cash Advance—Cash Advance Made December 15, 1919.

(NOTE.—The Greek minister in the following letter does not base his request on the three-party agreement, but rests his case "on the equities" and he specifically states that the money so advanced would be used "to feed her [Greece's] population, run her factories, and provide for the needs of her economic life." He says nothing about money to be used to cover Greece's 1918 expenditures or "for the prosecution of the war.")

ROYAL LEGATION OF GREECE,
Washington, September 3, 1919.

SIR: The financial agreement, concluded in Paris on February 10, 1918, provided for a loan of 750,000,000 francs to be granted to Greece by the three signatory powers of the agreement to wit: the United States of America, France, and England.

The second paragraph of article 3 of this agreement stipulates that Greece could not have recourse to these credits granted to her until six months after the signature of peace.

However, the United States being the country having suffered least from the ravages of the war as well as the country producing everything required by the allied nations, it is to her, very naturally, that Greece turns to procure all that she needs to feed her population, to run her factories, and to provide for the needs of her economic life (foodstuffs, agricultural implements, coal, etc., etc.).

In order to make the payment of all her orders without running the risk of seeing her monetary unity depreciated, Greece has need of credits in the United States.

It is for this reason, and by order of my Government, that I have the honor to request the Government of the United States to take under consideration the critical situation of my country at the present time, and kindly agree that the Greek Government may have recourse immediately to the credits arranged for in the financial agreement of Paris, in order to be in the position to meet the payment of debts incurred through large orders made and to be made in the United States of America. The Greek Government, I am sure, will appreciate very much this favor, relying on the friendly feelings that unite the two countries.

The necessary obligations, in the amount of \$48,236,629, constituting the share of the United States, were signed at different periods by Mr. George Roussos and myself.

Trusting that the request of the Royal Greek Government will be favorably considered, I beg to remain,

Yours, very truly,

M. TSAMADOS, *Chargé d'Affaires of Greece.*

HON. ROBERT LANSING,
Secretary of State.

SEPTEMBER 10, 1919.

DEAR MR. PHILLIPS: I have the honor to acknowledge the receipt of your communication of September 8 to the Secretary of the Treasury inclosing copy of a note from the Greek chargé d'affaires ad interim requesting that the Greek Government may have recourse immediately to the credit established by the United States Government in favor of Greece under the financial agreement concluded in Paris on February 10, 1918, providing for a joint loan of 750,000,000 francs by the three signatory powers—the United States, France, and England.

While there are considerable limitations to the use of funds under this credit until six months after the conclusion of peace, the Treasury will be glad to discuss the matter with the Greek representative. If, however, we should consider it advisable to permit funds to be used before the expiration of the six months' period provided to cover such purchases and expenditures as may be

previously approved by the Treasury Department, we would not feel justified in doing so without previous consultation with the French and British treasuries, who were parties to the agreement.

The Treasury will be glad to discuss the matter with the Greek representative and to take it up with the British and French treasuries.

Very truly, yours,

(Signed) ALBERT RATHBONE.

HON. WILLIAM PHILLIPS,
Acting Secretary of State.

LEGATION ROYALE DE GRECE,
Washington, October 29, 1919.

DEPARTMENT OF TREASURY,
Washington, D. C.

(Attention of Mr. Davis.)

DEAR SIR: Referring to our conversation of some time ago concerning the use of the credits granted to Greece by the United States, in accordance with the provisions of the financial agreement of Paris, I beg to inform you that in a cablegram sent to me the treasury department of Greece states that the Greek Government would greatly appreciate if credits in the amount of \$10,000,000 would be placed at its disposition at the present time. It thinks, furthermore, that \$5,000,000 a month would be required to meet the needs in the future. These monthly installments would not begin before the complete use of the first \$10,000,000, and each of the subsequent monthly installments is not to be available until the precedent is entirely spent. This fact would be brought to the knowledge of the United States Government by its representative at the interallied commission.

The treasury department in his above-mentioned cablegram adds that it is not in the possibility to fix beforehand the goods that will be paid with the credits, as this depends essentially of the needs of the country, but I think it will be always possible to make a subsequent statement as to the use that has been made of each of the precedent monthly installments.

I would be very glad to know your consideration on the above suggestions.

Yours, very truly,

M. TSAMADOS,
Chargé d'Affaires of Greece.

NOVEMBER 3, 1919.

MY DEAR MR. TSAMADOS: Your letter of October 29, addressed to Mr. Davis, who is out of town, has been handed to me. I have pleasure in advising you that the United States Treasury is prepared, to the extent necessary to cover purchases which shall previously have been agreed upon by your Government with the Treasury, to make available against drafts of the National Bank of Greece, drawn as arranged in the previous correspondence, part of the credit heretofore established in favor of your Government. I trust that your Government, to the extent that it desires that this credit shall be availed of at this time, may find itself able to determine the purchases which it desires to make from the advances from the United States Treasury. The Treasury is not prepared to make the credit available at this time, except to the extent necessary to cover purchases which shall previously have been so agreed upon. It is, of course, to be understood that, except in so far as the Secretary of the Treasury shall consent to make advances at this time for purposes to be agreed upon, as above set out, the Secretary of the Treasury reserves all rights conferred upon the United States by the financial agreement entered into in Paris by the representative of the Greek Government and the financial representatives of the Governments of France, Great Britain, and the United States. In no event can the total amount advanced by the United States Treasury be in excess of one-third of the aggregate amount of the vouchers submitted and approved for expenditures prior to 1919, in accordance with the above-mentioned agreement of Paris. To the extent that the aggregate amount of such vouchers is less than 750,000,000 francs and the share of the United States Government is diminished accordingly, a corresponding amount

of the credit heretofore established in favor of your Government will be withdrawn.

I am, my dear Mr. Tsamados,
Very truly, yours,

R. C. LEFFINGWELL.

Mr. M. TSAMADOS,
Chargé d'Affaires, the Greek Legation,
1715 Massachusetts Avenue NW.

LEGATION ROYALE DE GRECE,
Washington, November 14, 1919.

TREASURY DEPARTMENT,
Washington, D. C.

Attention of Mr. Davis.

DEAR SIR: Referring to the letter of the Treasury Department, signed by Mr. N. Leffingwell, dated November 5 (filed; should be Nov. 3), in which it is stated that "The Treasury is not prepared to make the credit available at this time except to the extent necessary to cover purchases which shall previously have been so agreed upon," I beg your leave to explain at some length how difficult it is for the Royal Greek Government to comply with this request, certainly not on account of any lack of good will but merely on account of the nature of the commercial transactions and the way they are affected nowadays.

The purchases which are to be paid with the credits in question are *not purchases of the Government, or at least not only of the Government*. Purchases made by a Government are, as a rule, very simple, and refer to a very small number of articles, which are purchased in large quantities; it is, therefore, always easy to know in advance what articles are to be purchased and what are the credits required for that purpose. In the present case conditions are quite different. All the foreign exchange—in this case the exchanges on the United States—for all payments to be made in this country are to be provided by the National Bank of Greece (it has been necessary to adopt this measure in order to prevent speculations on the fluctuations of the exchange); all the merchants in Greece are, therefore, obliged to apply to that bank in order to get the necessary exchange on the United States to be able to make their transactions concerning all kinds of articles. It is already a well-known fact that the most important articles, particularly coal, raw materials, manufactured articles, *agricultural implements*, etc., etc., have to be imported to Greece from the United States, and that, at least in Greece, a characteristic feature of to-day's transactions is a cash payment upon the opening of the necessary credits in this country. On the other hand, the quantity of articles purchased varies very much, causing a variation in the credits and the exchanges asked by the merchants in Greece. Transactions can not be completed unless their value can be paid immediately. This is why it is simply impossible to state beforehand what articles will be purchased, in what quantities, and at what price.

I understand from the Treasury Department's letter that the United States Government is anxious to see that the requested credits will be used only for the purpose of paying purchases made in the United States. To this I can say that the Royal Government of Greece is ready to promise that the credits accorded will be used only to pay goods purchased in the United States and destined to be consumed in Greece. Furthermore, the National Bank of Greece will forward through this legation to the United States Government monthly itemized statements showing how the credits have been used.

In order to prevent goods purchased with credits of the National Bank of Greece from going to foreign countries, particularly to those with depreciated currency, the Royal Government of Greece has already directed that merchants or other persons asking for exchange in order to buy goods in the United States (and other European countries) that it will be necessary for them to make a deposit amounting to 10 per cent of the value of the goods as a guaranty that these goods would be used for consumption in Greece.

Let me hope that after the above explanation the Treasury, taking into consideration the particular circumstances under which the foreign trade of Greece is being handled, will find the proper way to authorize the use of the credits granted to Greece according to the stipulations of the financial agreement of Paris, and under the above-stated conditions.

Yours, very truly,

GEORGE ROUSSOS,
Minister of Greece.

LEGATION ROYALE DE GRECE,
Washington, November 22, 1919.

(Attention Mr. Norman Davis.)

TREASURY DEPARTMENT,
Washington, D. C.

DEAR SIR: The National Bank of Greece has cabled to me a letter addressed to the Treasury Department of the United States, with a request to communicate it to you.

I take pleasure to enclose this letter, written in French, together with an English translation.

Yours, very truly,

M. TSAMADOS.

2 Enclosures.

LEGATION ROYALE DE GRECE,
Washington, November 22, 1919.

[Translation of cable.]

MISTER SECRETARY: The available credits of the Hellenic Treasury and of the National Bank of Greece, in foreign countries, has fallen below the sum of 100,000,000 francs; I beg therefore to request in accordance with article 3 of the financial agreement made in Paris in February, 1918, between the United States, France, and Great Britain on one hand, and the Government of Greece on the other, that credits in the amount of \$48,236,629 should be made available to the National Bank of Greece through the National City Bank of New York and the National Bank of Commerce, New York. This amount according to the provision of the above said agreement is to be used by the National Bank of Greece by way of draft to pay debts contracted in the United States.

Yours, very truly,

(Sig.) DIOMEDES.

NOVEMBER 25, 1919.

MY DEAR MR. TSAMADOS: Your letter of the 22d instant has been received together with copies in French and in English, as therein stated, of a letter from the National Bank of Greece stating that the available credits of the Hellenic Treasury and of the National Bank of Greece in foreign countries have fallen below the sum of 100,000,000 francs, and requesting that credits in the amount of \$48,236,629 should be made available to the National Bank of Greece through the National City Bank of New York and the National Bank of Commerce, New York. I assume that the arrangements referred to in the minister's letter of the 14th instant and my reply of to-day will meet the wishes expressed by the Bank of Greece. Article 3 of the Paris agreement does not appear in any event to contemplate that, upon the mere falling below the sum of 100,000,000 francs of the foreign balances of the Greek Treasury and the national bank, the entire credit established by the United States should immediately become available. The letter of the bank does not indicate either the amount by which the foreign balances have fallen below 100,000,000 francs or the extent to which it is proposed that the credits established by the British and French Governments under the Paris agreement are to be availed of. I assume therefore that the letter of the bank is merely a formal notice of the fact that the foreign balances have fallen below 100,000,000 francs.

I am, my dear Mr. Tsamados,

Yours, very truly,

NORMAN H. DAVIS,

Mr. M. TSAMADOS,
Chargé d'Affaires, Greek Legation,
1838 Connecticut Ave., Washington, D. C.

NOVEMBER 25, 1919.

MY DEAR MR. MINISTER: Your letter of the 14th instant has been received. I have pleasure in advising you that, in accordance with the request made by Mr. Tsamados, the Treasury is prepared against the credits heretofore established in favor of your Government to make available forthwith to the National

Bank of Greece up to the sum of \$5,000,000 upon the understandings hereinafter set out. Upon receipt of a cable request from the National Bank of Greece, transmitted through the legation at Washington and accompanied by a cable representation similarly transmitted from the Greek minister of finance, that the transfer so requested is under and in accordance with the provisions of the Paris financial agreement, dated February 10, 1918, the Treasury will deposit the sum so requested up to \$5,000,000 with such bank in New York as shall be designated by the National Bank of Greece. The National Bank of Greece and the Greek minister of finance, respectively, will by letters transmitted to the Treasury through the legation in Washington confirm the request and representation made by cable as above mentioned. It is understood that the amount transferred by the United States Treasury to the credit of the National Bank of Greece, in accordance with this procedure, is to be used either by the National Bank of Greece itself or by the parties to whom the National Bank of Greece may transfer such funds only for purchases in the United States of goods to be consumed in Greece. It is further understood that itemized semimonthly statements showing the purposes for which such funds were used and the amounts will be furnished promptly through the legation to the Treasury.

I shall be glad if you will confirm the foregoing understandings.

I am, my dear Mr. Minister,

Yours, very truly,

NORMAN H. DAVIS.

Mr. GEORGES ROUSSOS,

Envoy Extraordinary and Minister Plenipotentiary,

the Greek Legation, 1838 Connecticut Avenue, Washington, D. C.

DECEMBER 13, 1919.

(Attention Mr. Davis.)

TREASURY DEPARTMENT,
Washington, D. C.

GENTLEMEN: I beg to inclose herewith certified copy of a cablegram concerning the transfer of \$5,000,000 to the National Bank of Commerce, New York City, for the use of the National Bank of Greece, according to the financial agreement concluded at Paris in February, 1918.

Yours, very truly,

M. TSAMADOS.

LEGATION ROYALE DE GRECE,
Washington, December 13, 1919.

[Copy of cablegram.]

We transmit hereunder telegram national bank to you be communicated to American Treasury Department. Please inform American Government that transfer five millions from American Treasury to National Bank of Commerce is effected, conformably financial agreement Paris. Hereunder text telegram national bank as follows: "Tsamados, minister Greek legation, for United States Treasury, New York, kindly place our credit with National Bank Commerce, New York, \$5,000,000, according Paris agreement 10th February, 1918, account Greek Government, National Bank Greece." Please cable, urgently, results of your steps.

POLITIS.

I, Michael Tsamados, ministre résident of Greece, do hereby certify that the above is a true and correct copy of the cablegram received by this legation from the ministry of finance in Athens, Greece.

[SEAL.]

M. TSAMADOS.

WASHINGTON, D. C., *December 13, 1919.*

DECEMBER 15, 1919.

MY DEAR MR. TSAMADOS: Your letter of the 13th instant, file No. 2659, has been received, inclosing a copy of a cablegram from the minister of finance in Athens transmitting a message from the Greek National Bank requesting the

Treasury to place to their credit with the National Bank of Commerce, New York, \$5,000,000. The minister of finance states that the transfer is conformable with the Paris financial agreement. I have pleasure in advising you that, in accordance with the request contained in said cable and upon the understandings set out in my letter of November 25, 1919, to the Greek minister, the Treasury has to-day deposited with the National Bank of Commerce in New York, for credit of the National Bank of Greece, the sum of \$5,000,000. The above-mentioned deposit of \$5,000,000 is made against the obligation dated June 21, 1918, of your Government for \$15,790,000 held by the United States Treasury, and to the extent of \$5,000,000 is in lieu of the arrangement referred to in Mr. Crosby's letter of June 21, 1918, for the presentation to the Treasury of the United States of drafts drawn by the National Bank of Greece on the Treasury of the United States, and bearing the notation of the Greek minister of finance in the form mentioned in said letter. In accordance with Mr. Crosby's letter interest will be charged, beginning to-day, upon \$5,000,000 of said obligation of your Government for \$15,790,000.

I am, my dear Mr. Tsamados,

Very truly, yours,

Mr. M. TSAMADOS,

Chargé d'Affaires, the Greek Legation,

1838 Connecticut Avenue, Washington, D. C.

LEGATION ROYALE DE GRECE,

Washington, December 16, 1919.

TREASURY DEPARTMENT,

Washington, D. C.

(Attention of Mr. Davis.)

DEAR SIR: A cablegram received from the Greek ministry of finance on December 5, 1919, states that the National Bank of Commerce, New York City, has been appointed as the bank to which the transfer of \$5,000,000 was to be made by the United States Treasury Department and on which the National Bank of Greece will issue its drafts. For each draft the national bank will cable to this legation through the Greek treasury department, which will give the approval of the Greek Government to the purchases paid these drafts.

Sincerely, yours,

M. TSAMADOS,

Chargé d'Affaires of Greece.

SECTION 108.

Retaliation by 300 Per Cent Increase on Tariff on Oleo by Greek Government for Refusal of Treasury Department to Release All or a Considerable Part of the Full \$50,000,000 Credit.

[Excerpts from paraphrase.]

DECEMBER 30, 1919.

From: Athens.

Dated: December 16, 1919.

Received: 17th, 6.20 p. m.

The import rate upon oleo oil was suddenly increased a few weeks ago by the Greek Government through reclassifying this commodity. It was formerly classed as fats and rated at 58 centimes to the oke of 2.82 pounds; it is now classed as margarin and rated at 2.32 drachmas to the oke. Heavy stocks of oleo oil were in transit from America, or had just arrived, when the reclassification was made operative. The original classification had been in force for more than 20 years.

Confidential.—(It is thought probable that this measure was taken as retaliation for the refusal of the Treasury Department to release all or a considerable part of the \$50,000,000 credit to Greece until six months after the ratification of the peace treaty.)

AMERICAN LEGATION.

ATHENS, December 16, 1919.

SECRETARY OF STATE,
Washington:

December 16, 9 p. m.

My 8th and my November 5, 8 p. m. I am having much trouble with the Greek Government with regard to a sudden classification of oleo oil affecting large stocks just arrived or afloat. Customs duty has been increased by reclassification, without notice, from 58 centimes per oke to 2 drachams 32 centimes, though old classification was in operation over 20 years, involving heavy losses to shippers. I am convinced there should be merely retaliation for the delay in the \$50,000,000 credit to be accorded Greece if the Greek Government insists on this exorbitant rate. Is there any pressure, retaliatory or otherwise, which the department can bring to bear as (corrective)? In the year 1909 the chamber of deputies proposed an increase of duty, but a threat of tariff retaliation by our consul stopped it.

DROPPERS.

ATHENS, November 5, 1919.

SECRETARY OF STATE,
Washington:

853, November 5, 8 p. m.

Greek Government has agreed to suddenly classify oleo oil as margarin, thereafter increasing duty 300 per cent. Hitherto classified at fat. As large stocks are on the way, this change means heavy loss to American importers. Would like to have opinion on this point of Treasury Department experts.

DROPPERS.

DECEMBER 26, 1919.

AMERICAN LEGATION,
Athens:

977.

Your December 16, 9 p. m.

Department assumes you are urging arguments of American friendship, Greek consumers' interests, and discouragement to Greek margarine industry. Also argument that since oleo forms only one-third or less of margarine its classification as margarine is unreasonable. Detailed technical data are being forwarded by mail.

As hint, not threat, refer to the fact that thus far it has been deemed expedient by United States despite repeated protests of California raisin interests to classify Zante currants as raw product paying 25 per cent less than other raisins because much cleaning and packing necessary before Greek product is salable.

Invite Americans injured by reclassification furnish department full information through their American offices as to extend their loss on oleo in transit when measure became operative. Cable quantities oleo Greece imported from other countries and keep department informed by cable.

POLK, Acting.

SECTION 109.

Second Cash Advance of \$5,000,000—Advance Made January 16, 1920.

JANUARY 3, 1920.

Attention Mr. Merle-Smith.

SIR: The National Bank of Greece, to which the Greek Government has ceded the credit which was established by the Treasury in favor of the Greek Government, has asked that the entire amount of this credit be advanced now. As you are aware, we did advance \$5,000,000 on account of the credit on December 15, 1919, with the understanding that this advance would be employed for the purchase of commodities in the United States for shipment to and consumption in Greece. After the establishment of this credit, we received from the State Department copy of a note from the American Minister to Greece, relating the inability of Americans in Greece to purchase dollar drafts for remittance to cover

shipments from the United States to Greece. The representative of the National Bank of Greece informs me that the bank refused to sell such drafts because it had exhausted all its dollar balances.

The Treasury is considering the advance of an additional \$5,000,000 to Greece, but before doing so I should be pleased to know whether the National Bank of Greece, which now has dollar funds from the advance already made by the United States, is supplying dollar drafts to American applicants, and if not whether you would care to have the Treasury stipulate any conditions in connection with this additional advance, with a view to meeting the difficulty which has been reported by our minister in Greece.

I am, my dear Mr. Secretary,

Very sincerely, yours,

NORMAN H. DAVIS.

The SECRETARY OF STATE,
Washington, D. C.

DEPARTMENT OF STATE,
Washington, January 9, 1920.

Confidential.

The SECRETARY OF THE TREASURY.

Attention of Assistant Secretary Davis.

SIR: I have the honor to acknowledge the receipt of the letter from your department dated January 3 and signed by Assistant Secretary Davis, which states that the Treasury now considers making an advance of \$5,000,000 to Greece in addition to the like sum advanced to that Government on December 15, 1919, and which inquires (1) whether the National Bank of Greece is still refusing to sell dollar drafts to American applicants, and (2) whether this department would care to have the Treasury stipulate any conditions in connection with the additional advance now contemplated.

In reply thereto I have the honor to inform you that the American minister cabled on December 12 that New York exchange had then been obtainable for several days at approximately 6.60. As no further communication has been received from the minister upon this matter, it is assumed that the situation of which he complained has been remedied, for the time at least, by the action of your department.

There is, however, one difference between our Government and the Hellenic Government which might be adjusted to the benefit of American interests by appealing to Greek reciprocity when your department takes up the question of releasing additional funds to that Government. For more than 20 years oleo oil was classified by the Greek Government as fat, but about November 1, 1919, that Government suddenly classified oleo oil as margarine. The duty upon this item of American exports was thereby increased from 58 centimes to 2.32 drachmas an oke. There are transmitted herewith copies of two cablegrams from the American Legation at Athens, dated November 5 and December 16, also statistical material compiled in the foreign trade adviser's office, all pertaining to this matter. It will be noted therefrom that our exports of oleo oil to Greece in 1918 totaled \$228,809, and that the increase of duty upon the amount, estimated at \$100,000, would probably raise a prohibitive barrier. Moreover, the suddenness with which the reclassification became operative made the enactment almost confiscatory as regards the stocks of American oleo oil in Greek Government warehouses and occasioned large losses upon the stocks then in transit. It is requested that effort be made by your department in conjunction with this department to effect a repeal of this classification, which appears indefensible alike upon technical and economic grounds, and possibly to obtain compensation to Americans who suffered from the suddenness of the enactment.

I should like further to bring to your attention that, in the opinion of the American minister at Athens, the reclassification of oleo oil and the refusal to sell dollar drafts were conceived by the Greek Government as retaliation against our Government on account of its interpretation of the Paris loan agreement. In this connection I should like to inquire whether there are important fiscal reasons against assuring the release of a specified amount to Greece at regular intervals, say \$5,000,000 every other month, until six months after the conclusion of peace. It is suggested that such a plan would create a stream of dollar exchange, would facilitate importation from the United States into Greece, and by

relieving the anxiety of the Greek Government, would remove the apparent desire on its part to devise means of discriminating against us.

It is of importance to note the remarkable increase in our sales to Greece *since the war* and the correspondingly increased need of Greece for large balances in this country to draw against. In 1914 our exports to Greece were \$1,123,511 and our imports were \$3,866,594; during the first 10 months of 1919 our exports to that country were \$31,712,425 and our imports were \$24,665,578. About 21 per cent of our exports to Greece consist of sugar, wheat, leather, and kerosene—commodities which are at present purchased from our country chiefly perhaps as a result of reconstruction conditions and which, therefore, will not be regularly purchased from America in the future. Nevertheless, by far the greater part of our exports to Greece consist of miscellaneous commodities which can be regularly sold by our exporters and transported on our merchant marine for years to come, particularly if now, during these crucial months, we employ every legitimate means to enable our exporters to consolidate the new position which they have won in the Greek market.

It is suggested, on the other hand, that if little or no more funds be advanced to Greece to be deposited here for the financing of the imports of that country, American business with Greece will suffer a serious check during the immediate future, a vital period. Moreover, six months after the conclusion of peace, Greece would draw its balance of approximately \$43,000,000, perhaps distributing the major part of it among the financial centers of other foreign countries, thus encouraging the purchase of goods by Greece from the foreign trade rivals of American merchants.

I have the honor to be, sir,

Your obedient servant,

ROBERT LANSING.

LÉGATION ROYALE DE GRÈCE,
Washington, January 15, 1920.

Mr. NORMAN DAVIS,

Treasury Department, Washington, D. C.

DEAR MR. DAVIS: I beg to inclose copy of cablegram received from the National Bank of Greece stating that the credit of \$5,000,000 is exhausted and requesting me to ask for a second credit of \$5,000,000. The itemized statement of the use made of the first \$5,000,000 is to be forwarded to this legation in the immediate future.

Yours, very truly,

M. TSAMADOS.

LÉGATION ROYALE DE GRÈCE,
Washington, January 15, 1920.

Credit cinq millions dollars auprès Banque National Commerce épuisé priens intervenir Trésor Etats-Unis mettre notre disposition deuxième credit cinq millions dollars auprès même.

BANQUE NATIONALE GRÈCE.

JANUARY 16, 1920.

MY DEAR MR. MINISTER: Two letters from Mr. Tsamados of the 15th instant (your file No. 2) have been received, enclosing copies (in part in translation) of a cablegram from the Greek Treasury, transmitting a message from the Greek National Bank requesting the United States Treasury to place to their credit with the National Bank of Commerce, New York, \$5,000,000. The Greek Treasury states that these \$5,000,000 are the second instalment in accordance with the Financial Agreement of Paris. I have pleasure in advising you that in accordance with the request contained in said cable and upon the understandings set out in my letter to you of November 25, 1919, the Treasury has to-day deposited with the National Bank of Commerce in New York for credit of the National Bank of Greece the sum of \$5,000,000. The above-mentioned deposit of \$5,000,000 is made against the obligation dated June 21, 1918, of your Government for \$15,790,000 held by the United States Treasury and to the extent of \$5,000,000 is in lieu of the arrangement referred to in Mr. Crosby's letter of June 21, 1918, for the presentation to the Treasury of the United States of drafts drawn by the National Bank of Greece on the Treasury of the United

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States and bearing the notation of the Greek Minister of Finance in the form mentioned in said letter. In accordance with Mr. Crosby's letter, interest will be charged beginning to-day, January 16, 1920, upon \$5,000,000 of said obligation of your Government for \$15,790,000 in addition to the instalment of \$5,000,000 referred to in my letter to Mr. Tsamados of December 15, 1919. This advance, together with the advance mentioned in my letter to Mr. Tsamados of December 15, 1919, brings the total advances to your Government under the above-mentioned arrangements to the sum of \$10,000,000. I trust that the itemized statement of the use made of the first \$5,000,000 will be forwarded to us at once.

I am, my dear Mr. Minister,
Very truly yours,

NORMAN H. DAVIS.

Mr. GEORGES ROUSSOS,
*Envoy Extraordinary and Minister Plenipotentiary,
The Greek Legation, 1838 Connecticut Avenue, Washington, D. C.*

LÉGATION ROYALE DE GRÈCE,
Washington, January 17, 1920.

Mr. NORMAN DAVIS,
Treasury Department, Washington, D. C.

DEAR MR. DAVIS: Referring to our conversation of yesterday, I beg to request that the second installment of \$5,000,000 should be placed at the disposal of the National Bank of Greece with the National Bank of Commerce, New York.

Yours, very truly,

M. TSAMADOS.

SECTION 110.

Correspondence Relating to Payment of Interest on the Cash Advances of \$10,000,000—Interest Due April 15, 1920—Interest Paid September 21, 1920.

APRIL 6, 1920.

MY DEAR MINISTER: Referring to Mr. Davis's letters of December 15, 1919, to Mr. Tsamados and of January 16, 1920, to you in connection with the advances of \$5,000,000 each made on those respective dates against the obligation dated June 21, 1918, of your Government for \$15,790,000 held by the United States Treasury, I inclose herewith a statement prepared under the direction of the Treasurer of the United States, showing that interest in the amount of \$144,808.74 will be due on April 15, 1920, on said obligation, computed to said date, as to \$5,000,000 from December 15, 1919, and as to \$5,000,000 additional from January 16, 1920. Please make payment of the interest due on April 15 by check payable to the order of "Assistant Treasurer of the United States for credit general account of Treasurer of the United States" and deliver the same to the Assistant Treasurer of the United States at the Subtreasury in New York on April 15.

I am, my dear Mr. Minister,
Very truly, yours,

R. C. LEFFINGWELL.

Mr. GEORGES ROUSSOS,
*Envoy Extraordinary and Minister Plenipotentiary,
The Greek Legation, 1838 Connecticut Avenue, Washington, D. C.*

Interest on obligations of the Royal Greek Government, Oct. 15, 1919, to Apr. 15, 1920, at 5 per cent, 366 days to the year.

	Amount.	Interest from—	Number of days.	Interest.
June 21, 1918 (face amount, \$15,790,000).....	{ 1 \$5,000,000.00 1 5,000,000.00	Dec. 15, 1919 Jan. 16, 1920	122 90	\$83,333.33 61,475.41
Total.....	10,000,000.00			
Interest on \$10,000,000 from date of advances to Apr. 15, 1920, at 5 per cent per annum.....				144,808.74

¹ Part.

No. 857.

LÉGATION ROYALE DE GRÈCE,
Washington, May 4, 1920.TREASURY DEPARTMENT,
Washington, D. C.

(Attention Mr. Norman Davis.)

DEAR SIR: In reply to your communication of the 6th of April, relative to the payment of the interest on the two amounts of \$5,000,000 each, advanced respectively to the Royal Government on December 15, 1919, and January 16, 1920, I have the honor to inform your excellency that my Government has requested me to solicit from the Government of the United States the same treatment as accorded to similar advances made to the other allied Governments; *that is, to defer the payment of the interest for two years.*

I sincerely trust that your excellency will give consideration to the request of my Government.

I pray your excellency to kindly accept the assurances of my very high consideration.

G. ROUSSOS, *Minister.*

MAY 11, 1920.

MY DEAR MR. MINISTER: I have pleasure in acknowledging the receipt of your letter No. 857 of the 4th instant concerning the payment of interest on the two amounts of \$5,000,000 each advanced by the Treasury to your Government on December 15, 1919, and January 16, 1920, respectively. Since further advances yet to be made against credits established in favor of your Government are several times larger than the principal of the advances heretofore made, and will make available for Greece an amount of dollars compared with which the interest due upon the obligations of your Government held by the United States is relatively insignificant, the Treasury has considered that your Government is in a position with regard to dollar exchange such as clearly to distinguish it from that of other Governments to which you doubtless refer. By reason of the special circumstances in which the advances were made to your Government, the Treasury is of the opinion that the considerations which may lead to the postponement of the collection of interest upon the obligations of certain of the Governments to which the United States has made advances do not apply in the case of the Greek Government.

I am, my dear Mr. Minister,

Yours, very truly,

NORMAN H. DAVIS.

HON. GEORGES ROUSSOS,
*Envoy Extraordinary and Minister Plenipotentiary,
The Greek Legation, 1838 Connecticut Avenue, Washington, D. C.*

No. 912.

LÉGATION ROYALE DE GRÈCE,
Washington, May 19, 1920.TREASURY DEPARTMENT,
Washington, D. C.

(Attention Mr. Norman Davis.)

DEAR SIR: In reply to your communication of May 11, 1920, in which you informed me of the decision taken by your department in regard to the request of the Greek Government concerning the granting of the same consideration accorded to the other Allies—that is, to defer the payment of interests for two years—I presume that there must be a misunderstanding existing.

You state that taking into consideration the amounts of the credits placed at the disposal of the Royal Government would be larger than the interests due on the amount already used, so that the payment of these interests would not necessitate a payment, but is simply a question of balance.

But the Royal Government does not dispose of any amount of the credits opened by the Government of the United States as a result of the convention of 1917. In reality the integral amount of these credits was transferred to the National Bank of Greece, who, in accordance with the laws governing it, issued bank notes and credited the Greek treasury with the amount of bank notes issued. Thanks to these amounts, the Royal Greek Government could meet its military expenses in 1917, 1918, so that it has not at its disposal any part of these advances.

To pay the interests on the amounts already transferred to the credit of the National Bank of Greece deposited to its correspondents in America, the Greek Government must then proceed to send funds to America, buying exchange, and paying nearly 9 drachmas for \$1.

The favor accorded to the allied States who have already benefited of the United States Government's friendly measure was justified by the desire not to affect their exchange which was already unfavorable. *It is to be remarked that the allied States having benefited from this measure are not mobilized and have resumed their peaceful occupations.* Greece finds herself not only facing an unfavorable exchange but also still mobilized. The treaty of peace with Turkey, which concerns her particularly, is not yet signed, and she is obliged to maintain a large military contingent, and is deprived of her productive strength. Consequently, she is justified, in every point of view, to be treated with the same consideration as were the other allies who are in a better condition.

I trust that if the above statements are taken into consideration, you shall kindly reconsider your decision.

Yours, very truly,

G. ROUSSOS, *Minister.*

MAY 21, 1920.

MY DEAR MR. MINISTER: I have pleasure in acknowledging the receipt of your letter, No. 912, of the 19th instant. I ought to point out that the Treasury has not as yet agreed with any Government to defer the interest payable by it on obligations held by the United States Treasury, but that this matter is still the subject of discussion. Assistant Secretary Rathbone, who has been in Europe on behalf of the Treasury Department in connection with other matters, has had this matter also in charge. Mr. Rathbone expects very shortly to sail for the United States. I am, however, cabling him in regard to your letter, and shall communicate with you further.

I am, my dear Mr. Minister,

Very truly, yours,

NORMAN H. DAVIS.

MR. GEORGES ROUSSOS,

*Envoy Extraordinary and Minister Plenipotentiary,
the Greek Legation, 1838 Connecticut Avenue, Washington, D. C.*

No. 1650.

LEGATION ROYALE DE GRECE,
Washington, September 15, 1920.

TREASURY DEPARTMENT.

Washington, D. C.

(Attention of Mr. Kelley.)

DEAR SIR: I take pleasure in informing you that, according to a cablegram from our minister of finance, orders have been given so that the amount of \$144,808.74 be deposited with the National Bank of Greece. This amount is equal to the interest due by the Greek Government to the United States Treasury for the advance of \$10,000,000.

Yours, very truly,

M. TSAMADOS.

SEPTEMBER 16, 1920.

MY DEAR MR. TSAMADOS: I have pleasure in acknowledging receipt of your letter of the 15th instant, No. 1650, and note that orders have been given by your Government for the deposit with the National Bank of Greece of the sum of \$144,808.74, being the amount of the interest due by your Government to April 15, 1920, on the obligations of your Government held by the Treasury.

I am, my dear Mr. Tsamados,

Yours, very truly,

N. KELLEY.

MR. M. TSAMADOS,

*Chargé d'Affaires Greek Government,
1838 Connecticut Avenue, Washington, D. C.*

S. Doc. 86, 67-2—14

TREASURY DEPARTMENT,
Washington, September 21, 1920.

The Hon. N. S. KELLEY,
Assistant Secretary of the Treasury,
Washington, D. C.

SIR: Please be advised that the Riggs National Bank, by direction of the National City Bank of New York, has this day deposited \$144,808.74 on account of interest to April 15 on \$10,000,000 loaned to the Greek Government, as evidenced by certificate of deposit No. 38338.

Respectfully,

JOHN BURKE,
Treasurer.

SECTION 111.

Correspondence Relating to Third Cash Advance of \$5,000,000 Made to Greece on September 24, 1920.

No. 1516. LEGATION ROYALE DE GRECE, Washington, August 18, 1920.

TREASURY DEPARTMENT,
Washington, D. C.

Attention of Mr. Kelley.

MY DEAR MR. KELLEY: I beg to inclose herewith copy of cablegram to this legation, transmitting a message to the United States Treasury Department from the National Bank of Greece and signed by the minister of finance who is thus approving its contents. The National Bank of Greece asks that a third installment of \$5,000,000 should be placed to her credit with the National Bank of Commerce, New York, in accordance with the Paris financial agreement of February, 1918, and for the account of the Greek Government.

Yours, very truly,

M. TSAMADOS.

Saw Mr. Collas regarding this August 20, 1920. Asked him about interest and about reports.

N. K.

[Athens. No. 102190. Legation Grece, Washington.]

No. 1516. LEGATION ROYALE DE GRECE, Washington.

Transmettons telegramme suivant national bank votre adresse approuve gouvernement hellenique. His excellency Tsamados minister Greek Legation for United States Treasury, Washington. Kindly place our credit with National Bank Commerce New York \$5,000,000 third payment on Paris agreement February 10, 1918, account Greek Government. National bank.

NEGREPONTE,
Minister Finances.

The above is a true and correct copy of cablegrams received by this legation from Minister of Finances Negreponte.

WASHINGTON, D. C., August 18, 1920.

SEPTEMBER 24, 1920.

MY DEAR MR. TSAMADOS: Referring to our conversation of to-day and to your letter (No. 1516) of the 18th ultimo, inclosing a copy of a cablegram from the Greek minister of finance transmitting a message from the Greek National Bank requesting the United States Treasury to place to their credit with the National Bank of Commerce, in New York, \$5,000,000, and stating that these \$5,000,000 are a third installment in accordance with the financial agreement in Paris, I have pleasure in advising you that in accordance with the request contained in said cable and upon the understandings set out in Mr. Davis's letter to the minister of November 25, 1919, the Treasury has to-day deposited with the National Bank of Commerce, in New York, for credit of the National Bank of Greece, the sum of \$5,000,000. The above-mentioned deposit of \$5,000,000 is made against the obligation, dated June 21, 1918, of your Government for \$15,790,000, held by the United States Treasury and to the extent of \$5,000,000,

is in lieu of the arrangement referred to in Mr. Crosby's letter of June 21, 1918, for the presentation to the Treasury of the United States of drafts drawn by the National Bank of Greece on the Treasury of the United States and bearing the notation of the Greek minister of finance in the form mentioned in said letter. In accordance with Mr. Crosby's letter interest will be charged beginning to-day, September 24, 1920, upon \$5,000,000 of said obligation of your Government for \$15,790,000, in addition to the two installments of \$5,000,000, each referred to in Mr. Davis's letters of December 15, 1919, and January 16, 1920. This advance, together with the advances mentioned in Mr. Davis's letters of December 15, 1919, and January 16, 1920, brings the total advances to your Government, under the above-mentioned arrangements, to the sum of \$15,000,000.

I am, my dear Mr. Tsamados,
Yours, very truly,

Mr. M. TSAMADOS,
Chargé d'Affaires, the Greek Legation,
1838 Connecticut Avenue, Washington, D. C.

TREASURY DEPARTMENT,
Washington, September 24, 1920.

Memorandum for files:

Mr. Tsamados stated to-day that he would obtain by mail from the Greek minister of finance a more specific statement that the third installment of \$5,000,000 requested in the message of the Greek National Bank transmitted by cable No. 102190 of the Greek minister of finance, copy of which was inclosed in Mr. Tsamados's letter of August 18, 1920, was requested under the financial agreement of Paris. Mr. Tsamados stated also that he will arrange with his Government so that future requests by the Greek National Bank will be accompanied by more explicit statements from the Greek minister of finance, in accordance with the terms of Mr. Davis's letter of November 25, 1919, to the Greek minister.

N. K.

No. 1902.

LEGATION ROYALE DE GRECE,
Washington, October 26, 1920.

TREASURY DEPARTMENT,
Washington, D. C.

(Attention of Mr. Kelley.)

MY DEAR MR. KELLEY: Referring to my letter of August 18, 1920, No. 1516, concerning a third advance of \$5,000,000 against the \$750,000,000 loan granted to Greece according to the Paris financial agreement of 1918, I beg to inclose copy of a cablegram received to-day from our minister of finance.

Yours, very sincerely,

M. TSAMADOS.

No. 1902.

ATHENS, *October 26.*

Votre 1,725 onze septembre. Credit cinq millions dollars mis disposition National Bank constitue troisieme remise participation Amerique emprunt conformement agrement Paris, 1919.

NIGROPONTIS.

SECTION 112.

Correspondence Relating to Payment of Interest on the Three Cash Advances of \$5,000,000 Each—Interest Due October 15, 1920—Interest Paid October 25, 1920.

SEPTEMBER 28, 1920.

MY DEAR MR. TSAMADOS: Referring to Mr. Davis's letters of December 15, 1919, and January 16, 1920, and to my letter of September 24, 1920, in connection with the advances of \$5,000,000 each made on those respective dates against the obligation dated June 21, 1918, of your Government for \$15,790,000 held by the United States Treasury, I inclose herewith a statement prepared under the

direction of the Treasurer of the United States, showing that interest in the amount of \$264,344.26 will be due on October 15, 1920, on said obligation computed to said date from April 15, 1920, on the sum of \$10,000,000, being the amount of the advances made on December 15, 1919, and January 16, 1920, and from September 24, 1920, on the sum of \$5,000,000 advanced on that day. Please make payment of the interest due on October 15 by check payable to the order of the "Assistant Treasurer of the United States for credit General Account of Treasury of the United States" and deliver the same to the Assistant Treasurer of the United States at the subtreasury in New York on October 15.

I am, my dear Mr. Tsamados,

Very truly, yours,

N. KELLEY.

Mr. M. TSAMADOS,

Chargé d'Affaires, the Greek Legation, Washington, D. C.

Interest on obligations of the Royal Greek Government, Apr. 15, 1920, to Oct. 15, 1920, at 5 per cent per annum, semiannual period of 183 days.

Date.	Date advanced.	Amount advanced.
June 21, 1918 (face amount, \$15,790,000).....	Dec. 15, 1919.....	\$5,000,000.00
	Jan. 16, 1920.....	5,000,000.00
	Sept. 24, 1920.....	5,000,000.00
	Total.....	15,000,000.00
Interest on \$10,000,000 from Apr. 15, 1920, to Oct. 15, 1920, at 5 per cent per annum, amounts to.....		250,000.00
Interest on \$5,000,000 from Sept. 24, 1920, to Oct. 15, 1920, at 5 per cent, amounts to.....		14,344.26
Total.....		264,344.26

LÉGATION ROYALE DE GRÈCE,
Washington, October 20, 1920.

Attention of Mr. Kelley.

TREASURY DEPARTMENT,
Washington, D. C.

MY DEAR MR. KELLEY: Referring to your letter of September 28, 1920, in which was inclosed a statement showing that interest in the amount of \$264,344.26 for \$15,000,000 advanced to the Greek Government by the United States against the obligation dated June 21, 1918, would be due on October 15, I beg to inform you that according to a cablegram received to-day from our department of finance, instructions had been given to place that amount at the disposal of our national bank in order that it may effect the payment of the interest.

Believe me, dear Mr. Kelley,

Yours, very truly,

M. TSAMADOS.

No. 40184.

Treasury Department,
Office of the Treasurer of the United States.

Duplicate.

\$264,344.60.

WASHINGTON, D. C., *October 26, 1920.*

I certify that the Greek Government has this day deposited to the credit of the United States two hundred sixty-four thousand three hundred forty-four 60/100 dollars, on account of interest on obligations of the Greek Government, to October 15, for which I have signed duplicate receipts.

J. C. WALLACE,
Acting Assistant Treasurer United States.

To be retained by the depositor.

SECTION 113.

Correspondence Relating to Request of Greek Government for Fourth Cash Advance of \$5,000,000—This Cash Advance Was not Made—No Reply From Treasury Department to Letter of Greek Minister of December 22, 1920—File Runs to February 15, 1921.

(For reasons why this loan was not made see sec. 115, containing letters relating to Greek political situation.)

LÉGATION ROYALE DE GRÈCE,
Washington, December 22, 1920.

Attention Mr. Kelley.
TREASURY DEPARTMENT,
Washington, D. C.

MY DEAR MR. KELLEY: Referring to the conversation which I had the pleasure of having with you yesterday, I beg to inclose herewith a copy of the cablegram to this legation transmitting a message to the United States Treasury Department from the National Bank of Greece and signed by the new minister of finance, Mr. N. Calogeropoulos, thus approving its contents. The National Bank of Greece asks that a fourth installment of \$5,000,000 should be placed to its credit with the National Bank of Commerce, New York, in accordance with the Paris financial agreement of February, 1918, and for the account of the Greek Government. In this same cablegram, it is said that the statements of the third installment are sent through the ministry of finance.

Yours, very truly,

G. O. ARACOPOULO.

ATHENS, GREECE, December 19, 1920.

LÉGATION HELLÉNIQUE À WASHINGTON.

Crédit cinq millions dollars auprès National Bank of Commerce épuisé, nous prions Trésor Etats Unis mettre notre disposition 4ème credit cinq millions dollars même Banque. Etat disposition 3ème crédit sera adressé par l'intermédiaire Ministère Finances. National Bank "Calogeropoulos"

DEPARTMENT OF STATE,
Washington, December 31, 1920.

MY DEAR MR. KELLEY: I beg to acknowledge the receipt of your letter of December 27, referring to a request from the National Bank of Greece for a fourth installment of \$5,000,000 against the credit heretofore established in favor of the Greek Government. You inquire whether there is any objection from the point of view of the Department of State to the Treasury proceeding to make the advance requested; and if there is no objection, whether Mr. Dracopoulo is the authorized person in charge of the legation with whom the Treasury may properly deal concerning the same.

The President was informed by letter, dated December 25, of the inquiry made by the Treasury. He has expressed his concurrence in the recommendation made by this department that the credit obligation negotiated with the Venizelos government (referring to the credit of \$38,000,000) should be considered as still binding on this Government, and that the Greek chargé d'affaires, on proper application, should be recognized as representing the Government of King Constantine.

Under the above authorization there would seem no objection to the continuance of informal negotiations with the Greek chargé d'affaires in Washington with regard to this matter. The Department of State, however, can not officially inform you that Mr. Dracopoulo is the authorized person in charge of the legation with whom the Treasury may officially deal, until he or some other is accredited to this Government by the Constantine régime.

Very truly, yours,

VAN S. MERLE-SMITH.

The Hon. NICHOLAS KELLEY,
Assistant Secretary of the Treasury.

JANUARY 13, 1921.

MY DEAR MR. DAVIS: Referring to my letter of the 27th ultimo to Mr. Merle-Smith, advising him that the Treasury had received from Mr. G. O. Dracopoulos, of the Greek legation, an informal request for a fourth installment of \$5,000,000 against the credit heretofore established in favor of the Greek Government, I understand from Mr. Merle-Smith's reply of the 31st ultimo that the President has expressed his concurrence in the recommendation made by the Department of State that the financial arrangements made with the Greek Government early in 1918 should be considered as still binding on this Government and that the Greek chargé d'affaires on proper application should be recognized as representing the Government of King Constantine. Mr. Merle-Smith added that under the above-mentioned authorization there would seem to be no objection to the continuance of informal negotiations with the Greek chargé d'affaires in regard to the advance which has been requested. Until the Department of State officially informs the Treasury that the present chargé d'affaires of the Greek legation is the authorized person in charge of the legation with whom the Treasury may officially deal, as having been accredited to this Government by the Constantine régime, the Treasury is not in a position finally to complete arrangements for the advance. The Treasury has, however, conferred informally with the chargé d'affaires in order that pending the receipt by the Treasury of advices from the Department of State that he has been duly accredited, he may inform the present Greek Government of the steps necessary to be taken by it in order to meet, in connection with the proposed advance [as might be made under the credit formally established in favor of Greece],¹ the requirements imposed by the arrangement between the Treasury and the Greek Government made in November, 1919, pursuant to which the three previous installments were advanced.

Very truly, yours,

N. KELLEY.

Hon. NORMAN H. DAVIS,
Acting Secretary of State,
Department of State.

WASHINGTON, January 14, 1921.

MY DEAR MR. KELLEY: In acknowledging receipt of your letter of the 13th instant I may say that I see no objection whatever to your continuing informal negotiations with the Greek chargé d'affaires in regard to the advances which have been requested, in order that the Greek Government, when recognized, may be conversant with the requirements of the Treasury. As soon as there are any more definite developments I shall be glad to inform you. You are correct in your understanding of the President's views in respect to the financial arrangement made with the Greek Government early in 1918.

Very sincerely, yours,

NORMAN H. DAVIS.

The Hon. NICHOLAS KELLEY,
Assistant Secretary of the Treasury.

JANUARY 15, 1921.

DEAR MR. DAVIS: Referring to previous correspondence concerning advances by the Treasury to the Greek Government under the credits established pursuant to the agreement of February 10, 1918, made in Paris by this Government and the British and French Governments on one hand, and the Greek Government on the other, for the making of loans to Greece by the three Governments in equal amounts, not exceeding in the aggregate for the three Governments, however, the equivalent of 750,000,000 francs, the Treasury will be glad to learn whether it is correct in its understanding that up to date neither the British nor French Government has made any advance to the Greek Government under the arrangement.

Sincerely yours,

N. KELLEY.

Hon. NORMAN H. DAVIS,
Acting Secretary of State,
Department of State.

¹ Change suggested by Mr. Davis for the statement to be given to the press. O. K.d by Mr. Kelley, Jan. 14, 1921.

SECTION 114.

Statement From Greek Minister of Finance, in French, of Disposal of the First Two Cash Advances Made by the United States of \$5,000,000 Each.

(NOTE.—In accounting for these moneys only the names of the recipients—individuals and banks—are given. The purpose of the disbursements is not shown.)

LÉGATION ROYALE DE GRÈCE,
Washington, September 21, 1920.

Attention of Mr. Kelly.

TREASURY DEPARTMENT,
Washington D. C.

DEAR MR. KELLY: Referring to my letter of September 15, 1920, No. 1650, I take pleasure in informing you that a cablegram received to-day from Athens advises that the statements concerning the disposal of the first two installments of \$5,000,000 each have been mailed to this legation and that the National Bank of Greece has been ordered to pay the interest due for that amount.

I am, my dear Mr. Kelly,

Yours, very truly,

M. TSAMADOS.

LÉGATION ROYALE DE GRÈCE,
Washington, October 29, 1920.

Attention of Mr. Kelley.

TREASURY DEPARTMENT,
Washington D. C.

MY DEAR MR. KELLEY: Referring to my letter of September 21, 1920, No. 1691, I beg to inclose herewith the statements sent to this legation by the ministry of finance concerning the use of the first \$10,000,000 on the allied loan of 750,000,000 francs to Greece in conformity with the financial agreement of Paris of the year 1918.

Yours, very truly,

M. TSAMADOS.

Relevé de disposition des \$10,000,000 avancés par le Trésor des Etats-Unis à valoir sur les crédits consentis par les Gouvernements Alliés de Frs. 750,000,000.

1919:	
Novem. 3-16. Decouvert au 10-23 Novembre.....	\$225, 876. 00
Novem. 12-25. Coûts de Billets de Banque.....	200, 000. 00
Novem. 13-26. Fournitures du Gouvernement.....	1, 049, 380. 00
Decem. 17-20:	
Succursale de Sparte.....	600. 00
Succursale du Pirée.....	1, 251. 00
Succursale du Pirée.....	2, 298. 00
Succursale du Pirée.....	20, 000. 00
Succursale du Corfou.....	4, 000. 00
Ch. Verikios.....	20, 000. 00
Caissier Central.....	81. 00
Decem. 18-1:	
Effets encaissés.....	22, 622. 00
Caissier Central.....	821. 00
Decem. 19-22. Effets encaissés.....	4, 254. 00
Decem. 20-3:	
K. Bastatzoglou.....	225, 000. 00
Succursale de Cefalonie.....	3, 200. 00
Succursale du Pirée.....	7, 664. 00
Succursale de la Canée.....	9, 000. 00
Effets encaissés.....	8, 051. 00
Effets encaissés.....	433. 00
E. Vichos.....	2, 400. 00
Al. Griescon.....	2, 080. 00
H. Ifoanos.....	483. 00
A. Ifoanos.....	1, 000. 00

Decem. 21-4:	
Succursale du Pirée.....	\$505.00
Do.....	3,539.00
Effets encaissés.....	26,369.00
Fournitures du Gouvernement.....	12,405.00
Crédits Documentaires.....	6,195.00
Bourne & Cie.....	20,000.00
Effets encaissés.....	1,763.00
Decem. 23-5:	
A. Vichos.....	30,000.00
Succursale de Candie.....	7,500.00
Succursale du Pirée.....	314.00
Crédits Documentaires.....	30,000.00
Decem. 24-6:	
Ministère de la Marine.....	300,000.00
Effets encaissés.....	16,165.00
Do.....	3,743.00
Caissier Central.....	1,941.00
Effets encaissés.....	821.00
Decem. 27-9:	
Succursale du Pirée.....	5,731.00
Jacharias & Cie.....	1,250.00
Effets encaissés.....	1,539.00
Decem. 28/10. Effets encaissés.....	
	1,881.00
Decem. 30/12:	
Suc/le du Pirée.....	37,477.00
Retour de chèque.....	100.00
Caissier Central.....	2,224.00
B. Ipivelis.....	150.00
Decem. 31/13:	
Succursale du Pirée.....	5,460.00
Do.....	35,775.00
Do.....	21,687.00
Caissier Central.....	2,490.00
1920:	
Janv. 2-15:	
H. Oeconomopoulos.....	150.00
E. Isampourtjis.....	140.00
Banque d'Athènes.....	199.00
Janv. 3-16:	
P. Skiadaressis.....	434.00
Caissier Central.....	10,000.00
Banque de l'Industrie.....	6,200.00
D. Michailidis.....	15.00
Banque de l'Industrie.....	40,796.00
Banque Olivier.....	50.00
Suc/le du Pirée.....	6,008.00
Janv. 4-17:	
Effets encaissés.....	4,624.00
Do.....	14,487.00
Caissier Central.....	192.00
Banque du Pirée.....	31,020.00
Effets encaissés.....	420.00
Do.....	9,927.00
Succursale de Yanina.....	10,300.00
Succursale du Pirée.....	10,951.00
Do.....	41,947.00
Janv. 7-20:	
Succursale de Patras.....	5,000.00
Effets encaissés.....	2,350.00
Banque Populaire.....	432.00
Banque de l'Industrie.....	5,738.00
Banque du Pirée.....	9,476.00
Janv. 8-21:	
École Charocopos.....	381.00
Bourne & Cie.....	20,000.00
Banque de l'Industrie.....	15,875.00

Janv. 9-22:	
Suc/le du Pirée	\$8,764.00
Suc/le de Salonique	26,800.00
Suc/le de Patras	33,000.00
Caissier Central	726.00
I. Skinis	250.00
Banque Populaire	8,041.00
Banque du Pirée	10,170.00
Banque d'Athènes	475.00
E. Dravantinos	436.00
Effets encaissés	13,258.00
Janv. 10-23:	
Banque Populaire	1,600.00
Do	120.00
Banque de l'Industrie	47,500.00
Banque Populaire	8,135.00
Banque de l'Economie Nationale	50,000.00
Banque d'Athènes	6,469.00
Banque Populaire	13,000.00
Sucfle du Pirée	526,751.00
Do	450.00
Banque Populaire	35,502.00
Banque du Pirée	31,625.00
Banque d'Athènes	19,004.00
Banque de l'Industrie	1,249.00
Do	77,500.00
Sucfle de Salonique	91,000.00
Sucfle de Pyrgos	58.00
Y. Polamarkakis	268.00
Effets encaissés	24,900.00
Sucfle de Candie	15,790.00
Janv. 11-24:	
Sucfle de Patras	16,000.00
Sucfle de Salonique	60,000.00
Do	3,807.00
Banque de l'Economie Nationale	89,851.00
Banque du Pirée	46,516.00
Banque de l'Industrie	95,140.00
Banque Populaire	45,545.00
Sucfle du Pirée	17,606.00
Caissier Central	306.00
Do	600.00
Do	26.00
A. Slimann	140.00
Effets encaissés	8,905.00
Janv. 13-26:	
Banque Lonienne	641.00
Banque de l'Economie Nationale	2,677.00
Banque Populaire	46,804.00
Banque de l'Industrie	39,150.00
Banque Lonienne	200.00
Do	2,870.00
Do	7,060.00
Do	8,000.00
Sucfle de Salonique	45,963.00
Sucfle de Patras	43,500.00
Effets encaissés	3,493.00
Do	11,294.00
Sucfle de Patras	280.00
Janv. 14-27:	
Sucfle du Pirée	30,403.00
Banque de l'Industrie	22,500.00
Banque Populaire	10,651.00
Do	48,821.00
Do	4,500.00
Banque de l'Economie Nationale	9,082.00

Janv. 14-27—Continued.

Banque du Pirée.....	\$23,943.00
Do.....	1,700.00
S. Aggelatos.....	72.00
Janv. 15-28:	
Banque de l'Industrie.....	9,933.00
Banque d'Athènes.....	9,095.00
Banque du Pirée.....	25,000.00
Banque Populaire.....	3,000.00
Banque Ionienne.....	562.00
Do.....	600.00
K. Macheras.....	458.00
Sucfle de Volos.....	50,000.00
Effets encaissés.....	17,240.00
Do.....	19,875.00
Banque d'Athènes.....	369.00
Janv. 16-29:	
Banque Panagiotopoulos.....	1,527.00
Banque d'Athènes.....	187.00
Do.....	2,345.00
Sucfle de Patras.....	3,500.00
Do.....	38,000.00
Sucfle de Salonique.....	30,000.00
Do.....	34,255.00
Caissier Central.....	4,780.00
Sucfle du Pirée.....	53,205.00
Sucfle de Pyrgos.....	500.00
Janv. 17-20:	
Banque Populaire.....	11,877.00
Do.....	23,961.00
Banque d'Athènes.....	4,819.00
Banque de l'Industrie.....	48,943.00
Do.....	39,356.00
Banque Générale.....	130,596.00
1919:	
Novem. 12-25. Coupons du Gouvernement.....	47,376.00
Decem. 5-18. Coupons du Gouvernement.....	213,429.00
1920:	
Janv. 16-29. Sucfle du Pirée.....	29,512.00
Nov. 3: Banque Générale.....	9,404.00
17-30: Sucfle de Salonique.....	18,000.00
Janv. 16/20:	
Effets encaissés.....	10,933.00
K. Georges.....	208.00
Effets encaissés.....	9,636.00
Janv. 18-31:	
Sucfle du Pirée.....	60,637.00
Do.....	34,955.00
Janv. 20-3: Effets encaissés.....	5,696.00
Janv. 24-5:	
Sucfle du Salonique.....	18,400.00
Sucfle du Pirée.....	6,975.00
Do.....	28,250.00
Caissier Central.....	440.00
Effets encaissés.....	2,795.00
Janv. 22-4:	
Sucfle du Pirée.....	61,924.00
Effets encaissés.....	3,284.00
Janv. 23-5:	
Sucfle du Pirée.....	41,753.00
Caissier Central.....	420.00
Janv. 28-10:	
Banque Populaire.....	4,685.00
Banque d'Athènes.....	24,166.00
Banque de l'Industrie.....	49,930.00
Banque Ionienne.....	4,526.00

Janv. 28-10—Continued.	
Banque Populaire	\$23,780.00
Banque d'Athènes	11,877.00
Banque d'Orient	6,600.00
Banque de l'Economie Nationale	13,040.00
Banque Populaire	10,741.00
Banque d'Athènes	4,974.00
Banque de l'Industrie	37,520.00
Banque de l'Economie Nationale	45,636.00
Banque Commerciale	353.00
Do	1,956.00
Banque de l'Industrie	50,414.00
Banque Populaire	6,260.00
Banque de l'Economie Nationale	7,659.00
Banque du Pirée	10,200.00
Banque d'Athènes	920.00
Banque de l'Industrie	37,634.00
Banque d'Athènes	27,624.00
Banque du Pirée	33,400.00
Banque Populaire	210,358.00
Do	43,147.00
Banque de l'Industrie	88,155.00
Banque d'Orient	5,000.00
Banque d'Athènes	907.00
Banque d'Orient	1,650.00
Banque de l'Industrie	2,947.00
Banque du Pirée	19,651.00
Banque Populaire	15,000.00
Banque Ioniennne	61.00
Janv. 29-11:	
Banque du Pirée	800.00
Banque de l'Economie Nationale	11,500.00
Fevr. 1-14:	
Sucfe de Salonique	33,150.00
Do	23,018.00
Do	112,200.00
Do	110,451.00
Do	37,964.00
Banque de Navigation	4,300.00
Sucfe de Salonique	5,600.00
Do	10,500.00
Janv. 28/10:	
Suc/le de la Canée	60,000.00
Effets encaissés	7,133.00
Janv. 29/11. Do	
	400.00
Janv. 30/12. Do	
	3,999.00
Janv. 31/13:	
Suc/le du Pirée	10,311.00
Effets encaissés	1,461.00
M. Evlampios	650.00
Do	1,000.00
Fevr. 1-14:	
Suc/le du Pirée	7,500.00
Do	4,260.00
Caissier Central	6,718.00
Fevr. 3-16:	
Suc/le du Pirée	15,837.00
Do	3,500.00
Fevr. 4-17:	
Caissier Central	9,137.00
M. Evlampios	1,100.00
Fevr. 5-18:	
G. Aravomtinis	363.00
Effets encaissés	5,445.00
Fevr. 6-19. Suc/le du Pirée	
	16,230.00
Fevr. 7-20. Prise Korgialenios	
	114.00

220 FOREIGN LOANS AND AUTHORITY FOR MAKING SAME.

Fevr. 8-21:	
Effets encaissés.....	\$431. 00
Do.....	1, 951. 00
Fevr. 12-25. Suc/le du Pirée.....	2, 886. 00
Fevr. 13-26. Suc/le du Pirée.....	2, 302. 00
Fevr. 24-6. Crédits Confirmés.....	3, 967. 00
Fevr. 29/13. Effets encaissés.....	5, 977. 00
Mars 2-15. Suc/le du Pirée.....	675. 00
Fevr. 5-18:	
Banque Ionienne.....	10, 731. 00
Do.....	621. 00
Do.....	8, 350. 00
Fevr. 18/1. Banque de l'Industrie.....	1, 406. 00
Fevr. 19/2. Banque Ionienne.....	4, 835. 00
Mars 2-15. Effets encaissés.....	9, 000. 00
Mars 4-17:	
Suc/le de Pyrgos.....	1, 040. 00
Suc/le de Larissa.....	100. 00
Mars 5-18:	
Dimaras Frères.....	60, 000. 00
Banque d'Athènes.....	50. 00
Mars 10-23. Coupons du Gouvernement.....	81, 782. 00
Mars 18-30. Dimaras Frères.....	40, 000. 00
Mars 21-3. Effets encaissés.....	314, 000. 00
Avril 2-15. Banque Commerciale.....	200. 00
Avril 13-26. Suc/le de Chios.....	3,148. 00
Avril 15-28:	
Banque Commerciale.....	10. 00
Effets encaissés.....	509, 858. 00
Avril 16-29:	
Frais de fabrication de Billets de Banque.....	263, 624. 00
A. Launis.....	117. 00
Effets encaissés.....	59. 00
Mars 20-3:	
Ministère des Finances.....	1, 255. 00
Fournitures du Gouvernement.....	1, 255. 00
Mai 6-19. Banque Ionienne.....	10, 000. 00
Mai 27-9. Fournitures du Gouvernement.....	1, 500. 00
Juin 25-7. Fournitures du Gouvernement.....	360, 000. 00
Juillet 14-27. Coupons du Gouvernement.....	61, 175. 00
Juillet 15-28. Fournitures du Gouvernement.....	7, 000. 00
Juillet 18-31. Coupons du Gouvernement.....	14, 849. 00
Juillet 23-6. Fournitures du Gouvernement.....	178, 618. 00
Août 11-24. Fournitures du Gouvernement.....	261. 55
Août 28-10:	
Ministère des Finances.....	963, 200. 00
Ministère des Finances.....	14, 200. 00
Ministère des Finances.....	750. 00
Ministère des Finances.....	144, 808. 74
	<hr/>
	9, 995, 432. 29
Avance au 3/16 Décembre 1919.....	\$5, 000, 000. 00
Avance au 4/17 Janvier 1920.....	5, 000, 000. 00
	<hr/>
Total.....	10, 000, 000. 00

Pour copie conforme, Athènes, le 29/11 Sept., 1920, le chef de section.

C. WOLSKRS.

DECEMBER 27, 1920.

MY DEAR MERLE-SMITH: Referring to our recent conversations, I inclose for your information a copy of a letter dated the 23d instant, No. 2242, which I have received from Mr. G. O. Dracopoulo, of the Greek Legation, and of the copy therewith inclosed of a cable from Mr. Calogoropoulos, whom I understand to be the Greek minister of finance, to the Greek Legation in Washington transmitting a request from the National Bank of Greece for a fourth installment

of \$5,000,000 against the credit heretofore established in favor of the Greek Government. The arrangement pursuant to which the three previous advances were made requires that the request from the National Bank of Greece transmitted through the legation at Washington shall be accompanied by a cable representation similarly transmitted from the Greek minister of finance that the transfer so requested is under and in accordance with the provisions of the Paris financial agreement dated February 10, 1918. You will observe that the cable from the Greek minister of finance does not contain such a representation. Under the arrangement the Greek Government undertook to supply the Treasury with reports showing the purposes for which expenditures out of the advances are used. The Treasury has not as yet received an itemized report of the expenditure of the third installment. The reports covering the first and second installments appear to show the persons to whom the dollars were transferred, but not the purposes for which they were used. Before it takes these matters up with Mr. Dracopoulo the Treasury will be glad to learn whether, by reason of recent events in Greece, there is any objection from the point of view of the Department of State to the Treasury's proceeding to make the advances now requested, and if not whether Mr. Dracopoulo is the authorized person in charge of the legation with whom the Treasury may properly deal concerning the same.

Very truly, yours,

M. KELLEY.

HON. VAN S. MERLE-SMITH,

Third Assistant Secretary of State, Washington, D. C.

SECTION 115.

Correspondence Relating to Greek Politics at the Close of 1919 and the Consequent Financial Policy of the Allies Toward Greece.

[Paraphrase of telegram received.]

From: American Legation, Athens.

Dated: December 12, 1920, 8 p. m.

Received: December 13, 9.55 a. m.

No. 265.

For your confidential information:

Great Britain and France have notified the Greek Government that they will not honor any further drafts upon the unused balances of the tripartite loan to Greece still held in London and Paris. In discussing this withholding of economic support from Greece in case of the return of King Constantine the Government-controlled press speak with much confidence of the support expected from America, evidently meaning the American balance of the loan in question.

From a conference which I had with the British minister yesterday I believe that England hopes that the present reactionary movement in Greece will be very short lived if she can prove to Greece that she can not fulfill her rôle in the Near East without the good will and support of the associated powers. Bankruptcy is impending and the strongest argument possible at this time would be a financial one. Should the United States make any advances at this time I believe they would be considered as a condemnation of Venizelos and that much publicity would be given them as supporting the incoming administration. If the United States does not consider making such advances, I think it would be very desirable to clearly indicate this to the Greek Government. The French and British ministers are expecting to receive notifications that they are recalled. Have you any instructions for me in the premises?

CAPPS.

UNITED STATES SENATE,
COMMITTEE ON THE UNIVERSITY OF THE UNITED STATES,
January 13, 1921.

HON. DAVID F. HOUSTON,

Secretary of the Treasury, Washington, D. C.

MY DEAR MR. HOUSTON: I inclose you a copy of a letter that I wrote to the State Department some time ago, and I also inclose the reply of the State De-

partment. I call your attention to the last part of the letter, and would like to have such information and enlightenment as you can furnish me with.

I am, with every expression of regard,

Very truly, yours,

JOHN SHARP WILLIAMS.

WASHINGTON, D. C., January 5, 1921.

HON. NORMAN H. DAVIS,

Acting Secretary of State, Washington, D. C.

MY DEAR MR. DAVIS: I see in the paper some information, or quasi information—I don't know which—to the effect that the State Department first construed its agreement with regard to the credit extended by the Allies of \$38,000,000 for Greece as contingent upon the ratification of the treaty of Versailles, but that later the State Department construed the agreement to permit them to advance \$5,000,000, supposedly our share, regardless of the ratification. If this be true, I think the department made a mistake in its second ruling, and that now a splendid opportunity is presented to retire from it and to avoid the criticism which necessarily will arise by refusing to advance the money to King Constantine. This refusal can well be based upon the fact that we were helping a friend, or a friendly government and people, and that when an enemy has been substituted for the friend, we do not consider ourselves compelled to extend any gratuity. It is a gratuity, although the gratuity is expected to be paid back.

I am, with every expression of regard,

Very truly, yours,

JOHN SHARP WILLIAMS.

P. S.—I write this to you in Mr. Colby's absence, but, of course, would like to have him read the letter when he returns. I don't think that we ought to interfere with the internal affairs of Greece. If the people want King Constantine back, that is their business and not ours; but helping him after he gets back is another thing. Right now we need to economize, and we might just as well put that \$5,000,000 to the credit side of the ledger and take it off the debit side.

THE UNDER SECRETARY OF STATE,

Washington, January 10, 1920.

MY DEAR SENATOR WILLIAMS: In acknowledging receipt of your letter of January 5 relative to the credit extended to Greece, I may say that the Treasury is more conversant with the details of that credit than I am, but the credit extended by this Government to Greece was not contingent upon the ratification of the treaty of Versailles. The credit extended to Greece, as I recall, about two years ago was, upon the condition that it would be made available upon the conclusion of peace, or whenever the foreign balances of the National Bank of Greece should fall below 100,000,000 marks. I understand that the Greek Government contended that both of those contingencies have arisen, and that the Treasury finally agreed to let them have advances from time to time for purchases of American commodities for consumption in Greece.

If and when this Government extends recognition to King Constantine, or continues relations with the Greek Government, I do not see how the Treasury can legally or morally cancel its obligation to complete the advance to Greece under the terms stipulated. As the Treasury, however, is more conversant with this than I am, I suggest that you might communicate with the Secretary of the Treasury.

Sincerely, yours,

NORMAN H. DAVIS.

JANUARY 19, 1921.

MY DEAR SENATOR WILLIAMS: Your letter of the 13th instant has been received, transmitting a copy of your letter of the 5th to the Undersecretary of State, and a copy of his reply of the 10th, concerning loans by the Treasury to the Greek Government. Mr. Davis's understanding of the situation regarding loans to Greece, as stated in his letter, is substantially in accord with mine. The question involved is the obligation of the Treasury under the arrangement made as long ago as February, 1918. The Treasury, of course, does not desire

to pay out funds except to the extent necessary, and, in any case, is not in a position to make advances to the Greek Government pending receipt from the Department of State of advices as to the existence of relations between this Government and the Greek Government. I return Mr. Davis's letter.

Sincerely, yours,

D. F. HOUSTON.

HON. JOHN SHARP WILLIAMS,
United States Senate, Washington, D. C.

THE SECRETARY OF THE TREASURY,
Washington, January 19, 1921.

MY DEAR SENATOR WILLIAMS: Your letter of the 13th instant has been received, transmitting a copy of your letter of the 5th to the Undersecretary of State and a copy of his reply of the 10th, concerning loans by the Treasury to the Greek Government. In February, 1918, a special agreement was made in Paris under which the United States, France, and Great Britain undertook to lend to the Greek Government in equal shares in their respective currencies up to the equivalent of 250,000,000 francs each. The loan was to be pledged by the Greek Government to the National Bank of Greece against the issue of bank notes to be used by the Greek Government in Greece for certain purposes specified in the agreement. Credits and advances under the arrangement were to be put at the disposal of the Greek Government as recommended and approved by an interallied financial commission to be established at Athens, and the use of the resources was to be supervised by an interallied military commission similarly established. During the war the loan could be availed of in case the foreign balances of the Greek treasury and the Greek National Bank fell below 100,000,000 francs, and it was provided that six months after the conclusion of peace the balance of the loan could be availed of without restriction. Pursuant to these arrangements, the Treasury established credits in dollars up to the equivalent of 250,000,000 francs, upon the understanding, however, that this amount would not be available except to the extent of one-third of such amount of vouchers for expenditures by the Greek Government prior to 1919 for the purposes specified in the Paris agreement as should have been submitted to and approved by the American delegate to the interallied financial commission.

It is the understanding of the Treasury that on the basis of the vouchers approved by the commission the total amount of this Government's share of the loan will probably not exceed \$43,900,000. The obligation of the Treasury under the Paris agreement to make advances does not appear to be contingent upon anything except proof by the Greek Government to the satisfaction of the interallied commission of expenditures by the Greek Government for the purposes mentioned in the agreement. Under the terms of the agreement, however, the time when the advances are to be made is contingent upon the lapse of six months after the termination of the war and prior to such termination upon the foreign balances of the Greek treasury and of the Greek National Bank falling below 100,000,000 francs. In November, 1919, the Greek Government advised the Treasury that the balances had fallen below that figure, but did not inform the Treasury by how much or give it information which led the Treasury to believe the advices more than a formal notice, as distinguished from a request for an advance. The Greek Government had, in September, 1919, however, made urgent request for leave to be permitted to anticipate the six months' period after the termination of the war and to use part or all of the dollars which would be available to it under the Paris agreement. Late in November, 1919, the Treasury reached an agreement with the Greek representatives whereby it agreed to make available against the credits established in favor of the Greek Government the sum of \$5,000,000, upon the understanding that said sum was to be used either by the National Bank of Greece itself or by the parties to whom that bank might transfer such funds only for the purchase in the United States of goods to be consumed in Greece, and upon the further understanding that itemized statements showing the purposes for which such funds were used would be furnished by the Treasury through the Greek Legation here. Subsequently the further installments of \$5,000,000 each were advanced. Assuming that the Government of King Constantine is recognized by the political departments of this Government as the same Government with which the Paris agreement was made, or as the proper successor to that Government, I do not

see how the Treasury can in honor refuse to perform its obligations under the Paris agreement. Although it is doubtless open to the Treasury to stand upon the terms of that agreement and to decline to make further advances until after the lapse of six months after the termination by this Government of the state of war, I do not see any advantage, in case the Government of King Constantine shall be recognized, in refusing to make advances in such installments as Greece may require for the purposes for which the previous installments were advanced.

Yours, very truly,

D. F. HOUSTON.

HON. JOHN SHARP WILLIAMS.

United States Senate.

DEPARTMENT OF STATE,
Washington, February 3, 1921.

MY DEAR MR. KELLEY: Referring to my letter of January 24, inclosing a copy of a telegram from the American ambassador at London in regard to advancements by the British Government to Greece under the Paris agreement of February 10, 1918, I inclose herewith a copy of the confidential dispatch referred to in the telegram mentioned.

Very truly, yours,

VAN S. MERLE-SMITH.

HON. NICHOLAS KELLEY,

Assistant Secretary of the Treasury, Washington, D. C.

No. 4108.

The SECRETARY OF STATE,

Washington.

LONDON, January 21, 1921.

SIR: I have the honor to refer to my telegram No. 69, under date of to-day, in reply to the department's telegraphic instructions No. 52, of January 20, 7 p. m., relative to the advances made by the British Government to the Greek Government pursuant to the agreement of February 10, 1918, signed in Paris.

I was informed to-day by an official of the foreign office dealing with near eastern affairs that in accordance with the agreement above mentioned the British Government undertook to place to the favor of the Greek Government a credit of £10,000,000 (the nominal equivalent of 250,000,000 francs), against which sum the Greek Government might make purchases of merchandise in the United Kingdom. I was further informed that up to the present date the British Government had advanced approximately £6,500,000.

Owing to the decision reached a short time ago, that no further financial assistance was to be given for the time being by the British Government to the Greek Government because of King Constantine's accession, the credit of the remaining £3,500,000 is temporarily suspended.

I learn confidentially from the same source that when the Greek Government approached the French Government with a view to obtaining an advance on the credit allotted to Greece under the agreement of February 10, 1918, the French Government stated that the Greek Government had obtained an erroneous impression with regard to the matter; that the agreement did not provide for advances being made to Greece by France, but that the 250,000,000 francs was to act as collateral against which the Greek Government might issue notes. I was informed in this connection, in the strictest confidence, that the British Government did not hold this view.

In this connection and with reference to my telegram No. 71 of January 21, 6 p. m., it appears that the British Government is forced to temporarily oppose the recognition of King Constantine at the present time because of English public opinion and the strong attitude of the French Government in this respect. For the same reason that the British Government opposes the revision of the treaty of Sevres, recognition of Constantine will be eventually given. It is the belief of the Government that British interests in the Near East can best be furnished by a strong Greece, and that one of the best means to better the Greek situation is to tender moral and political support. Obviously this can not be accomplished by continuing to refuse recognition of the Greek King. It is probable that recognition will be requested and accorded soon after the forthcoming Paris conference.

I have the honor to be, sir,

Your obedient servant,

JOHN W. DAVIS.

DEPARTMENT OF STATE,
Washington, January 24, 1921.

MY DEAR MR. KELLEY: I am inclosing herewith a copy of a telegram dated January 21, 1921, from the American ambassador at London, England, in regard to an advancement by the British Government of approximately £6,500,000 to the Greek Government to be used against purchases of commodities by Greece in England.

The substance of this telegram was communicated to your office by telephone this morning.

Very sincerely, yours,

VAN S. MERLE-SMITH.

HON. NICHOLAS KELLEY,
Assistant Secretary of the Treasury, Washington, D. C.

LONDON, January 21, 1921.

SECRETARY OF STATE,
Washington D. C.:

Your 52, January 20, 7 p. m. Informed that British Government have advanced approximately £6,500,000 to the Greek Government to be used against purchases of commodities by Greece in England. Credit of remaining £3,500,000 has been suspended temporarily on account of accession to the throne, Constantine. Dispatch follows.

Repeated at Paris.

DAVIS.

DEPARTMENT OF STATE,
Washington, January 26, 1921.

DEAR MR. KELLEY: With reference to your letter of January 15, 1921, there is inclosed herewith a copy of a telegram dated January 25, 1921, from the American ambassador at Paris, France, in regard to a book credit for 250,000,000 francs, opened by the French Treasury in favor of Greece.

I sent you under date of January 24 a copy of the reply of the American ambassador at London to the department's telegram of the 20th in this regard.

Very sincerely, yours,

VAN S. MERLE-SMITH.

HON. NICHOLAS KELLEY,
Assistant Secretary of the Treasury.

PARIS, January 25, 1921.

SECRETARY OF STATE,
Washington, D. C.:

Referring to the department's telegram of January 20, 7 p. m., to London, transmitted to me mutatis mutandis. Foreign office states that a book credit for 250,000,000 francs was opened by the Treasury in favor of Greece and that for various reasons Greece has not yet had an opportunity to draw upon this credit, which has remained intact.

WALLACE.

DEPARTMENT OF STATE,
Washington, February 26, 1921.

THE SECRETARY OF THE TREASURY.
(Attention of Mr. Nicholas Kelley, Assistant Secretary.)

SIR: I have the honor to transmit herewith a copy of dispatch No. 2085, dated January 26, 1921, from the American ambassador at Paris, and copies of the inclosures thereto which contain information relative to the advances made by France under the Franco-Anglo-American agreement with Greece, dated February 10, 1918.

I have the honor to be, sir,
Your obedient servant,

NORMAN H. DAVIS,
Undersecretary.
(For the Secretary of State.)

No. 2085.

PARIS, January 26, 1921.

The SECRETARY OF STATE.

Washington.

SIR: In confirmation of my telegram No. 67, January 25, 5 p. m., transmitting in substance the reply given by the foreign office in regard to the advances made to date by the French Government pursuant to the agreement of February 10, 1918, I have the honor to inclose herewith copy and translation of the letter received from Mr. A. Kammerer, director of political and commercial affairs at the foreign office, in reply to the embassy's informal inquiry, and on which my above telegram was based.

I have the honor to be, sir,

Your obedient servant,

HUGH C. WALLACE.

—
AFFAIRES ÉTRANGÈRES,
DIRECTION DES AFFAIRES POLITIQUES ET COMMERCIALES,
25 Janvier, 1921.

MON CHER COLLÈGE: M. de Peretti me dit que vous avez demandé des chiffres précis en ce qui concerne les crédits mis par la France à la disposition de la Grèce en vertu de l'accord franco-anglo-américain avec la Grèce du 10 février 1921 (sic).

Je remarque d'abord que le crédit total de £30,000 (sic) était *un crédit en écriture*. Le Gouvernement français a ouvert pour sa part ce crédit dans les écritures de la Caisse Centrale du Trésor pour 250,000,000 Frs.

Mais pour diverses raisons très compliquées, la Grèce n'avait pas encore eu l'opportunité de tirer sur ces crédits si bien qu'ils sont jusqu'ici restés intacts.

Votre bien dévoué,

A. KAMMERER.

Monsieur HARRISON.

Conseiller de l'Ambassade des États-Unis, Paris.

—
FOREIGN AFFAIRES,
DEPARTMENT OF POLITICAL AND COMMERCIAL AFFAIRS,
January 25, 1921.

MY DEAR COLLEGE: Mr. de Peretti tells me that you have asked him to give you exact figures as regards the credits placed by France at the disposal of Greece under the Franco-Anglo-American agreement with Greece, dated February 10, 1921 (sic).

I observe first of all that the total credit of £30,000 (sic) *was a book credit*. For its part the French Government has operated this credit in the books of the central paying office of the treasury for 250,000,000 francs.

However, owing to various very complicated reasons, Greece has not yet had the opportunity of drawing upon these credits, so that to this date they have remained intact.

Faithfully, yours,

A. KAMMERER.

Mr. HARRISON,

Counselor of the American Embassy, Paris.

CZECHOSLOVAKIA

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SECTION 116.

Czechoslovakia.

Under the Liberty loan acts which authorized the Secretary of the Treasury, with the approval of the President, to make loans to foreign Governments then engaged in war with enemies of the United States for the purpose of prosecuting the war, the Treasury Department made loans to Czechoslovakia in a total amount of \$61,256,206.74. It established credits for Czechoslovakia in a total of \$67,329,041.10. There now remains to the credit of Czechoslovakia in the United States Treasury a sum of \$6,072,834.36. There was no credit established nor were there any cash advances made to Czechoslovakia prior to the termination of the war by the armistice of November 11, 1918, although this money was to be loaned for war purposes under the law. The first credit was established for Czechoslovakia on November 15, 1918, four days after hostilities had ceased, and it amounted to \$7,000,000. The last credit was December 31, 1919, of \$12,000,000. The first cash advance made to Czechoslovakia was November 15, 1918, of \$5,000,000. The last cash advance was September 17, 1920, of \$732,165.64.

In addition to these loans made under the Liberty loan acts, the United States War Department sold to Czechoslovakia surplus war material amounting to a total of \$20,621,994.54. For this sum we now hold the obligations of Czechoslovakia.

The American Relief Commission also sold to Czechoslovakia food-stuffs, amounting in all to \$6,348,653.56. We hold the obligations of Czechoslovakia for this amount also. This makes a total of over \$88,225,000 that we have supplied to Czechoslovakia and for which we have their demand paper.

In order to properly understand the letters which follow a brief résumé of the history of Czechoslovakia is necessary.

Czechoslovakia was a part of Austria-Hungary which contained a large number of Slavic people. There were over 600,000 Czechoslovaks in the Austro-Hungarian Army. Shortly after the war began numerous efforts were made to get that portion of Austria-Hungary to revolt and set up a government of its own.

When Russia finally quit the fight in November, 1917, there were about 300,000 Czechoslovaks who had been taken as willing prisoners in Russia. Fighting contingents were made up of a number of them and they aided the Allies to a certain extent.

France recognized Czechoslovakia as a nation on June 30, 1918. Great Britain recognized her on August 13, 1918.

The United States recognized the *Czechoslovakia National Council* as a "de facto belligerent government clothed with the proper authority to direct political and military affairs of the Czechoslovaks" on September 2, 1918.

The nation was not finally set up as a nation with definite boundaries and a parliamentary form of government until it was so created and set up by the peace treaty, articles 80 to 86, concluded June 28, 1919, and finally ratified by the various countries January 10, 1920.

The attention of the committee is called to the fact that the Liberty loan acts provide that the loans can be made to countries then engaged in war with enemies of the United States for the purpose of prosecuting the war; that Czechoslovakia was not a country in the common sense of the word until it was established by the peace treaty on June 28, 1919, and the money loaned Czechoslovakia could not have been loaned them for the purpose of the prosecution of the war, as the war had ceased, all hostilities were over, and Germany had completely capitulated four days before the first credit was established for Czechoslovakia.

Attention is also called to the fact that throughout the Czechoslovakian correspondence attached hereto both the Treasury Department and the Czechoslovakian representatives were aware of the fact that loans could only be made for war purposes to countries then engaged in war with enemies of the United States, and repeated reference is made to this fact and effort made to circumvent the law by making the statement that the loans are made to prevent the spread of anarchy.

SECTION 116-A.

Recognition of Czechoslovakia National Council as a De Facto Belligerent Government by United States State Department September 3, 1918.

[Not to be used before 12 noon September 3, 1918.]

DEPARTMENT OF STATE.

For the press:

The Secretary of State makes the following announcement:

The Czecho-Slovak peoples having taken up arms against the German and Austro-Hungarian Empires, and having placed organized armies in the field, which are waging war against those Empires under officers of their own nationality and in accordance with the rules and practices of civilized nations; and

The Czecho-Slovaks having, in prosecution of their independent purposes in the present war, confided supreme political authority to the Czechoslovak National Council,

The Government of the United States recognizes that a state of belligerency exists between the Czecho-Slovaks thus organized and the German and Austro-Hungarian Empires.

It also recognizes the Czechoslovak National Council as a *de facto* belligerent government clothed with proper authority to direct the military and political affairs of the Czecho-Slovaks.

The Government of the United States further declares that it is prepared to enter formally into relations with the *de facto* government thus recognized for the purpose of prosecuting the war against the common enemy, the Empires of Germany and Austria-Hungary.

OCTOBER 2, 1918.

MY DEAR MR. PRESIDENT: Mr. McCormick, Mr. Hurley, and I have been investigating further the problems involved in supplying the Czecho-Slovaks, and after careful consideration we now have the following recommendations to submit to you.

1. The cost of purchasing those supplies which are admittedly required by 75,000 Czecho-Slovaks, and the purchase of which is approved by the War Department, will very materially exceed \$1,500,000, the sum which we pre-

viously mentioned to you. Our present estimate is \$4,000,000, and an itemized statement showing how this is reached is inclosed herewith. In addition to the actual purchase price additional sums must be added for such items as freight, insurance, etc., which will bring the total to about \$5,000,000. Our experience of the past two weeks leads us to believe that further purchases will develop as necessary or very desirable. We accordingly recommend in order to avoid the necessity of troubling you personally whenever a new item of expense may arise that the Treasury Department be authorized from time to time to make advances to the Czechoslovak Government, represented by Prof. Masaryk, of sums aggregating \$7,000,000 each, such loan to be first approved by Mr. McCormick, Mr. Hurley, and me, and the moneys to be spent for the purchase and shipment of supplies for the Czechoslovak forces.

Very truly, yours,

B. M. BARUCH.

The PRESIDENT,
The White House, Washington, D. C.

O. K'd,
W. W.

SECTION 117.

Seven-Million-Dollar Loan Approved October 4, 1918.

OCTOBER 4, 1918.

DEAR MR. SECRETARY: I understand that the Department of State has recognized the Czechoslovak Government as a *de facto* belligerent Government at war with Germany. As I have under consideration making advances to said Government under the authority of the second Liberty bond act and the acts amendatory thereof and supplementary thereto, I shall be obliged if you will advise me if my understanding as above stated is correct, and also whether the Department of State can affirmatively advise me that, in its opinion, the necessary formalities have been complied with, so that the obligations of the Czechoslovak Government, when executed in conformity with the documents furnished to you and by such person as you shall designate to the Treasury Department, would be regarded by the Department of State as valid and binding internationally, and would have its sanction.

Cordially, yours,

WM. G. MCADOO.

The SECRETARY OF STATE.

OCTOBER 4, 1918.

DEAR MR. PRESIDENT: I understand that the Department of State has recognized the Czecho-Slovak Government as a *de facto* belligerent government at war with Germany, and that said Government is urgently in need of funds to make purchases in the United States for the purpose of prosecuting the war. In order to enable me to make loans to the Czecho-Slovak Government for such purpose I ask your authority for the establishment of a credit in its favor in the amount of \$7,000,000.

Cordially, yours,

WM. G. MCADOO.

The PRESIDENT,
The White House.

THE WHITE HOUSE, October, 1918.

Approved.

OCTOBER 8, 1918.

DEAR MR. BARUCH: The President has authorized the establishment of a credit of \$7,000,000 in favor of the Czecho-Slovak Government, and I understand that you desire that the advances from that credit be made only after advices from you, Mr. McCormick, and Mr. Hurley, so that you will have an opportunity to pass upon the proposed expenditures.

I understand that the following method of procedure, which we discussed the other day, meets with your approval. After the Department of State has furnished the Treasury Department the advices necessary to enable the Treasury to make the advances against the obligations of Czecho Slovak Government,

as that Government desires round amounts of cash advanced against its obligations, you, Mr. McCormick, and Mr. Hurley, will advise the Secretary of the Treasury of your approval of such request on the part of the Czecho-Slovak Government.

The amounts advanced by the Secretary of the Treasury are to be deposited by the Czecho-Slovak Government with the banking institution which you have designated, namely, the Central Union Trust Co. of New York, to be held and paid out by it on the check of the Czecho-Slovak Government or its representative, but only when bearing such countersignature or countersignatures as you and your colleagues shall designate.

A purchasing agreement is being prepared for execution by the Czecho-Slovak Government. If there are any other points which it is desired should be covered in the understanding between the Treasury and the Czecho-Slovak Government, will you kindly advise me, and I will appreciate it if you will inform me in due course of the individual or individuals who are to countersign checks of the Czecho-Slovak Government drawn on the Central Union Trust Co. of New York.

Very truly, yours,

ALBERT RATHBONE.

Mr. BERNARD H. BARUCH,
*Chairman War Industries Board,
Council of National Defense Building, Washington, D. C.*

DEPARTMENT OF STATE,
Washington, November 14, 1918.

MY DEAR MR. SECRETARY: In response to your letter of October 4, I take pleasure in advising you that the United States Government on September 3, 1918, accorded recognition to the Czechoslovak National Council as a *de facto* belligerent Government clothed with proper authority to direct the military and political affairs of the Czecho-Slovaks. The Czechoslovak National Council is, in the opinion of this department, a foreign Government engaged in war with the enemies of the United States. I am of the opinion that obligations executed at this time by President Masaryk in the name and on behalf of the Czechoslovak National Council, purchased at par by the Secretary of the Treasury under the authority of the Liberty bond acts, will be valid and binding internationally, and such obligations will have the sanction of this department.

I am, my dear Mr. Secretary,

Very sincerely, yours,

ROBERT LANSING.

THE SECRETARY OF THE TREASURY.

SECTION 118.

Treasury Department Doubted Its Legal Authority to Make Czechoslovakian Loan, so Fixed Matter Up with President Wilson and State Department.

DEPARTMENT OF STATE,
Washington, November 2, 1918.

MY DEAR MR. SECRETARY: I have received your letter of October 4, asking to be advised if your understanding is correct that the Czechoslovak National Council has been recognized as a *de facto* belligerent Government in the present war, and whether the Department of State can affirmatively express its opinion that the necessary formalities have been complied with so that the obligations of the Czechoslovak Government when issued for advances made to that Government under the authority of the second Liberty bond act and acts amendatory thereof and supplementary thereto would be regarded by this department as valid and binding internationally, and would have its sanction.

In reply I have to advise you that on account of the delay which would inevitably be consequent upon obtaining the necessary documents from Paris in order to be in a position to make the statement which you desire, inquiry was made of the President as to whether, pending the delay, he desired to direct that preliminary advances be made as a matter of policy, pending the clearing up of the legal situation. From his approval of your letter I understood that

the President preferred that the legal formalities be complied with before advances were made, and I have therefore delayed answering your letter until the necessary information could be obtained from Paris. From the information at hand I am in a position to make the following statement:

The Czechoslovak National Council, with headquarters at Paris, has been recognized by France, Great Britain, Italy, and the United States. The recognition by the United States was accorded on September 3, 1918, in a public announcement issued by the Secretary of State (copy inclosed), in which it was stated that the United States "recognizes the Czechoslovak National Council as a *de facto* belligerent Government, clothed with proper authority to direct the military and political affairs of the Czechoslovaks." From the information at hand it appears that the Czechoslovak Army in Siberia and in Europe recognize the authority of the Czechoslovak National Council as having complete control over their organization and movements. The recognition of the national council, the number and functions of its officers, and the authority of President Masaryk to enter into loan obligations are set forth in the inclosed telegrams of October 22 and 28 from Paris. While the documents set forth in these telegrams show that President Masaryk has the authority to enter into loan engagements with foreign countries, yet it is necessary to take into consideration the fact that the Czechoslovak National Council, as it has been recognized, is merely a provisional government, and that the Czechoslovak Nation has not as yet attained complete independence. During the present transitional stage of its existence, therefore, I am not in a position to state more than that, in my opinion, the obligations entered into by President Masaryk for the advances made by the Treasury Department under the Liberty bond acts will in honor bind the present *de facto* belligerent Czechoslovak Government to recognize these obligations as valid and binding internationally, and to confirm recognition of them by appropriate legal measures should the independence of the nation be hereafter established. On this understanding the advances have the sanction of this department.

I am, my dear Mr. Secretary,

Very sincerely, yours,

ROBERT LANSING.

The SECRETARY OF THE TREASURY.

Memorandum re obligations of the Czecho-Slovak Government:

The Secretary of State the early part of September, 1918, on behalf of the United States Government, recognized that a state of belligerency existed between the Czecho-Slovaks, organized in such manner that supreme political authority was confided in the Czecho-Slovak National Council and the German and Austro-Hungarian Empires, and that the Czecho-Slovak National Council was a *de facto* belligerent government clothed with proper authority to direct the military and political affairs of the Czecho-Slovaks.

Apparently the Czecho-Slovak National Council, by action taken September 26, 1918, established itself or attempted to establish itself as the provisional government of the Czecho-Slovak countries. The American ambassador in Paris has received and forwarded to the Department of State all the documents and laws, including the constitution, pertaining to the subject of the authority of the Czecho-Slovaks to contract foreign loans.

Apparently Prof. Masaryk was president of the council, and by decree of February 10, 1916, as such was authorized to contract loans, to sign in the name of the council all financial agreements and obligations, to receive all funds and advances, and dispose of them in accordance with the decisions already adopted. When the Czecho-Slovak provisional government was established on September 26, 1918, Prof. Masaryk was made the president and minister of finance, the special functions which previously belonged to the president of the council, were vested in Prof. Masaryk as president and minister of finance.

The national council having been merged into the provisional government, it would seem that any advance made by the United States should be made to the provisional government and not to the national council.

Whether a loan can be made depends on whether the Department of State can say it is of the opinion—

1. The Czecho-Slovak provisional government is a foreign government engaged in war with the enemies of the United States.

2. That the obligations of that government when signed by the person designated are valid and binding internationally and have the sanction of the Department of State.

It would seem that these questions are political and involve a determination by the Department of State as to whether it is prepared to recognize the independence of the Czecho-Slovak nation—irrespective of its boundaries—and the provisional government. If so, in view of the telegrams received from the American ambassador on the subject, there can be little doubt that the authority to execute demand notes for money received is vested in Prof. Masaryk. On the other hand, if the State Department is not prepared to give the requisite recognition to the Czecho-Slovaks it would seem that the Treasury is without power to purchase the obligations under the terms of the bond act.

NOVEMBER 14, 1918.

Memorandum for Mr. Rathbone:

The Secretary wants at once to send a letter to the President inclosing a copy of the letter received from the Secretary of State concerning the Czecho-Slovak Government, together with a brief statement of our minimum requirement. Will you please prepare such a letter for his signature?

R. C. LEFFINGWELL.

NOVEMBER 14, 1918.

DEAR MR. PRESIDENT: I spoke to you yesterday about the character of letter to be addressed by the State Department to the Treasury Department as a basis for the proposed loans to the Czecho-Slovak National Council. I inclose the desired form, marked "Exhibit A." I also inclose as "Exhibit B" a letter addressed to me by the Secretary of State on November 2 (you need read only the first, second, and last page), which is not, I regret to say, an opinion upon which I would feel justified under the existing law in making advances to the Czecho-Slovak National Council.

If you will be good enough to ask the Secretary of State to send me an opinion along the lines of "Exhibit A," we can proceed, I think, with safety.

Cordially, yours,

The PRESIDENT,
The White House.

NOVEMBER 14, 1918.

Draft of letter of Treasury Department needs in order to make advances to Czechoslovak Provisional Government.

MY DEAR MR. SECRETARY: In response to your letter of October 4 I take pleasure in advising you that the United States Government on September 3, 1918, accorded recognition to the Czechoslovak National Council as a de facto belligerent government clothed with proper authority to direct the military and political affairs of the Czechoslovaks. The Czechoslovak National Council is, in the opinion of this department, a foreign Government engaged in war with the enemies of the United States. I am of the opinion that obligations executed at this time by President Masaryk in the name and on behalf of the Czechoslovak National Council, purchased at par by the Secretary of the Treasury under the authority of the Liberty bond acts, will be valid and binding internationally, and such obligations will have the sanction of this department.

Secretary of State.

DEPARTMENT OF STATE,
Washington, November 14, 1918.

MY DEAR MR. SECRETARY: In response to your letter of October 4, I take pleasure in advising you that the United States Government on September 3, 1918, accorded recognition to the Czechoslovak National Council as a de facto belligerent government clothed with proper authority to direct the military and political affairs of the Czechoslovaks. The Czechoslovak National Council is, in the opinion of this department, a foreign Government engaged in war with the enemies of the United States. I am of the opinion that obligations executed at this time by President Masaryk in the name and on behalf of the Czecho-

slovak National Council, purchased at par by the Secretary of the Treasury under the authority of the Liberty bond acts, will be valid and binding internationally, and such obligations will have the sanction of this department.

I am, my dear Mr. Secretary,
Very sincerely, yours,

ROBERT LANSING.

The honorable the SECRETARY OF THE TREASURY.

SECTION 119.

Treasury Department States Loan Can Only Be Made for War Purposes.

NOVEMBER 15, 1918.

DEAR MR. HURLEY: A letter dated November 15, addressed to the Secretary of the Treasury and signed by Mr. Baruch and Mr. McCormick, has been duly received. The advance of \$5,000,000 to Czechoslovak National Council has been made. I desire, however, to call to your attention in this connection that under the Liberty bond acts giving the Secretary of the Treasury authority to make this advance the amounts advanced must be expended only for the purpose of prosecuting the war. This department has made it plain in writing to Prof. Mazaryk that the advance is to be spent only for the war purposes of the Czechoslovak National Council, and I will be obliged if, so far as commitments are made by Czechoslovak National Council under the direction of yourself, Mr. McCormick, and Mr. Baruch, and so far as Czechoslovak National Council checks are countersigned by the persons from time to time designated by yourself, Mr. McCormick, and Mr. Baruch, you will see that no commitments to be paid for out of this advance and no payments from said advance are made for other than war purposes. The Secretary of the Treasury has no authority to make advances for reconstruction purposes, and no part of the sum advanced can be used for such purpose.

For your information, I inclose herewith a copy of my letter of even date to Prof. Mazaryk. I am writing a similar letter to Mr. McCormick and to Mr. Baruch.

Very truly, yours,

ALBERT RATHBONE.

MR. EDWARD N. HURLEY,
Chairman Shipping Board,
1319 S Street NW., Washington, D. C.

SECTION 120.

Great Britain, a Heavy Debtor to the United States, Endeavors to Negotiate a Loan to Czechoslovakia and Receive Certain Customs Concessions as Security.

DEPARTMENT OF STATE,
Washington, May 19, 1919.

The Acting Secretary of State presents his compliments to the honorable the Secretary of the Treasury and has the honor to transmit herewith a paraphrased copy of a telegram from the American Mission at Paris, dated May 15, embodying a message from the American consul at Prague regarding negotiations for a loan to Czechoslovakia.

Inclosure: Paraphrase of telegram May 15, 1919, from American Mission at Paris.

CABLE MESSAGE FROM THE AMERICAN MISSION AT PARIS NO. 2122, MAY 15, 1919,
6 P. M. (PARAPHRASE.)

The telegram embodies a confidential message from the American consul at Prague. Consul Young has learned that a representative of British banks is endeavoring to negotiate a loan of £10,000,000 with the present Government. He demanded, in addition to excellent securities, certain customs concessions, but the latter proposition was refused. While the Government has not yet

reached an agreement with him, it is his impression that the Government is waiting in the hope of receiving monetary terms from other sources. This representative advised Consul Young's informant, an American Army officer, that it was the desire of the Government to obtain £25,000,000, but that the representative's principles believe that an advance of ten millions will be enough.

In the event that the Government of the United States is interested, Consul Young desires to be informed in order that he may approach the minister of finance.

SECTION 121.

Seven Million Dollars Credit Established and \$5,000,000 Advance Made November 15, 1918.

CONSEIL NATIONAL TCHECOSLOVAQUE.

Washington, D. C., November 15, 1918.

The SECRETARY OF THE TREASURY.

Washington, D. C.

MY DEAR MR. SECRETARY: I have the honor to request that a credit of \$7,000,000 be established in favor of my Government, and that against such credit an advance in the amount of \$5,000,000 be made on November 15, 1918, to my Government, in order to enable it to make cash payments immediately required for the purchase and transport of supplies purchased in the United States, by arrangements made with Messrs. Vance C. McCormick, Bernard M. Baruch, and Edward N. Hurley, for the Czecho-Slovak forces now in Siberia.

Inclosed is a statement of the expenditures necessary forthwith to be made out of said advance. My Government is at the present time without dollar funds sufficient to meet any part of said expenditures. I have the honor to request that said advance be deposited to the credit of the Czecho-Slovak National Council, with Central Union Trust Co., of New York, to be withdrawn only by checks bearing the counter-signature of the person or persons from time to time designated to said trust company by Messrs. McCormick, Baruch, and Hurley, or any two of them, with whom arrangements have been made to make such designation.

I am, my dear Mr. Secretary,

Very truly yours,

T. G. MASARYK.

NOVEMBER 15, 1918.

DEAR MR. MCCORMICK: Your letter of November 15 addressed to the Secretary of the Treasury and signed by Mr. Baruch and yourself has been duly received. The advance of \$5,000,000 to Czecho-Slovak National Council has been made. I desire, however, to call to your attention in this connection that under the Liberty bond acts giving the Secretary of the Treasury authority to make this advance, the amounts advanced must be expended *only for the purpose of prosecuting the war*. This department has made it plain in writing to Prof. Masaryk that the advance is to be spent only for the war purposes of the Czecho-Slovak National Council, and I will be obliged if so far as commitments are made by Czecho-Slovak National Council under the direction of yourself, Mr. Baruch, and Mr. Hurley, and so far as Czecho-Slovak National Council checks are countersigned by the persons from time to time designated by yourself, Mr. Baruch, and Mr. Hurley, you will see that no commitments to be paid for out of this advance and no payments from said advance are made for other than war purposes. The Secretary of the Treasury has no authority to make advances for reconstruction purposes, and no part of the sum advanced can be used for such purpose.

For your information I inclose herewith a copy of my letter of even date to Prof. Masaryk. I am writing a similar letter to Mr. Baruch and to Mr. Hurley.

Very truly, yours,

ALBERT RATHBONE.

MR. VANCE C. MCCORMICK,

War Trade Board, Washington, D. C.

SECTION 122.

Ten Million Dollar Loan Asked, November 15, 1918.

CONSEIL NATIONAL TCHECOSLOVAQUE,
Washington, D. C., November 15, 1918.

The SECRETARY OF THE TREASURY,
Washington, D. C.

MY DEAR MR. SECRETARY: I have the honor to request that a credit of \$10,000,000 be established in favor of my Government, in order to enable it to have funds at its disposal for general war purposes, this to be in addition to the \$7,000,000 loan being requested by me contemporaneously.

These funds supplied and made immediately available for the new political entity will be of the greatest value to my Government in meeting its many and complex problems. My Government is at the present time without dollar funds sufficient to meet any part of such expenditures.

I am, my dear Mr. Secretary,
Yours, very truly,

T. G. MASARYK.

SECTION 122-A.

Commission to Make Purchases Could Not Obligate the United States to Make Advances or Establish Credits.

Memorandum of an arrangement entered into this 15th day of November, 1918, by the Secretary of the Treasury, with the approval of the President of the United States, and Thomas G. Masaryk acting for and on behalf of the Czecho-Slovak National Council, hereinafter called the Czecho-Slovak Government.

The following arrangement is entered into as one of the arrangements necessary or desirable for establishing such credits in the United States for the Czecho-Slovak Government as may from time to time be determined by the Secretary of the Treasury, with the approval of the President, under the authority of the act of Congress approved April 24, 1917, and subsequent similar acts:

1. Bernard M. Baruch and Robert S. Brookings are hereby designated a commission through whom or with whose approval or consent all purchases in the United States of materials and supplies by or on behalf of the Czecho-Slovak Government shall be made.

2. The Czecho-Slovak Government, from time to time, shall communicate its requirements for materials and supplies to the commission, through such person or persons as shall be from time to time designated to the commission as empowered by the Czecho-Slovak Government to make purchases on its behalf.

3. It shall be the duty of the commission to use their best efforts to obtain offers of the materials and supplies, as shown to be required, at the best obtainable prices and terms, of delivery and otherwise, and to submit the same to the said person or persons representing the Czecho-Slovak Government, but it shall be no part of the duty of the commission to prepare and sign contracts, or to supervise their execution, or to determine technical details, or to carry out the inspection of materials, all of which matters shall be the concern of the Czecho-Slovak Government. Said Government shall be under no obligation to make purchases of materials and supplies at the prices and upon the terms so submitted by the commission, but it is agreed that it shall not during the continuance of this arrangement make purchases in the United States otherwise than through or with the approval or consent of the commission. Such approval of the commission may be given from time to time, according to the circumstances of each case, with reference to purchases of a specified general character, or specifically with reference to stated transactions; and the commission may, according to the circumstances of each case, determine from time to time to give its consent, with reference to purchases of a specified general character or specifically with reference to stated transactions, that the same be made without the intervention of the commission.

4. The commission shall determine their own organization and rules and methods of procedure, and may employ counsel and clerical assistance, all subject to the approval of the Secretary of the Treasury. The commission shall be under no liability except in good faith to use their best efforts as aforesaid. The expenses of the commission and their compensation, which together shall not exceed \$150,000 per annum, shall be borne by the Czecho-Slovak Government. It is understood that such expenses and compensations shall be borne by the foreign Governments which have entered or may enter into similar arrangements in proportion to their respective purchases through the commission.

5. Any or all members of the commission may be removed by the President of the United States, who may from time to time fill vacancies and designate an additional member or members of the commission or reduce the number of members of the commission.

6. This arrangement shall continue until the expiration of 90 days after written notice shall have been given by the Secretary of the Treasury to the Czecho-Slovak Government, or by the Czecho-Slovak Government to the Secretary of the Treasury, of his or its desire to terminate the same; but in no case shall this arrangement continue beyond the termination of the war between the United States and its enemies.

7. Any notice hereunder to the Secretary of the Treasury shall be deemed sufficiently given if delivered at the State Department in Washington for transmission to the Secretary of the Treasury. Any notice hereunder to the Czecho-Slovak Government shall be deemed sufficiently given if delivered, addressed to said Czecho-Slovak Government or to its agent designated as herein provided.

8. *Nothing herein contained, expressed or implied, nor anything done or omitted by the commission, shall impose any obligation or liability upon the United States, whether to advance moneys, to establish credits, or otherwise.*

W. G. MCADOO.
T. G. MASARYK.

PARIS, December 19, 1918.

THE SECRETARY OF STATE,
Washington.

Important 6370, December 19, 12 a. m.

Your 6546, December 16, 6 p. m. Am in receipt of a note from the ministry of foreign affairs of the Czecho-Slovak Republic transmitting a copy of the powers given to Mr. Charles Pergler, a close translation of which follows:

"Decisions of the Government of the Czecho-Slovak Republic of December 11, 1918. The Government of the Czecho-Slovak Republic confers to Mr. Charles Pergler the full powers to negotiate and conclude loans, to sign obligations, and to receive the sums which may be advanced to him.

"T. G. MASARYK,
"President of the Republic.
"DOCTOR EDWARD BENES,
"Minister of Foreign Affairs."

Dispatch follows.

SHARP.

SECTION 123.

Ten Million Dollars Credit to Be Used for Civilian Foodstuffs and Not to Prosecute the War.

CZECHO-SLOVAK NATIONAL COUNCIL,
OFFICE OF COMMISSIONER IN THE UNITED STATES,
Washington, D. C., January 13, 1919.

THE SECRETARY OF THE TREASURY,
Washington, D. C.

MY DEAR MR. SECRETARY: Referring to the \$10,000,000 credit, the establishment of which Prof. Masaryk requested in his letter addressed to the Secretary of the Treasury dated November 15, 1918, I desire to ask that an immediate advance be made from the United States Treasury of \$4,800,000, and shall be

obliged if it is deposited in the Central Union Trust Co. of New York to the credit of Czecho-Slovak Republic.

The money is to be used entirely to meet purchases and expenditures in the United States. Arrangements are being made with the United States Food Administration to ship to Czechoslovakia, *for use in that country*, pork and pork products at an estimated cost of \$3,873,000; condensed milk at a cost of approximately \$280,000. It is estimated that the freight and ocean charges on the above, payable in dollars, will be \$560,000. Insurance on the proposed shipments is estimated at a cost of \$47,000.

I estimate that the expenses connected with maintaining the legation in Washington and administration charges for the period of three months next ensuing will amount to approximately \$50,000.

The pork, pork products, and milk that I have mentioned are urgently needed for use in my country *to prevent starvation* or shortage of food which might have serious consequences, and *I trust that you will feel as a military measure* that this advance is essential to my Government, which has no other funds available to defray the cost of same.

In addition to the expenditures above mentioned the representatives of my Government in Europe are in negotiation with the American Expeditionary Forces for the purchase of 20,000 military overcoats at a cost of approximately \$400,000. These overcoats are needed for the Czecho-Slovak Italian Army, and as soon as the negotiations are concluded I am planning to request a further advance from the Treasury in an amount sufficient to pay for the same. This payment will be made in dollars to the proper representatives of the War Department. I should be glad if you could indicate to me whether the Treasury is prepared to make an advance for this purpose.

I am, my dear Mr. Secretary,

Very truly, yours,

CHARLES PERGLER.

JANUARY 13, 1919.

MY DEAR MR. PERGLER: I have the honor to acknowledge the receipt of your letter of even date addressed to the Secretary of the Treasury, and take pleasure in advising you that the Secretary of the Treasury has established in favor of the Czecho-Slovak Republic a credit in the amount of \$10,000,000, to be made available to your Government against its duly executed obligations in a corresponding amount, to such extent, at such times and for such purposes as may be hereafter agreed.

In accordance with the request contained in your letter above mentioned, the Treasury will to-day advance to your Government, against its duly executed obligation in a corresponding amount, the sum of \$4,800,000, on the understanding that this amount will be expended wholly within the United States and *for the purposes* set forth in your letter above referred to.

In regard to the negotiations now proceeding for the purchase of 20,000 overcoats from the American Expeditionary Forces for the use of the Czecho-Slovak Italian Army, the Treasury will be prepared out of the \$10,000,000 credit established in favor of your Government and against the duly executed obligation of your Government, to advance substantially the sum of \$400,000 if and when needed to make payment for the overcoats above mentioned, to be used as indicated in your letter. This assurance is given you for your personal use and for the use only of the representatives of your Government negotiating the arrangement aforesaid, and the Treasury will not feel obligated to make an advance for the purpose indicated unless required within the next 30 days. In case it becomes apparent that the negotiations will not be concluded within that time, I suggest that you bring the matter again to the Treasury's attention in order to ascertain whether in the light of the circumstances as they then exist the Treasury will be prepared to advance at a later date to your Government the amount mentioned for the purpose aforesaid.

I am, my dear Mr. Pergler,

Very truly, yours,

ALBERT RATHBONE.

CHARLES PERGLER, Esq.,

Commissioner, Czecho-Slovak Republic, Washington, D. C.

SECTION 124.

Four Million Five Hundred Thousand Dollars Used for Pork and Milk for Civilians; \$50,000 to Be Used for Office Expenses in United States.

THE CZECHO-SLOVAK REPUBLIC,
OFFICE OF COMMISSIONER IN THE UNITED STATES.
Washington, D. C., February 17, 1919.

MR. ALBERT RATHBONE,
Assistant Secretary, Treasury Department,

Washington, D. J.

MY DEAR MR. RATHBONE: I have just been informed by the Food Administration that they have received the following cablegram:

"Czecho-Slovak Governments have purchased additional 10,000 tons flour, 3,500 tons pork products, 400 tons milk. Have asked them cable their representative turn over to you additional \$4,500,000."

Owing to the fact that I am leaving to-night with Mr. Capek, my other secretary, for Richmond, and will be back in the evening of the 19th, I am having my secretary, Miss Kazamek, submit this to you at once, so as to advise you of the situation. It was my original intention to write you a letter along the lines of the one dated January 13, 1919. But it occurred to me that perhaps you would desire a special wording, and for that reason I am not writing it at the present time, and am leaving the matter for the morning of the 20th, because the preparation of the letter of itself is a mere formality.

On the morning of the 20th, assuming you will find it possible to grant me an appointment, I shall submit to you also a statement of the present condition of our account, which I am turning over also to Mr. May. As usual in such cases where there is not sufficient experience to base estimates upon, my estimates have been fairly low, and I trust the Treasury will find it possible to grant me another *\$50,000 for administration purposes in this country*. With your assent, I would include this request in the present transaction, so as to avoid the necessity of asking specially for \$50,000 later on.

This cablegram caught me just before leaving for Richmond, and that accounts for the crudity of the letter, which I trust you will pardon.

Will you kindly have your secretary notify my office, the phone being Columbia 2264, whether I can see you on the morning of the 20th, and of the time?

Thanking you in advance, I am,

Very truly, yours,

CHARLES PERGLER, *Commissioner*.

SECTION 124-A.

Loan Requested Not to Prosecute the War But to Prevent Anarchy Locally.

THE CZECHO-SLOVAK REPUBLIC,
OFFICE OF COMMISSIONER IN THE UNITED STATES.
February 20, 1919.

DEAR MR. RATHBONE: Supplementing my letter to you of the 17th instant, I am submitting to you herewith a statement of the account of my Government dealing with the advance made to my Government by the Secretary of the Treasury on January 13, 1919, in the amount of \$4,800,000. As you will perceive, there remains an unexpended balance of this fund of \$296,178.40. My Government will be required to make at once payment to the United States Food Administration to cover the cost of 10,000 tons of flour, 3,500 tons of pork products, 400 tons of milk, and insurance, freight, and other charges in connection therewith of \$4,500,000.

In order to meet the requirements above mentioned I request the United States Treasury on February 21, 1919, to advance to my Government the sum of \$4,300,000 out of the unexpended balance of the \$10,000,000 credit previously established in favor of my Government. Upon receipt of the amount of such advance I will at once turn over to the Food Administration Grain Corporation \$4,500,000 in order to obtain the delivery of the flour, pork products, and milk hereinbefore mentioned. These commodities are urgently needed for use in my country *as a military necessity in order to prevent anarchy*.

My Government is without resources to meet its requirements above mentioned other than by means of the advance requested of the United States Treasury.

Please accept my assurance that this advance, if made, as well as the advances heretofore made my Government by the United States Treasury, will be used only to pay for expenditures in the United States which have been previously approved by the United States Treasury, and if it should transpire that the advances made are more than sufficient in amount to provide for such approved requirements of my Government in the United States my Government will, upon the request of the Secretary of the Treasury, make payment to him of any balance remaining of such advances to be applied as a partial payment on account of any of the obligations of my Government held by the United States Government.

There remains an unexpended balance of the \$5,000,000 advanced to my Government by the United States Treasury on November 15, 1931. This balance is held for the use of the military forces of my Government now in Russia or Siberia. This fund can only be disbursed with the consent of the representative of Messrs. Baruch, Hoover, and McCormick.

Very truly, yours,

CHARLES PERGLER.

Hon. ALBERT RATHBONE,
Assistant Secretary of the Treasury,
Washington, D. C.

FEBRUARY 20, 1919.

DEAR MR. PERGLER: I take pleasure in acknowledging receipt of your letters of the 17th and 19th instant asking for a further advance to your Government from the unexpended balance of the credit established in its favor by the Secretary of the Treasury in the amount of \$10,000,000 on the 21st instant the sum of \$4,300,000.

The Treasury will be prepared to advance to your Government said amount on the date above mentioned against its duly executed obligation in a corresponding amount for the purposes and on the understandings set forth in your letter of February 19 above referred to.

I am, my dear Mr. Pergler,

Very truly, yours,

ALBERT RATHBONE.

Mr. CHARLES PERGLER,
Commissioner Czecho-Slovak Republic,
Washington, D. C.

SECTION 125.

United States State Department Admits That Authority to Make Foreign Loans Only Extends to National Defense and Prosecution of the War.

PARAPHRASE OF CABLEGRAM NO. 777. FROM AMERICAN MISSION AT PARIS, FRANCE,
DATED FEBRUARY 16 AT 5 P. M.

The following is from Lansing:

A communication dated 11th of February has been received from Benes, Czecho-Slovak minister of foreign affairs, in which he requests a loan of \$100,000,000 from the Government of the United States. In his note of three and a half pages, the minister outlines the reasons for this request, as follows:

1. On account of the exhaustion of the previous loan of \$20,000,000 from the United States.
2. It is impossible to obtain without a loan *the necessary food and raw material for 13,000,000 people.*
3. England and France are unable to make a loan to the Czecho-Slovak State, as both of these countries are themselves demanding money from the Government of the United States.
4. The 15,000,000,000 Austrian crowns in circulation at the present time in Czecho-Slovakia have to a large extent lost their value and will be wholly worth-

less if an attempt is made by the State to use them as security for foreign purchases.

5. *The State will fall into a financial and economic crisis if it does not receive foreign credit, and it will not be possible for it to escape from this crisis.*

Mr. Benes is being advised that his request is being submitted to the State Department for its consideration.

It is my desire that the matter in question be taken up through the regularity of the State Department and the Treasury Department. However, the representatives of the Treasury Department in Paris at the present time are being furnished with a copy of this note and it is being sent to you by courier.

ADMISSION.

FEBRUARY 20, 1919.

SIR: I have the honor to acknowledge the receipt from the Department of State of a paraphrase of a cable (No. 777), dated February 16, from Secretary Lansing regarding a communication received from Mr. Benes, Czecho-Slovak minister of foreign affairs, in which a loan of \$100,000,000 is requested from the Government of the United States. Mr. Pergler, the representative here of the Czecho-Slovak Government, spoke to me this morning in regard to such a loan.

I explained to Mr. Pergler that the Secretary of the Treasury was authorized only to make loans for the purpose of the national security and defense and the prosecution of the war, and suggested to him the advisability of ascertaining from his Government its immediate requirements in this country which could properly come within that limitation. I also endeavored to impress on Mr. Pergler the necessity of his Government making commercial arrangements to care for such credits as his Government required in the United States to deal with purchases required for the economic reconstruction of his country.

I desire to call attention to item 3 in the cable above mentioned, reading as follows: "England and France are unable to make a loan to the Czecho-Slovak State, as both of these countries are themselves demanding money from the Government of the United States." You will appreciate that because England and France require credits to enable them to make purchases in the United States does not in any way prevent these countries from making advances to the Czecho-Slovak Government to cover such purchases as that Government may desire to make within the British Empire or in France.

In view of the demands which are being made upon the United States Treasury and the large amounts which this Government is obliged to raise by taxation and the issue of its bonds or other obligations, the Treasury has taken the position that the foreign Governments should not ask advances from the United States for purposes other than the expenditure thereof within the United States and for products of the United States.

Respectfully, yours,

ALBERT RATHBONE.

THE ACTING SECRETARY OF STATE.

SECTION 126.

Eighteen Million Dollars Asked for Feeding the Civilian Population—This O. K'd by Hoover.

THE CZECHO-SLOVAK REPUBLIC,
OFFICE OF COMMISSIONER IN THE UNITED STATES,
March 3, 1919.

MY DEAR MR. SECRETARY: The minister of foreign affairs of the Czecho-Slovak Republic informs me that *he has agreed with Mr. Herbert Hoover, director general of the American Relief Administration, upon a plan of food supplies and payments therefor*, and it is believed that the sum of \$18,000,000 will prove sufficient to meet the *needs of the population of the Republic for the months of March and April of this year*. This information is contained in a cablegram dated February 28, 1919, addressed to me, and prior to that I had another cablegram from the minister of foreign affairs to the effect that without this aid the Czecho-Slovak Republic would be in extreme difficulties, in view of the necessity for immediate payments for food supplies which are needed as a military necessity in order to prevent anarchy.

I have, therefore, the honor respectfully to ask that a credit of \$18,000,000 be established in favor of my Government in order to enable it to have funds at its disposal for the purpose of purchasing food supplies necessary to provide for the needs of the Czecho-Slovak Republic as above indicated. My Government is without resources to meet its requirements above mentioned, other than by means of a credit as requested.

I am, my dear Mr. Secretary,
Your obedient servant,

CHARLES PERGLER, *Commissioner.*

The SECRETARY OF THE TREASURY,
Washington, D. C.

MARCH 3, 1919.

DEAR MR. PERGLER: I have the honor to acknowledge receipt of your letter of the 3d instant asking the establishment of a further credit in favor of your Government by the Secretary of the Treasury in the amount of \$18,000,000. I note that this amount is estimated to be sufficient to meet the *needs of the population of your country for food for the months of March and April of this year*, and that this food is needed as a military measure in order to prevent anarchy.

I take pleasure in informing you that the Secretary of the Treasury has established a credit in favor of your Government in the sum of \$18,000,000, to be advanced from time to time against the duly executed obligations of your Government in such amounts and to such extent as the Secretary of the Treasury shall determine.

I am, my dear Mr. Pergler,
Very truly, yours,

ALBERT RATHBONE.

MR. CHARLES PERGLER,
Commissioner Czecho-Slovak Republic,
Washington, D. C.

MARCH 8, 1919.

DEAR MR. PERGLER: I have just received a cable from Europe which indicates that in the opinion of Mr. McCormick and Mr. Baruch there is no reason why the unexpended balance remaining in your account with the Central Union Trust Co. should not be used for *the purpose of providing for the food supplies which*, with the approval of this department, may be purchased of the Food Administration for use in your country. Messrs. McCormick and Baruch take the same view as to the \$2,000,000 of the \$7,000,000 credit which has not yet been advanced to your Government.

In view of this information, when arrangements are made for the supply of additional food to your Government, I think it would be advisable that your Government should use the unexpended balance of the account above mentioned before resorting to the new credit recently established in favor of your Government and designed to meet its food requirements for March and April, 1919. If the course thus suggested is followed there should remain at the end of the 2-months' period credits in favor of your Government which have not been availed of. This department will then be prepared to discuss with you whether to withdraw these credits or to make them available to cover required food purchases in the United States for a further period.

I am, my dear Mr. Pergler, very truly, yours,

ALBERT RATHBONE.

MR. CHARLES PERGLER,
Commissioner Czecho-Slovak Republic.

MEMORANDUM REGARDING CREDITS AND ADVANCES TO CZECHO-SLOVAKS.

TREASURY DEPARTMENT,
Washington, March 18, 1919.

Credits have been established in favor of the Czecho-Slovaks in the amount of \$35,000,000. Twenty-eight million dollars of such credits were established for the purpose of providing for food to be furnished in Czechoslovakia through the

month of April, 1919. Of that \$28,000,000 of credits there has been advanced \$9,100,000. The remaining credit established in favor of the Czecho-Slovaks, \$7,000,000, was established for the purpose of caring for their military expedition in Siberia. Of this amount \$5,000,000 has been advanced.

Of the amounts advanced the Czecho-Slovaks for their Siberian purposes, the Treasury is informed that there has been actually spent and that commitments have been made up to something under \$4,000,000, leaving \$1,000,000 unexpended, and as to which no obligations have been made. It is expected there will be no further need for this cash or this additional credit, except the matter of transporting certain invalid soldiers now in Siberia to Trieste has just come up as an emergency matter. The War Trade Board advises that the probabilities are that this can be done without resorting to the cash heretofore advanced the Czecho-Slovaks for use in Siberia, or the balance of the credit established for Siberian purposes, but that there is a possibility that there may be some cost involved in this transaction. At the outside, in the judgment of the War Trade Board, this cost will not amount to more than \$1,000,000, and the War Trade Board will be able, in the course of a short time, to give more definite figures as to this possible outside cost.

So far as the credits established for Siberian uses and the cash advanced for that purpose is not required for this purpose, or for commitments already made in regard to expenses in Siberia, it is designed to use the same for food purposes during the period up to May 1; the credit heretofore established for food purchases being reduced by a corresponding amount; that is, it is not intended by the use of these unexpended funds or credits established for the Siberian purpose to increase the amount of food to be purchased for Czecho-slovakia up to May 1. In order to deal with the situation the Treasury proposes, in case the War Trade Board intends to undertake the movement of invalid soldiers to Trieste, to leave a credit on its books of \$1,000,000 to be later reduced to such figure as the War Trade Board may show as the outside expenses in connection with moving the soldiers above mentioned, so that the Czecho-Slovaks will be able to obtain out of such credit any amount that may be necessary to pay for the transportation of the soldiers. The remainder of the Siberian credit and substantially all the cash available out of the amounts heretofore advanced to Czechoslovakia for use in Siberia is to be devoted to the purchase of food for use in Bohemia.

A. R.

THE CZECHO-SLOVAK REPUBLIC,
OFFICE OF COMMISSIONER IN THE UNITED STATES.

March 19, 1919.

MY DEAR MR. RATHBONE: My Government is required to make at once payment to the American Relief Administration to cover the cost of 25,000 tons of wheat flour, 15,000 tons of rye flour, 1,000 tons of pork products and 500 tons of milk, all of which have now been delivered or are in process of being delivered to my Government, together with insurance, freight, and other charges in connection therewith of \$9,350,000. In order to meet this payment, I request the United States Treasury to advance to my Government on March 19 the sum of \$8,250,000 out of the unexpended balance of credit previously established in favor of my Government. Upon receipt of the amount of such advance I shall at once turn over to the American Relief Administration said sum together with the sum of \$1,100,000 out of the balance of the advance made to my Government on November 15 last against the credit of \$7,000,000 established on that day, making a total payment of \$9,350,000. The commodities above set out are urgently needed for use in my country *as a military necessity in order to prevent anarchy.*

My Government is without resources to meet the requirements above mentioned other than by means of the advance requested of the United States Treasury. Please accept my assurance that this advance, if made, as well as the advances heretofore made my Government by the United States Treasury will be used only to pay for expenditures in the United States previously approved by the United States Treasury, and if it should transpire that the advances made are more than sufficient in amount to provide for such approved requirements of my Government in the United States, my Government will upon the request of the Secretary of the Treasury make payment to him of any

balance remaining of such advances to be applied as a partial payment on account of any of the obligations of my Government held by the United States Government.

Yours, very truly,

CHARLES PERGLER.

HON. ALBERT RATHBONE,
Assistant Secretary of the Treasury,
Washington, D. C.

SECTION 127.

Food Supplies Sent Civilian Population.

AMERICAN RELIEF ADMINISTRATION,
New York City, April 4, 1919.

MR. ALBERT RATHBONE,
Treasury Department, Washington, D. C.

DEAR MR. RATHBONE: The following is a summary of the Czechoslovakia food deliveries as of March 27, 1919, based on a cable received by us, and of which you have a copy:

Delivered f. o. b. outgoing vehicles, Trieste:		
26,263 tons wheat flour-----	\$5,789,678.35	
2,935 tons rye-----	3,726,270.45	
1,045 tons milk-----	519,270.95	
		\$10,035,219.75
In passage to Trieste on c. i. f. basis:		
22,900 tons wheat flour-----	4,609,344.87	
3,302 tons rye-----	493,097.66	
400 tons pork-----	296,516.00	
300 tons milk-----	144,939.00	
100 tons cocoa-----	46,021.00	
		5,589,918.53
In passage to Hamburg, thence by Elbe River to Czechoslovakia:		
16,726 tons wheat flour-----	3,134,285.14	
10,927 tons rye-----	1,390,897.83	
3,921 tons pork-----	2,809,357.29	
2,519 tons wheat flour-----	522,415.41	
63 tons pork-----	47,594.61	
		7,904,550.28
Assigned to Czechoslovakia from cargoes now loading:		
5,000 tons wheat flour-----	936,950.00	
18,000 tons rye-----	2,467,540.00	
1,500 tons milk-----	595,829.00	
		4,000,319.00
		27,530,007.56

We are to-day writing to the Czechoslovakia Government commissioner asking that he kindly arrange with you for disbursement to us next Tuesday of \$8,650,000, which amount represents the undrawn balance of \$27,000,000 allocated to Czechoslovakia for the months of February, March, and April.

We are also asking him if he can kindly arrange with you for a \$9,000,000 allocation for the month of May. This request is based on the cable advice that foodstuffs have already been allocated to Czechoslovakia in excess of the present funds available. After the establishing of this credit, additional quantities will be put in transit for Czechoslovakia.

Very truly, yours,

AMERICAN RELIEF ADMINISTRATION,
By ROGER SHERMAN,
Assistant to Joint Director.

SECTION 128.

Money Used for Civilian Feeding—\$25,000 to \$35,000 to be Used for Expenses of New York City Consulate.

THE CZECHO-SLOVAK REPUBLIC,
OFFICE OF COMMISSIONER IN THE UNITED STATES,

April 8, 1919.

SIR: I have been advised by the American Relief Administration that there has been delivered to the Czecho-Slovak Republic or in transit assigned to my Government foodstuffs for which there is payable by my Government the sum of \$27,830,007.56. Of this sum I have already paid the American Relief Administration out of advances from the United States Treasury the sum of \$18,350,000. I request that you advance to my Government on April 8, 1919, the further sum of \$8,650,000 to enable me to make payment of a corresponding amount to the American Relief Administration. When this sum has been advanced it will complete the advances which will then have been made to my Government by the United States Treasury at the rate of \$9,000,000 per month for the months of February, March, and April, 1919, to provide food and food products required as a military measure to prevent the spread of anarchy.

I also desire to ask for the establishment of a further credit in behalf of my Government. *Food and food products are still urgently needed in Czecho-slovakia as a military measure to prevent the spread of anarchy*, and I trust that you will feel it possible to continue for the month of May an extension of credit in the same amount, \$9,000,000, as was extended for the months of February, March, and April, respectively, to provide for this purpose. From information I have received, I do not think it is possible to accomplish the end desired by any diminution in the amount of food and food products to be furnished my Government during the month of May from that furnished over the previous months. During the month of April my Government will require \$195,136.99 to pay the interest then due on the obligations of my Government held by the United States, as set forth in your letter to me of April 1. On May 15 a further payment of interest will become due from my Government on its obligations held by the United States, which I estimate in the amount of about \$108,000. *My Government is incurring certain expenses through the establishment of consulates of my Government in New York and Chicago and probably elsewhere in the United States*, and I estimate the aggregate of these amounts up to June 1 from \$25,000 to \$35,000, and it is necessary that I make arrangements to assure the provision of this sum before these consulates are established.

My Government has no dollar fund available at this time to take care of these expenses, or any of them, except a balance in Central Union Trust Co. to cover commitments heretofore made by my Government with the approval of Messrs. Baruch, McCormick, and Hurley, or their representatives. Of the credits heretofore established in favor of my Government by the Secretary of the Treasury there remain unadvanced \$12,650,000. The advance of \$8,650,000 I am asking on April 8 should be charged against this credit, leaving a balance of \$4,000,000. Of this credit balance \$1,000,000 should be reserved to care for any expenses that may be incurred, with the approval of Messrs. Baruch, McCormick, and Hurley or their representatives in transporting invalid Czecho-Slovak troops from Siberia to Trieste, but the balance of \$3,000,000 of such credits is available, with the consent of the Secretary of the Treasury, for use for the purposes mentioned in this letter. I therefore ask for the establishment of further credits in favor of my Government in the amount of \$6,330,000 in order to make the total credits remaining in favor of my Government after the aforesaid advance of \$8,350,000, \$10,330,000. No part of such credit will be needed by my Government as an advance before May 1, 1919, except (a) to meet any expenses necessary before that date for the transportation of the invalid troops before mentioned and (b) to provide for April interest and consulate expenses not to exceed \$220,000.

It may be possible to temporarily provide all or some part of such expenses from the account of my Government with Central Union Trust Co., before mentioned.

I am, sir, your obedient servant,

CHARLES PERGLER, *Commissioner*.

The SECRETARY OF THE TREASURY,
Washington, D. C.

APRIL 8, 1919.

DEAR SIR: I have received your letter of April 7. The Treasury will be prepared to advance to your Government on April 8, 1919, against its duly executed obligation in a corresponding amount the sum of \$8,650,000, on the understanding that this sum will be turned over to American Relief Administration to cover purchases of food and food products for your Government in the United States up to May 1, 1919.

I take pleasure in informing you that the Secretary of the Treasury has established a further credit in favor of your Government in the sum of \$6,330,000, which credit, together with the unexpended balances of credits previously established by the Secretary of the Treasury in favor of your Government, are to be availed of against duly executed obligations of your Government to such extent, for such purposes, and upon such conditions as the Secretary of the Treasury shall from time to time determine.

The unexpended credit balance remaining in favor of your Government after the establishment of such additional credit and making the advance to your Government already mentioned will amount to \$10,330,000.

One million dollars of this remaining credit is to be set aside for use to the extent determined necessary with the prior approval of the Secretary of the Treasury only for the transportation of invalid soldiers from Siberia to Trieste.

Nine million dollars of this remaining credit is to be set aside for use after April 30, 1919, to the extent determined necessary, with the prior approval of the Secretary of the Treasury, only for the purchase in the United States of food and food products through American Relief Administration and in accordance with its May program.

In regard to any advances that may be necessary from the remaining portion of such credits during the month of April I await further information from you as to the exact amount required, the purposes thereof, the amount of the bank balances of your Government in the United States, the outstanding commitments to be paid therefrom, and the dates when payment for such commitments is expected to be made.

Very truly, yours,

ALBERT RATHBONE.

Mr. CHARLES PERGLER,
Commissioner Czecho-Slovak Republic,
Washington, D. C.

SECTION 129.

United States Loans Money to Pay the Interest on Obligations Due It.

THE CZECHO-SLOVAK REPUBLIC,
COMMISSIONER IN THE UNITED STATES,
April 14, 1919.

The SECRETARY OF THE TREASURY,
Washington, D. C.

SIR: On the loans heretofore extended to my Government, for war purposes *and to prevent disorder and anarchy*, there will be due on April 15, 1919, interest in the amount of \$195,136.99, upon the payment of which my Government has available at the present time, in my hands, the sum of \$5,136.99, my Government being at the present time without any funds to meet the sum of \$190,000.

I therefore have the honor to ask that the United States Treasury advance the sum of \$190,000 against the duly executed obligations of my Government to meet such interest.

I am, sir,

Your obedient servant,

CHARLES PERGLER, *Commissioner.*

THE CZECHO-SLOVAK REPUBLIC,
COMMISSIONER IN THE UNITED STATES,
April 21, 1919.

THE SECRETARY OF THE TREASURY,
Washington, D. C.

SIR: I have been advised by the American Relief Administration that in order to complete the *foodstuff program* for the Czecho-Slovak Republic, as arranged by the American Relief Administration, a credit of \$9,000,000 in addition to the money already advanced and credits established will be needed.

I therefore respectfully ask for the establishment of a further credit of \$9,000,000 in behalf of my Government. Food and food products are still urgently needed in Czechoslovakia, *as a military measure to prevent the spread of anarchy*, and I trust that you will feel it possible to continue for the month of June an extension of credit in the same amount, \$9,000,000, as was extended for the months of February, March, April, and May, respectively, to provide for this purpose. It is my understanding that the establishment of this credit is necessary to provide for the food necessities of the Czecho-Slovak Republic for the month of June, 1919.

From information I have received I do not think it is possible to accomplish the end desired by any diminution in the amount of food and food products to be furnished my Government during the month of June from that furnished over the previous months.

I am, sir,

Your obedient servant,

CHARLES PERGLER, *Commissioner*.

APRIL 21, 1919.

DEAR MR. PERGLER: I have received your letter of the 21st instant asking for an additional credit in favor of the Czecho-Slovak Government in the amount of \$9,000,000 to provide for food purchases in the United States through the American Relief Administration for the month of June, 1919. This application will receive the careful and sympathetic consideration of the Secretary of the Treasury.

I am, my dear Mr. Pergler,

Very truly, yours,

ALBERT RATHBONE.

MR. CHARLES PERGLER,
Commissioner Czecho-Slovak Republic,
Washington, D. C.

MAY 14, 1919.

DEAR MR. PERGLER: Referring to your letter of April 8, 1919, and my reply of the same date, \$110,000 of the credit referred to in my letter as having been established in favor of your Government was for the purpose of enabling your Government to *pay the interest* due May 15, 1919, on the obligations of your Government held by the United States. If such interest payment is made by your Government to-morrow by check drawn against the account of your Government with the Central Union Trust Co., of New York, subject to the countersignature of the representative of the committee composed of Mr. McCormick, Mr. Hurley, and Mr. Baruch, the Treasury is prepared to advance to your Government against its duly executed obligation in a corresponding amount at such time as the above-mentioned account with the Central Union Trust Co. shall require replenishment an amount equal to this interest payment on the understanding that such advance shall be deposited with the Central Union Trust Co. in the above-mentioned account and subject to countersignature in accordance with the arrangements heretofore made.

I am, dear Mr. Pergler,

Yours, very truly,

ALBERT RATHBONE.

MR. CHARLES PERGLER,
Commissioner Czecho-Slovak Republic,
Washington, D. C.

SECTION 130.

Foodstuffs Program.

AMERICAN RELIEF ADMINISTRATION,
New York City, May 15, 1919.

Mr. ALBERT RATHBONE,
Treasury Department, Washington, D. C.

DEAR MR. RATHBONE: The following is a summary of the Czechoslovakia food deliveries to date, based on cable received by us from Mr. Hoover:

Deliveries to Apr. 1:		
34,870 tons of wheat flour-----	\$7,322,700	
5,088 tons pork-----	3,358,080	
730 tons milk-----	341,640	
		\$11,022,420
Deliveries in April:		
35,523 tons wheat flour-----	7,026,622	
27,662 tons rye-----	3,483,400	
4,003 tons pork-----	2,641,980	
3,921 pounds lard substitute-----	2,423,178	
987 tons milk-----	458,774	
100 tons cocoa-----	42,000	
2,337 tons wheat-----	315,495	
		16,391,449
Total deliveries to May 1-----		27,413,869
Deliveries reported in May:		
1,500 tons wheat flour-----	300,000	
1,042 tons corn flour-----	187,560	
6,666 tons wheat-----	899,910	
		1,387,470
Deliveries to May 9-----		28,801,339
Afloat:		
2,204 tons wheat flour-----	407,740	
998 tons corn flour-----	164,835	
30,610 tons rye-----	3,673,200	
1,899 tons bacon-----	1,300,815	
5,996 tons wheat-----	809,460	
		6,356,050
Delivered and afloat-----		35,157,389
Assigned afloat:		
13,923 tons wheat flour-----	2,575,755	
21,414 tons rye-----	2,569,680	
		5,145,435
Total-----		40,302,824
Received from Treasury-----		27,000,000
Total-----		13,302,824

We are to-day sending a copy of this letter to Mr. Pergler, asking that he kindly arrange with you for the deposit of \$13,302,824 to our account with the Chase National Bank, New York City.

Yours, very truly,

THE AMERICAN RELIEF ADMINISTRATION,
By ROGER SHERMAN,
Assistant to Joint Manager.

MAY 19, 1919.

DEAR MR. RICKARD: Referring to the inquiry contained in your letter of the 19th instant, regarding an additional credit of \$5,000,000 for the Czecho-Slovaks, the demands upon the balance of the appropriation for foreign loans are now very great. The Treasury has not been able to establish credits to meet the food program for any country beyond June. The Treasury has established, or

will establish when requested, the credits necessary to complete the food program for the Czecho-Slovaks in accordance with the estimates of the American Relief Administration that the needs of this country would be covered by five instalments of \$9,000,000 each, the last being for the month of June. At the present time the Treasury is not in a position to undertake to establish a further credit to cover purchases of food for the Czecho-Slovaks.

Very truly, yours,

ALBERT RATHBONE.

EEGAR RICKARD, Esq.,
American Relief Administration,
New York City.

MAY 19, 1919.

DEAR MR. SHERMAN: Your letters of the 15th and 17th instant have been received, setting forth a summary of the deliveries of food to the Czecho-Slovaks to date, based on a cable received from Mr. Hoover. I note that you are asking Mr. Pergler to deposit \$13,372,824 with the Chase National Bank of New York for the American Relief Administration. I am to-day in receipt of a letter from Mr. Rickard, stating that it will not be necessary to establish the fourth and fifth credits for Serbia to cover purchases for food for the months of May and June. Upon the understanding that such credits are not to be established and upon the further understanding that the food for which you are requesting payment from Mr. Pergler has been loaded and assigned to the Czecho-Slovak Republic and completes the program for May and part of the program for June, the Treasury is prepared to entertain a request from Mr. Pergler that it establish a credit of \$9,000,000 to cover purchases of food for June, and that it advance his Government \$13,350,000, of which \$9,000,000 are to be charged against the credit heretofore established for May, and \$4,350,000 are to be charged against the credit requested to be established for June. If in accordance with a request which shall be received from Mr. Pergler, the above-mentioned credit is established for June and the above-mentioned advance is made, the balance of the June credit against which advances for the remainder of the June food program can be made will amount to but \$4,650,000. It may be that the Czecho-Slovak Government has available for temporary use certain dollar funds. In that case the above-mentioned advance from the Treasury will be reduced by an amount equal to such payment as may be made to the American Relief Administration from such other funds, and the credits of the Czecho-Slovak Government with the Treasury to a corresponding amount will be held available only for the replenishment of such other moneys so used.

In view of the overpurchase for Belgian account of pork products, I presume that if any further purchases of pork products are contemplated by the American Relief Administration for the account of the Czecho-Slovak Government or for other Governments, the surplus now held for Belgian account will be taken over. The Treasury must urge most strongly that such course be followed if practicable, and I shall be glad to be advised whether further purchases of pork products are contemplated by the American Relief Association, and if so, whether the Belgian oversupply will be availed of.

Yours, very truly,

ALBERT RATHBONE.

MR. ROGER SHERMAN,
Assistant to Joint Manager,
the American Relief Administration,
New York City.

THE CZECHO-SLOVAK REPUBLIC
COMMISSIONER IN THE UNITED STATES,
Washington, D. C., May 22, 1919.

MY DEAR MR. SECRETARY: Referring to my communication to you of April 21, 1919, I respectfully renew my request of that date for the establishment of a further credit of \$9,000,000 in behalf of my Government. As stated in the letter above referred to, this amount is required in order to complete the food-stuff program for the Czecho-Slovak Republic as arranged by the American Relief Administration.

Food and food products are still urgently needed in Czechoslovakia *as a military measure to prevent the spread of anarchy*, and I take the liberty again to express the hope that you will feel it possible to continue for the month of June an extension of credit in the same amount, \$9,000,000, as was extended for the months of February, March, April, and May, respectively, to provide for this purpose. It is my understanding that the establishment of this credit is necessary to provide for the food necessities of the Czecho-Slovak Republic for the month of June, 1919.

From the information now available I take the liberty to say again that I do not think it is possible to accomplish the end desired by any diminution of the amount of food and food products to be furnished my Government during the month of June from that furnished over the previous months.

I have been advised by the American Relief Administration that there have been delivered to the Czecho-Slovak Republic, or are in transit assigned to my Government, foodstuffs for which there is payable by my Government the sum of \$40,302,824. Of this sum I have already paid the American Relief Administration, out of advances from the United States Treasury, the sum of \$27,000,000. I shall draw a check for \$1,500,000 upon the Central Union Trust Co. of New York, upon the funds on deposit there, with the understanding that when it is necessary to replenish this deposit the United States Treasury will advance to my Government a corresponding amount from the credits established for food purposes, such advance to be deposited in said account, subject to countersignature as heretofore arranged. I respectfully ask that you advance to my Government on May 22 the further sum of \$11,850,000 to be applied by my Government on the balance due to the American Relief Administration for food delivered, or in transit, as above mentioned.

I am, sir, your obedient servant,

CHARLES PERGLER, *Commissioner*.

The SECRETARY OF THE TREASURY,
Washington, D. C.

MAY 22, 1919.

DEAR MR. PERGLER: I take pleasure in advising you that in accordance with your request the Secretary of the Treasury has established a further credit in favor of your Government in the amount of \$9,000,000. This credit is to be made available to your Government against its duly executed obligations in a corresponding amount, to such extent and at such times as the Secretary of the Treasury may determine, in order to meet food purchases of your Government in the United States through the American Relief Administration. I understand from you that this food is urgently needed in your country in order to maintain order and to prevent the spread of anarchy, and that your Government has no dollar resources from which to defray the cost of the same other than advances which may be made to it by the Secretary of the Treasury.

I am, dear Mr. Pergler,
Very truly, yours,

ALBERT RATHBONE.

MR. CHARLES PERGLER,
Commissioner Czecho-Slovak Republic,
Washington, D. C.

MAY 22, 1919.

DEAR MR. PERGLER: Your letter of the 22d instant has been received in which you request that the United States Treasury advance to your Government the sum of \$11,850,000, in order to enable your Government to pay said amount to the American Relief Administration for food and food products delivered to your Government or loaded for such delivery. I have pleasure in advising you that the United States Treasury has this day advanced to your Government said sum of \$11,850,000 against the duly executed obligation of your Government in a corresponding amount, upon the understanding that said sum is to be paid to the American Relief Administration for food and food products heretofore delivered to your Government or loaded for such delivery as above mentioned. Nine million dollars of such advance has been charged against the credit heretofore established in favor of your Government, to cover the purchase of food through the American Relief Administration during the month of May, and

\$2,850,000 has been charged against the credit of \$9,000,000 established to cover such purchases for the month of June, thus reducing the balance of said credit available for further advances to the sum of \$6,150,000.

I am, dear Mr. Pergler,
Yours, very truly,

ALBERT RATHBONE.

CHARLES PERGLER, Esq.,
Commissioner Czecho-Slovak Republic,
Washington, D. C.

MAY 22, 1919.

DEAR MR. PERGLER: Supplementing my letter of to-day and in further reply to your letter of to-day, I have pleasure in advising you that if your Government on the 24th instant makes a payment to the American Relief Administration of \$1,500,000 by check drawn against the account of your Government with the Central Union Trust Co. of New York, subject to the counter-signature of the representatives of the committee composed of Mr. McCormick, Mr. Hurley, and Mr. Baruch, the Treasury is prepared to advance to your Government against its duly executed obligation in a corresponding amount at such time as the above-mentioned account with the Central Union Trust Co. shall require replenishment an amount equal to such payment, on the understanding that such advance shall be charged against the credit of \$9,000,000 to-day established in favor of your Government for the purpose of covering purchases of food through the American Relief Administration for the month of June, and shall be deposited with the Central Union Trust Co. in the above-mentioned amount and subject to countersignature in accordance with the arrangement heretofore made.

I am, dear Mr. Pergler,
Yours, very truly,

ALBERT RATHBONE.

CHARLES PERGLER, Esq.,
Commissioner Czecho-Slovak Republic,
Washington, D. C.

AMERICAN RELIEF ADMINISTRATION,
New York City, May 29, 1919.

Mr. ALBERT RATHBONE,
Treasury Department, Washington, D. C.

DEAR MR. RATHBONE: We are advised by cable that the following allocations of food have been made to Czechoslovakia:

27,587 tons rye	\$3,310,440
3,870 tons wheat flour	715,950
	4,026,390
In our letter of May 15 we asked for	13,372,824
Total	17,399,214
May 22 received from United States Treasury	\$11,850,000
May 28 received from Mr. Pergler	1,500,000
	13,350,000
Total	4,049,214

We are sending a copy of this letter to Mr. Pergler, asking that he kindly arrange with you for the deposit of \$4,049,214 to our account with the Chase National Bank, New York City.

Yours, very truly,

THE AMERICAN RELIEF ADMINISTRATION.
By ROGER SHERMAN,
Assistant to Joint Director.

SECTION 131.

Twenty-five Thousand Dollars for Cost of Keeping Up New York City Consulate Approved by United States Treasury June 4, 1919.

JUNE 4, 1919.

DEAR MR. PERGLER: I have pleasure in advising you that to the extent not exceeding \$25,000 that your Government meets the expenses up to June 30, 1919, of maintaining its consulate at New York by checks drawn against the account of your Government with the Central Union Trust Co. of New York, subject to the countersignature of the representative of the committee composed of Mr. McCormick, Mr. Hurley, and Mr. Baruch, the Treasury is prepared to advance to your Government, against its duly executed obligation in a corresponding amount, at such a time as the above-mentioned account with the Central Union Trust Co. shall require replenishment, an amount equal to such payments, not exceeding \$25,000, on the understanding that such advance shall be charged against the credit referred to in my letter to you of April 8 as having been established by the Secretary of the Treasury in favor of your Government in the amount of \$6,330,000, and shall be deposited with the Central Union Trust Co. in the amount above mentioned and subject to the countersignature, in accordance with the arrangement heretofore made.

I am, dear Mr. Pergler,
Yours, very truly,

ALBERT RATHBONE.

CHARLES PERGLER, Esq.,
Commissioner Czecho-Slovak Republic,
Washington, D. C.

SECTION 132.

Credit to Return Troops from Siberia.

DEPARTMENT OF STATE.

Washington, D. C., September 19, 1919.

MY DEAR MR. SECRETARY: I am inclosing a copy of a telegram I have received from Mr. Polk which bears on the very urgent problem which this department has been trying to solve for several months, namely, the repatriation of the Czecho-Slovak forces now in Siberia.

I regard the matter of such importance that I hope it will be possible for you to grant to the Czecho-Slovak Republic an additional credit up to \$12,000,000 to defray the expenses of moving these troops. I am requesting the President to direct the Shipping Board to supply the necessary tonnage, provided he approves your granting the credit.

If a favorable decision is reached in regard to the matter of the loan and also the necessary tonnage, I shall cable Mr. Polk the result, but shall urge him to insist that the British and French Governments shall each contribute one-fourth of the expenses involved and shall suggest that Mr. Polk point out not only the very great part which has been played by the United States in general relief measures but also the definite interest which both Great Britain and France have in stabilizing conditions in Czechoslovakia.

In order that you may be fully informed of all the measures which are being taken I am inclosing herewith a copy of the telegram which I am sending to the President to-day at San Diego, Calif.

I am, my dear Mr. Glass,
Very sincerely, yours,

WILLIAM PHILLIPS.

HON. CARTER GLASS,
Secretary of the Treasury.

PARAPHRASE OF CABLE FROM MR. POLK AT PARIS, DATED SEPTEMBER 17.

Mr. Polk refers to previous correspondence in which both he and the department were agreed upon the great urgency of getting the Czecho-Slovak forces home from Siberia. Mr. Polk says:

"Benes, Czecho-Slovak foreign minister, has made urgent representations to the American mission on the subject of Czecho-Slovak troops in Siberia,

stating that the situation has now become exceedingly grave from two points of view: First, the condition of these 60,000 troops is pitiful as to morale as they look with despair upon another possible winter in Siberia. Their retention might be an actual source of danger rather than protection. Second, the return of these troops has become a burning political question. Benes states that if he can not give any hope to the hundreds of thousands of persons interested at home in the return of these troops, an overthrow of the Government is possible if not probable. The powers have every interest in preventing this.

"Benes points out that the important matter is that the movement should begin at once so that he can inform his people that it is proceeding under a definite promise from the powers.

"The American mission is strongly of the opinion that all possible effort should be made on our part to provide transportation and such financial assistance as may be practicable, which Benes agrees to reimburse in due time.

"Please reply at earliest possible moment, stating definitely what can be done on these two points. On receiving department's reply the matter will be at once brought up again before the supreme council."

NOTE.—The Department of State feels that the United States has a definite moral obligation in regard to the repatriation of these forces and has been in correspondence on this subject, without result, for several months. It is desired to recommend to the President that he authorize the Secretary of the Treasury to make additional advances to Czechoslovakia, up to \$12,000,000, to start the movement to get these men home, and also have the President direct the Shipping Board to provide the necessary tonnage. In the meanwhile the department will proceed with negotiations with the other powers to ascertain whether some division of the expenses can not be reached. The department considers it vital, however, that the movement get started and that details in dispute be left to subsequent adjustment.

SEPTEMBER 19, 1919.

The PRESIDENT,
San Diego, Calif.:

I have received a cable from Mr. Polk emphasizing the very urgent necessity for immediate measures to repatriate the Czecho-Slovak forces now in Siberia. First, because they look with despair upon the possibility of another winter in Siberia, and in these circumstances their retention might prove a source of danger rather than a protection. Second, because their return has become a burning political question in Czechoslovakia, upon which the overthrow of the Government is possible if not probable.

The department has for some months been in correspondence upon this subject, because it has considered that, beginning with our sending of troops to Siberia, we have had a definite moral obligation to the Czecho-Slovak armies of Siberia. Accordingly I have to-day written the Secretary of the Treasury, urging him to advance additional credits to the Czecho-Slovak Government up to \$12,000,000, which is the estimated cost of repatriating 50,000 men. I have informed Mr. Glass that if such a credit is granted, I will, if you so desire, urge Mr. Polk to insist that Great Britain and France each bear one-fourth of such a loan in view of the burden assumed by the *United Europe*, and also because of the special interest which Great Britain and France have in maintaining stable conditions in Czechoslovakia.

If the additional credit, to which I refer is approved, I would also urgently request your authorization to have the Shipping Board set aside the tonnage necessary for this movement, it being understood that economy of tonnage will have every consideration. In conclusion allow me to add that the importance of repatriating the Czecho-Slovak forces has been brought to the attention of the department from various sources and has been particularly emphasized by Ambassador Morris in his reports from Siberia. I believe considerations of very great weight urge our starting this movement and hope you will see your way clear to authorizing the necessary credits and tonnage.

Allow me to add in regard to the question of tonnage that, while there is urgent command on commercial routes for the vessels which have been engaged in returning our troops from France, I believe the political and moral considerations in this particular instance are paramount.

WILLIAM PHILLIPS, *Acting.*

SEPTEMBER 19, 1919.

SIR: I have the honor to acknowledge the receipt of Mr. Phillips's letter of the 19th instant, addressed to the Secretary of the Treasury, transmitting a paraphrase of a telegram from Mr. Polk relative to the repatriation of the Czecho-Slovak forces now in Siberia, and requesting the Secretary of the Treasury to establish, in favor of the Czecho-Slovak Republic, an additional credit up to \$12,000,000 to defray the expenses of moving these troops. Mr. Phillips also transmitted a copy of his telegram sent to the President at San Diego on this subject. In accordance with the request of your department, and in order to expedite the matter in so far as possible, in view of the statement of your department as to its military and political importance, the Secretary of the Treasury has sent to the President a telegram requesting his approval of the establishment of a credit in favor of the Czecho-Slovak Republic up to \$12,000,000 for the purpose mentioned in Mr. Phillips's letter. Before establishing any part of such credit as the President may authorize, the Secretary of the Treasury would wish to discuss with the Treasuries of Great Britain and France the extent to which they are prepared to make to the Czecho-Slovak Republic advances for this purpose.

Respectfully,

ALBERT RATHBONE.

The SECRETARY OF STATE.

TREASURY DEPARTMENT TELEGRAM,
Washington, D. C., September 25, 1919.

The PRESIDENT,
Pueblo, Colo.:

Czecho-Slovak Republic has applied through American mission and Department of State for additional loan from United States of \$12,000,000 to repatriate Czecho-Slovak troops now in Siberia. Department of State urges *military and political* importance of return of these troops. Your approval is therefore requested of establishment of credit for this purpose in favor of Czecho-Slovak Republic up to \$12,000,000. If you approve establishment of credit Treasury will discuss with treasuries of Great Britain and France the proportions to be borne by them of the necessary advances. To extent of such participation by them advances made by our Treasury will be reduced below amount for which your approval is requested.

CARTER GLASS.

[Telegram.]

LA JUNTA, COLO.,
September 25, 1919—10.58 p. m.

HON. CARTER GLASS,
Secretary of the Treasury, Washington, D. C.:

Entirely approve loan to Czecho-Slovak Republic under conditions named in your telegram of to-day.

WOODROW WILSON.

SECTION 133.

Owing to the Length of Time Since the Armistice the Treasury Department
Refuses to Establish New Credit to Pay for Automobiles, March, 1920.

THE CZECHO-SLOVAK LEGATION,
February 4, 1920.

MR. DEWITT POOLE,
Per Russian Division, Department of State, Washington, D. C.

MY DEAR MR. POOLE: In June, 1918, we were compelled to disarm the Vladivostok Soviet, and to get hold of Vladivostok our army was in sore need of transportation facilities. By order of our army commander in Vladivostok there were requisitioned some automobiles from the Vladivostok port, which had been shipped there by different American firms in 1916 and which were lying there without use. Particularly there were requisitioned 65 Pathfinder automobiles,

belonging to the firm of John McGregor Grant, of New York, with 14 cases of spare parts belonging to these cars; also 14 Pathfinder automobiles and 14 cases of spare parts belonging to Mr. Claude M. Nankivel, of New York. These last 14 were in Vladivostok under the care of the firm of Jourovette.

Notwithstanding that this requisition has been carried out not quite regularly and the greater part of these automobiles were not assigned to our army but distributed among the Russians, French, and Chinese contingents, our army commander and our authorities in Siberia—after numerous conferences, in which the American consul general in Vladivostok participated—recognized the responsibility for this requisition and assumed the obligation of payment. On account of the near impossibility to pay in foreign money this obligation, the whole transaction has been referred by our Siberian authorities to me for payment out of the sum which was loaned for supplies for our Siberian army.

In taking up this matter with the firms referred to, I declared that I am willing to pay for these automobiles if the United States authorities recognize this item as being for supplies for our army in Siberia. But I made objection to the amount asked for by these firms and which—by not being well informed about conditions—our authorities in Vladivostok accepted.

Both firms claimed the price of one car \$3,649.54, in which amount is included 6 per cent interest from January 10, 1917, 5 per cent commission, and other different expenses. To this sum they claim should be added 6 per cent interest from January 10, 1919, to January 10, 1920.

In the conference which I had yesterday with the representative of John McGregor Grant, Mr. Andrew Kalpaschnikoff, and Mr. Claude M. Nankivel, I succeeded in cutting down the price by 26 per cent, viz, the 10 per cent interest, the 5 per cent commission, and 3 per cent for depreciation of value of the cars while lying two years in Vladivostok. The original claim of Mr. Nankivel was \$71,000.12 and of McGregor Grant \$257,126 (to which has not been added the 6 per cent for the last year). The reductions amount of \$14,200.02 from the Nankivel claim and \$51,425.33 (20 per cent, since the last 6 per cent was not included in the claims), making the sums which I agreed upon \$56,800.10 for the claim of Mr. Nankivel and \$205,701.33 for the firm of McGregor Grant.

Before issuing the necessary checks in payment I beg you to take the necessary steps to ascertain that the firm of John McGregor Grant and Mr. Claude M. Nankivel are the legal proprietors of said material, as I have been informed that this matter has been referred to the Department of State by the consul general at Vladivostok, also by these firms themselves, that this formal question can be settled easily. It would be also very useful to have a confirmation from the American consul general at Vladivostok that in the meantime other arrangements for payment have not been made.

Concerning the amounts available for this purpose, I should like to call your attention to the fact that in figuring out our needs we did not count upon this expense, and part of the funds were used for food supplies, which the Treasury was supposed to reimburse, but did not because there appeared to be sufficient funds without this sum. But it would now seem that in order to meet the obligation for these automobiles we shall require a reimbursement from the Treasury for part of this amount. I am inclosing a statement showing funds available for military supplies and outstanding obligations, exclusive of these automobiles, which you will note shows a margin of \$131,000 with which to meet the payment of \$262,500 for the automobiles.

As I mentioned before, out of these 79 automobiles there are in our possession only 34. The rest have been transferred mostly to the Russians, who received 39 cars; the French 4; and the Rumanians 2. We have receipts from the Russian authorities for part of the cars, but not for all; for instance, Semnoff, who took over 7 automobiles, has not given receipts for them, although requested to do so. Also, Gen. Chorvat failed to give receipts. The reason I am mentioning these facts is that perhaps it would be possible to secure some reference from the Russians here in America as to whether any funds are under control of the United States Government. I should be obliged if you would inform me about this, as to what can be done in this line, because it is most unjust that we have to pay for material transferred by good will to the Russians, for which they did not pay on account of chaotic conditions.

Very truly, yours,

Col. V. S. HURBAN,
Military Attaché.

LAFAYETTE HOTEL, Washington.

MARCH 22, 1920.

SIR: Referring to your letter of the 4th instant and the copy therein inclosed of a letter from Col. V. S. Hurban, dated the 4th ultimo, concerning 79 automobiles requisitioned by the Czecho-Slovak troops in Siberia in June, 1918, and said to have been the property of parties in New York, the Treasury sees no objection to the use for the payment for such automobiles of funds heretofore advanced against the credit of \$5,000,000 established in favor of the Czecho-Slovak National Council on November 15, 1918, provided the Department of State approves and the Czecho-Slovak Government has available any of the such funds against which no other commitments have been made. The purposes for which the Treasury was authorized to establish credits and make advances were the national security and defense and the prosecution of the war. *In view of the time which has elapsed since the cessation of hostilities and the even longer time since the automobiles in question were requisitioned, and in view of the fact that no commitment was incurred by this Government to make advances to pay for these automobiles, the Treasury is not able to establish a new credit or to make new advances for that purpose.*

Very truly, yours,

NORMAN H. DAVIS.

HON. FRANK L. POLK,
Undersecretary of State.

DEPARTMENT OF STATE,
Washington, D. C., April 3, 1920.

The SECRETARY OF THE TREASURY.

SIR: Referring to your letter of March 22, 1920, in which you state that the Treasury sees no objection to the use for the payment for automobiles, requisitioned at Vladivostok by the Czecho-Slovak authorities, of funds heretofore advanced against the credit of \$5,000,000 established in favor of the Czecho-Slovak National Council on November 15, 1918, provided that the Department of State approves and the Czecho-Slovak Government has available any of such funds against which no other commitments have been made, I have the honor to call your attention to the statement submitted by Col. Hurban, of the Czecho-Slovak Government, a copy of which was inclosed in my letter of March 4, 1920. It will be seen from this statement that the \$5,000,000 advance to which you refer is listed, and that an additional advance of \$1,000,000 is also listed. From this \$6,000,000 the disbursements are indicated, leaving a balance, but it can not be determined from the statement whether the balance is a remainder of the \$5,000,000 advance or of the \$1,000,000 advance, or both.

Under such circumstances I would be pleased to receive a letter from you stating whether the Treasury Department sees any objection to the use for the payment for such automobiles of funds heretofore advanced against any credits established in favor of the Czecho-Slovak National Council, provided the Czecho-Slovak Government has available any of such funds against which no other commitments have been made.

I have the honor to be, sir, for the Secretary of State,

Your obedient servant,

FRANK L. POLK, *Undersecretary.*

APRIL 7, 1920.

SIR: Your letter of the 3d instant has been received, in which you again refer to the statement submitted by Col. Hurban, of the Czecho-Slovak Government, with his letter to you of February 4, 1920, copy of which was inclosed in your letter of March 4, 1920. The Treasury does not, however, understand Col. Hurban's reference to the advance of \$1,000,000, which he indicates as having been made in addition to the previous advance of \$5,000,000 against the credit of \$7,000,000 established in favor of the Czecho-Slovaks for the purpose of caring for their military expedition in Siberia. All advances made by the Treasury against such credit beyond the first advance of \$5,000,000 were, by arrangement with the Czecho-Slovak Government, made for the purchase in the United States of food, and were used for that purpose. No part of them, therefore, is now available for the purpose mentioned in your letter. The Treasury sees no

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objection to the use for the payment for the automobiles mentioned in your letter of funds heretofore advanced by the Treasury against any credits established in favor of the Czecho-Slovak National Council or the Czecho-Slovak Government other than the credit of \$12,000,000 established for the purpose of the repatriation of troops from Siberia, provided the Czecho-Slovak Government has available any of such funds against which no other commitments have been made.

Respectfully,

NORMAN H. DAVIS.

The SECRETARY OF STATE.

FRANCE

SECTION 134.

France.

Under the four Liberty loan acts which authorized the Secretary of the Treasury to make loans to foreign Governments *then engaged in war with enemies of the United States for the purpose of prosecuting the war*, the Treasury Department established credits for France to the extent of \$3,047,974,777.24. The Treasury Department made advances on these credits so established of \$2,997,477,800, leaving a balance now existing under established credit in favor of France of \$50,496,977.24. On November 15, 1920, France was indebted to the United States for interest on the above loan to the extent of \$211,524,703.02. Credit to the extent of \$435,000,000 was established for France after the date of the armistice on November 11, 1918.

According to Andre Tardieu, former French high commissioner to the United States, this sum of approximately 15,000,000,000 francs which we loaned to France actually amounted to about 45,000,000,000 francs according to the actual exchange rate at the time.

The War Department sold to France surplus war materials in a total sum of \$400,000,000. Summing up these two items it appears that France is still indebted to the United States to the extent of approximately \$3,500,000,000. Prior to our entrance into the war a number of private loans were floated in this country for France.

It appears from the data attached hereto that France paid off some of the private loans made in this country with the money loaned her for the prosecution of the war.

The correspondence attached hereto shows that Secretary McAdoo was aware of the fact that under the Liberty loan act he had no authority to continue granting of credit to France for reconstruction purposes after hostilities had ceased.

The correspondence shows no proposal by the French Government for cancellation of the loans. There is, however, attached the correspondence relating to the funding of the debt the attitude of France to treat the debt as an international question instead of a question between the United States and France, and the possible attitude of France toward the cancellation of debt owed to it by Italy, Rumania, and other countries, which would lead to the inference that if these debts due France were canceled, then the United States should cancel the debts due from France.

Attached hereto will be found the correspondence relative to the loan of \$16,000,000 to France for the purpose of reloaning it to Austria for relief purposes. This roundabout method was pursued in order to evade the law, which provided that the loans should be made to countries then engaged in war with enemies of the United

States for the purpose of the prosecution of the war. Under such an act, of course, no money could be loaned to Austria, one of our enemies.

SECTION 134.

[Translated from a series of articles by Andre Tardieu in the *Illustration*, The Problem of Reparations. Oct. 20, 1920.]

Financial Solidarity.

Besides guaranties levied directly against Germany, others were conceived in reason and conscience, founded on the solidarity of the Allies. Union in war—union in peace. Could not the sacrifices supported in common include the expenses of the settlement—after the great losses of life and treasure—the richer aiding the less rich to carry his part of the burden? A grand and noble idea of which the French people, less because of their enormous obligations than from their passion for justice, had appreciated the harmony.

To properly set out the problem, which has often been confusedly presented, it should be stated the financial regulation of the war was accompanied by certain burden and possible risk to the conquerors—a certain burden in that the treaty did not impose on the conquered the reimbursement for the price of victory (700,000,000,000 francs); a possible risk in the event of nonpayment by Germany of all or part of the reparation debt (about 350,000,000,000 francs), which she was bound to acquit. It is to these two kinds of responsibilities, the one ineluctable, the other eventual, that the principle of solidarity (on a basis to be later determined) could have been applied.

* * * * *

Nothing simpler, it seemed, and nothing more just. And without considering the men of partisan motives, whose criticism does not count, impartial minds were astounded that this solution did not prevail.

Thus Prof. Charles Gide wrote in an article on the League of Nations:

"The favorable moment has been let pass * * * the solution probably would have been easy if the powers had given it a thought during the war. When they resolved in May, 1918, to have only one army and one commander in chief it would not have been difficult to persuade them that they should have but one bank."

If M. Gide had been in charge of the tremendous difficulties of either, he would certainly not have written the above. Unity of command? Forty-five months of war and the menace of disaster had to occur before that was even theoretically accepted. And once accepted, it was only by laborious steps that it became a fact.

If M. Clemenceau did not mention financial unity in the debates on military unity, it was only because he knew how well it would irrevocably compromise the military issue upon which the war depended. He knew that, particularists in matter of command, the Allies were still more so in finance, and that to the end of hostilities the treasuries of each country would remain the impregnable fortress of national individualism.

I do not wish to retrace the financial history of the war, but I do wish to explain my proposition by certain facts.

Consider France and the United States. I have often reminded my fellow citizens as a striking example of American solidarity of the 15,000,000,000 francs (45,000,000,000 according to the actual exchange) which the United States Treasury loaned us. Yet how many difficulties had to be overcome by daily practice to gain this generous cooperation? Remember that at no time did America consent to any general commitment, either to France or to any of our allies.

An advance of \$100,000,000 had been accorded to M. Viviani during the last of April, 1917, without promise of renewal. This, on my arrival in Washington the 15th of May following, was my first care. Then from month to month—often from fortnight to fortnight—my allied colleagues and I obtained the indispensable credits. Each time the negotiations of these credits demanded long explanations.

As to France, one part of them were used to pay for Government purchases in America, and *there was no objection on that score*. But we were obliged to retrocede another part to England for payments in dollars which she effected for us outside America, and to turn a third part over to the order of the Bank

of France to be changed for private purchases. To the end of the war these provoked the inquietude and protestations of the Treasury Department. In January, 1918, the fact that our moneys on hand revealed an excess over our disbursements let us in for severe reproaches. A little later I encountered the most serious obstacles to repaying, thanks to American dollars, certain of our borrowings of 1915 and 1916, the renewal of which would have been, however, pure folly.

On all these occasions the Treasury Department, frightened by the immensity of its task, careful not to exceed the limits of the authorizations provided by Congress, hesitated sometimes for weeks to allow allied operations which conformed to the general interest.

We worked from day to day, nearly always getting results, but without being able to embrace this unsystematic and cordial collaboration in the outlines of a general system.

There was another question—that of “cessions.” America had bought war material of us. Moreover, her troops were becoming more and more numerous in France, gave rise to a need for French francs (more than 800,000,000 in May, 1918), which the French treasury supplied against payment furnished in dollars and not without a heavy burden on circulation. Our minister of finance considered that the dollars were our property and that the United States Treasury should continue to advance us credits for our purchases in the United States, as they did to the other allies, without deducting from that amount dollars supplied by the cessions either of materials or of francs. The American Secretary of the Treasury, on the contrary, insisted that, in view of the crushing burdens put on him, the dollars, wherever they came from, should be applied without distinction of origin where they were necessary. He did not admit that France was able on the one hand to build up a reserve and on the other to draw advances from the Treasury. It was his understanding that the said advances were strictly limited to the difference between the amount of our purchases in the United States and the disposed moneys resulting from the cessions for materials, francs, etc.

This disagreement was the beginning of an epic controversy. As always with the Americans, we arrived at a transaction in fact, but without succeeding to agree in principles.

We obtained in July, 1918, a supplementary credit of \$200,000,000 and in the following November a setting out of a draft for proposed legislation authorizing advances for our purchases for reconstruction.

But on principle—“compensation” or “no compensation”—the two treasuries remained invariably unable to agree, both standing on their respective doctrines of financial autonomy. They did their most to aid the war, but they abandoned not a whit of their opposed theses.

All this to demonstrate how eagerly the United States Treasury, in spite of the splendid cooperation it gave associates in the war, desired to do nothing upon which could be placed the construction of a general engagement either for peace or war.

Freed from the mask of words and translated into figures, the idea of financial solidarity among the Allies to liquidate the war debts, had only one meaning—an appeal to the American Treasury in the event of an acceptance by it of an additional burden. The facts which I have just stated prove that such appeal would have had no chance to be heard before the armistice. It had still less chance after that date.

The war had cost America, who demanded nothing for reparations, nearly \$35,000,000,000. Congress found that it was dear at that price and was not disposed to go further. Since the November elections in 1918 the policy of non-intervention in the affairs of Europe answered at the same time the spontaneous tendency of a part of public opinion and also the deliberate will to checkmate the President.

Moreover, the laws of arithmetic would have obliged the United States, if she were to fulfill this solidarity, to pay not only for France but for Great Britain as well. The Americans were not so disposed.

In brief, if the thesis of financial unity was just or logical and if it is regretted that financial unity did not triumph, I dare state without fear of being contradicted by anyone who, like myself, was a member of the Government during the war, that only to present such a theory would have been enough to have sustained a reverse whose consequences would have been disastrous.

Both by members of the peace conference from the beginning and others outside, this question of solidarity has been studied under diverse forms.

I can not enter into a detailed examination here of these different projects which, as we shall see, a common fate awaited.

One of the interesting schemes, elaborated by a French banker, M. Bouilloux-Lafont, proposed the creation of a general financial office of the nations. This international financial office could utter bank notes, 3 per cent debentures redeemable in six months, and $4\frac{1}{2}$ per cent redeemable bonds. The Allies were to receive for the indemnities due them (which were estimated by the author of this scheme at 300,000,000,000 francs), an equal amount—half in notes and half in bonds. An annuity charged to Germany, Austria, etc., was to cover the interest on the bonds as well as the retirement of them and the bank notes. To take care of the war expenses (700,000,000,000 francs), the belligerents were to receive as a set off an income of $4\frac{1}{2}$ per cent, which interest would be assured by world-wide taxes on transportation, customs, production of raw materials, etc. These taxes were to be quintupled for the Central Powers * * *.

Other such theories have been suggested.

The first two fundamental objections to these theories upon application are that, first, certain countries, including France, by this system or any other similar one, would thus place a part of their own burdens on the shoulders of other allies and neutrals whose consent would have to be obtained; second, since these notes, debentures, and bonds must bear the collective signatures of all the participants, two alternatives are presented, either signature does not signify that the parties are severally liable, and in that event it is senseless, or it implies several liability and in that event what minister of finance would put his signature to an issue of bonds of a thousand billion francs?

* * * * *

Other solutions have been prepared which by other paths tend to the same end. For example, we studied a plan to lump the costs, whatever they might be, of the war in one sum, basing responsibility on the population and national wealth of each country. This scheme would have reduced France's war debt from 30.2 per cent to 11.4 per cent; that of Great Britain, 31.1 per cent to 20.2 per cent; that of Belgium, from 5.4 per cent to 1.7 per cent; that of Serbia from 4.6 per cent to 0.8 per cent. On the contrary, it would have increased the United States obligations 29 per cent, that of Japan 6 per cent, that of Italy 6 per cent, that of Canada 1 per cent, that of the Union of South Africa 1.4 per cent, etc. This percentage increase represented in round numbers 250,000,000,000 francs for the United States, 65,000,000,000 for Japan, 9,000,000,000 for Canada, 12,000,000,000 for the Union of South Africa. The simple statement of these figures provoked absolute protest from those countries whose debts were to be so increased.

The same fate attended another scheme, which was equally officially submitted to the allied delegations and which used as a basis for the share in the war debts the war dead of the several countries, as compared with the total population of the Allies. This assumed that these dead were the most irreparable injuries that the countries sustained.

The adoption of this calculation would have reduced the debt of France by about 30,000,000,000 francs. But many others would have suffered; Belgium, for instance, by reason of the small number of her dead would have scarcely reduced her indebtedness at all.

In every case, no matter what was the method applied to the solution of financial unity, those who were called upon to pay for the others or to pledge themselves for others affirmed the doctrine of financial autonomy so jealously safeguarded during the war. To each of these schemes the same invariable principle remained.

We shall see this affirmed with emphasis:

Toward the beginning of March, 1919, a rumor was spread around Washington that the apportionment of the reparations had been effected at Paris, and on the 8th of March I received from M. Edouard de Billy, who had succeeded me as French high commissioner, a cable giving me a part of a letter received by him the same day from Mr. Rathbone, Assistant Secretary of the Treasury. This letter, after recalling that in one of the commission's meetings M. Klotz had supported the proposition of apportioning among the Allies the total amount of the war debts, concluded:

"I wish to clearly inform you that the Treasury Department of the United States, which, as you know, has absolute authority, conferred by Congress, in the matter of loans allowed by it to foreign governments, will not consent to any discussion, at the peace conference or elsewhere, of a plan or project having

for object the liberation, the consolidation, or new division of the obligations of foreign governments held by the United States.

"You will appreciate also that the Treasury Department will be unable to continue advances to any allied government that favors any plan which would result in reducing the certainty of payment on maturity of the advances allowed by the United States Treasury.

"I will highly appreciate it if you will communicate the decision of the Treasury Department to your Government. I shall impatiently await your reply."

The allied governments, who all most urgently required the continuance of American advances and none of whom were ready to repay their anterior creditors, could not go beyond the terms of this letter. In a very precise reply I claimed again the right of the French Government to have and to defend whatever opinion it deemed proper, after its enormous sacrifices. Mr. Rathbone remained in accord with that and the incident was closed.

I have cited the above only to show in what degree, after the armistice as well as before, the touchiness of the treasuries remained watchful when they feared that an international agreement would operate to increase the already heavy burdens which their parliaments had authorized.

It was under these conditions that the plan of the financial section of the League of Nations, usefully presented by M. Klotz, was sent to the executive council for examination, still in a vague form which the recent conference at Brussels has not succeeded in concretizing. (It should be stated that many of the powers, attributed to the Klotz plan, have been effectively conferred by the treaty to the Commission on Reparations.)

The hour for solidarity had not sounded. Any pressure to hasten it would have precipitated conflict where union was desired.

Long and prudent preparation was necessary, especially in America, where, as I have demonstrated, success depended. To organize this preparation President Wilson and his colleagues, struck by our anxieties and our desires, largely consecrated their last days in Paris.

SECTION 134.

Correspondence Relating to Settlements, Cancellations, Repayment, and Funding of Interest of French Debt.

[Correspondence covers a period from Oct. 25, 1918, to Jan. 27, 1921.]

PARIS, October 25, 1918.

SECRETARY OF STATE,
Washington, D. C.:

Urgent.

5574, October 25, 6 p. m.

For McAdoo from Crosby, 625. Tardieu will probably show you letter from me concerning supply of francs for our purposes after the war. This letter resulted from numerous informal conversations begun when peace looked much further off than now, and also before full appreciation of the importance of obtaining assurance of francs after the war. Though the controlling conditions which led to the suggestions may now be somewhat modified, they still, in my opinion, warrant my recommendations. Following explanations will aid in interpreting letter:

One. The principal objective is to secure francs after the war.

Two. Another objective is to aid in giving needed support to the Bank of France during the war and during the trying period of three after the war in the purchase of foodstuffs and raw materials, particularly, those required for rebuilding the devastated provinces.

Four. Theoretically it might be held that all francs after the war should be purchased by cancellation of existing French obligation. Practically I do not believe you can rely on this to a great extent. The Technical on demand maturity of obligations held by us will not secure their payment. *No court exists to enforce payment and the French Finance Minister continually holds that even with respect to obligations signed after the twenty-fourth September, 1917, we can not justly claim that they are actually payable on demand and that they could not make such payment save in small part, which in any case they*

will make from time to time when judged possible. Should the French insist upon this point of view, the absolute necessity of our depositing francs during the period of the withdrawal of troops might result in a gold demand upon us and the arrangement contemplated is simply a substitution of other materials through a friendly understanding between the two Governments instead of leaving the matter as a subject of possible unfriendly controversy at the time when our needs would be so imperative that we should be at a disadvantage. *The special credit suggested is in fact the purchase price of francs required by us after the war.*

Fifth. In suggesting the proportion sixty forty and seventy-five twenty-five, I was moved by consideration of the fact that some proportion seemed desirable to be provisionally adopted in view of immediate excesses of our expenditures in France over the French expenditures in the United States, and further, because the particular ratio *sixty-the* had been strongly urged by Klotz and it was represented by Tardieu that if were adopted even temporarily as a recommendation by me it would result in the immediate undertaking of negotiations between the French and British treasuries for after the war credits to France.

The letter plainly shows, however, that this ratio is not considered important by me as a part of my recommendation and that it is presumed to be subject to change at any time on the motion of either finance minister concerned. While it is true that the French Treasury, according to my views, should have undertaken the British negotiations earlier and without waiting for my recommendations, yet, inasmuch as considerable feeling had been developed on this point, I deem it worth while to expose myself to the embarrassment of having my recommendations entirely renounced rather than to continue indefinitely a stale mate situation in the negotiations between Paris and London which are now under way. Incidentally it appears that for the next few months it is probable that 40 per cent of the dollar value of francs furnished to the American Government represent the excess over French expenditures in the United States.

Six. The undertaking of the French Government to supply us with francs may go far beyond the figure of a billion and a half dollars, as the arrangement proposes that all United States expenditures in France growing out of the war are thus to be covered. While the rapid progress in military events may diminish our expenditures in France as compared with first estimates, it remains that in the opinion of Stettinius *a billion and a half dollars seems a conservative rather than unconservative estimate of our expenditures here after the war.*

Seven. In paragraph 11 of the letter it is provided that the French Government can not use the materials purchased in the United States for manufacture and resale to third parties, it is clear that to express such a thing in precise terms would be difficult without putting in the hands of the American Government the power of *parcelling* French export trade. It will [not] serve, however, when properly drafted as a protection for our industries.

Eight. No specific mention is made in the letter of furnishing francs for American nationals, but their interests are protected by the provision that funds made available to the French *can not be used if the dollar is at less than gold parity.* It does not seem that we can legitimately ask for anything more than (?) of exchange after the war, since if we exclude the theory of obtaining a billion and a half dollars' worth of francs by cancellation of existing obligations the franc might at normal times go to a premium over the dollar. The burden of maintaining the dollar at a gold parity is substantially thrown upon the French if they are to enjoy the funds in question.

Nine. While I had myself at first urged that some formula relating to the condition of the Bank of France should determine credits to be established in favor of the French Government, I am convinced that any such formula will include doubtful elements, which, however, lead to vexatious discussion between the Governments, and perhaps eventually to a refusal on the part of the French Government after the war to accept our views.

Ten. Moreover, no consideration of the condition of the Bank of France alone will include the satisfaction of our mutual requirements during the past war. This overestimating of need is the basis of the arrangement suggested. The limiting figure suggested is less by *six billion francs than the amount submitted by Tardieu as that which his Government would require for all purposes in the United States during three years.*

Eleven. If an indemnity should be obtained from Germany applicable to reconstruction in France, the proportion of francs paid for by goods would be automatically diminished and applied to cancellation of French debt. French ministers assure me they expect to obtain indemnity from Germany for all damages

suffered by them. Estimate of this damage is being prepared and will be furnished me in about 10 days. *It will be much larger than the total credit mentioned in my letter.*

Twelve. The value of French exports to the United States during the first three years after the war will *probably be less than the sum of the interest charges on the debt of France* to the United States, plus the debt to our citizens maturing during the same period. In so far as any deficiency in respect to these two items may be made up out of the limiting amount named in the letter, the amount for raw materials will be correspondingly diminished, and therefore probably not amount to more than \$400,000,000 a year. This is less than one-half the amount that France has been drawing annually from the United States since our entrance into the war.

Clemental advises me that prewar exports from France to America may be largely increased, but only on condition that our policy through importation of wines and our import duties on other luxuries *must* be radically modified.

Thirteen. Munitions contracts usually provide that in case of peace the materials involved may be changed in character so as to be useful for other purposes than those originally intended. As our loans for war purposes must cease with the conclusion of peace, the values involved must be in some way provided for now unless the Government placing the orders can find means independently to pay for the material or make an absolute cancellation, which would probably work a hardship upon our manufacturers. The arrangement proposed would cover this case, and the amount involved at any one time on orders outstanding would probably amount to more than \$100,000,000.

Fourteen. Although, through oversight, no mention is made in the letter of the condition that if the limiting amount mentioned therein shall not be spent during the three years the balance shall be applied to the canceling of French debt, yet this understanding was perfectly distinct by the last conversation with Mr. Tardieu and will not be questioned by him.

Fifteen. While it is uncertain that an arrangement of the kind indicated in the letter to Mr. (Letcher?) between the French and the British, yet it is not improbable that, having now some basis of discussion, an arrangement may be effected by which France will be able to obtain coal and other British supplies of which she will stand in great need for a considerable period after the war. I am informed by Tardieu, and it is a matter of public statement now in France, that the principal mining fields in French territory will not be available inside of two years and will not be completely eight or ten years.

Sixteen. It seems not improbable that French governmental finances will be more embarrassed at the end of the war than during the war unless they continue to borrow from their public at extraordinary high rates. The disappearance of war motive inspiring the purchase of national obligations will doubtless make it extremely difficult, even if it were otherwise desirable, to obtain necessary funds by borrowing. On the other hand their expenditures, including interest on public debt, will amount approximately to 18,000,000,000 francs per annum. This is more by nearly 10,000,000,000 francs than the present amount obtained by taxation. No plan has been evolved to meet the situation, and the rapid movement of the war does not give time for the evolution of a satisfactory plan. Thoughtful men here believe that serious troubles are ahead of France in this respect. Our continued demand for francs, *while benefiting individuals, will increase difficulties of the Treasury.* Their situation will, of course, be eased by the resale of materials purchased as francs advanced to us, but even with this relief their future is extremely grave. It is not improbable that *even the most cold-blooded consideration by us as a creditor of France would lead to a helpful attitude on our part, somewhat along the lines of the suggested arrangement,* which, however, must constantly be contemplated as directed toward the acquirement by us of francs for removing our Army from France and the settlement of unknown claims against us. While our interest in obtaining francs is the dominant one involved in the suggestions made, it is also true that such American sentiment as may favor the aiding of France

(NOTE.—Balance of letter not furnished committee.)

OCTOBER 16, 1918.

MY DEAR MR. TARDIEU: I shall endeavor in the following pages to make the slight modifications which we discussed in our last interview of the arrangement shown in some earlier letters from me to you, to indicate one or two points that have occurred to me since then, and in this letter to place in your

hands a substitute for all of the papers which have passed between us on the subject under discussion.

After due consideration it does not seem to me very important as to whether the proportion of the dollar equivalent of francs advanced by your Government to the United States should be divided for the purposes we have had in view on the basis of 60-40 or on the basis of 75-25.

If the Secretary of the Treasury is willing at all to make an arrangement along the lines we have discussed, I should personally be quite content to see the matter left in this shape, namely, that, beginning now with 60-40, the arrangement should be permitted to run on that basis until either party desires to make a change, with the understanding that it could then be brought to some new ratio, say 75-25, until the limiting amount should be reached. I make this comment in connection with the matter, and ask that the ratio 60-40 appearing below should be interpreted, so far as my view is concerned, in the light of what has just been said.

As to limiting the amount of the special credit in view, I have written in \$1,500,000,000. This sum has been reached from my consideration of the matter by assuming that it is somewhat larger than (40 per cent of) the amount that will be expended by the United States in France for war purposes after the close of hostilities. If the dollar equivalent of advances made by your Government to meet such expenditures on our part were entirely given over to meet your needs in the United States during that period, and, say, some extension of it up to three years, we would have substantially a state of affairs that the subjoined plan would give, with this modification involved in the said plan, namely, that a portion of the credit in question would be established for the purpose of strengthening the Bank of France at an earlier date than the cessation of hostilities. Correspondingly, a portion of the dollars advanced for francs after the cessation of hostilities would go directly to the prepayment of your existing obligations.

I need scarcely repeat here what is so well understood between us, namely, that in all these transactions it is supposed that some arrangement similar to the one that might eventually be made between the United States Treasury and the French Treasury will be made between the French and British Treasuries.

As I have explained to you, a reference to the condition of the Bank of France may be quite necessary from a technical as well as a practical point of view, if the Secretary of the Treasury should enter into an arrangement of the kind contemplated by us. This arrangement, in fact, contemplates the establishment of credits which could not be immediately useful to you, nor needed by you, save for the purposes of the Bank of France, and I believe it must be considered from that point of view. What I now hold as compared with my earlier position is this—that it will be simpler to leave this whole matter of determining the needs of the Bank of France to your Treasury rather than set up a formula concerning which there might be some difference of view in an endeavor to apply it to future situations.

It must be presumed that if, before the end of the war, the French Treasury does not hold that it is important to strengthen the Bank of France by fresh credits, then notice would be given to that effect to the Secretary of the Treasury, and there would be a suspension of these special credits from funds advanced before the end of the war. This would not defeat the ultimate obtainment of whatever is accepted to be the limiting amount available for your purchasers in the United States after the war.

Finally, I should add that, with respect to the cardinal points involved in the arrangement outlined between us, it may be that the Secretary of the Treasury will have entirely different views from mine. I have already written him to such effect that the expression of my own views, if found to be different from his, will be in no way whatever an embarrassment in the determination for which he alone is finally responsible.

The direct and simple treatment of the case arising between the two Governments would normally suppose that your existing obligations would be diminished as far as possible for them to be diminished and would not take account what shall be the debt in franc advances immediately to be made to the United States—that is, whether before the war or after the war. Normally, I repeat, that any franc advances which your Government could make to that of the United States, and in excess of its own present needs for carrying on the war, would be applied to the reduction of the existing indebtedness of your Government to that of the United States. In agreeing with you that a

modification of this strict rule might be found wise, I have done so after weighing a great many different considerations affecting the problem. It is not easy to explain in writing. Some days ago, however, I wrote at some length to the Secretary of the Treasury on this subject, and shall further endeavor to set forth the reasons that have led my own judgment to a conclusion which might seem at first glance to depart from that which is usually sound and prudent in the conduct of money matters.

With these statements I add now a general outline of arrangements which have been discussed between us.

(1) Mutual undertaking on the part of the French and American Treasuries to supply each to the other the franc and dollar funds, respectively, required for their war expenditures, including expenditures incident to the removal of the American troops and their equipment from France after the war and other expenditures of the American Government in France due to and growing out of the war.

(2) Until peace shall have been established between either the United States or France and the German Empire there shall be an agreement that 60 per cent, or as much thereof as may be necessary, of the dollar equivalent of francs advanced to the United States according to the provisions of paragraph (1) shall be applicable to your current expenditures in the United States.

(3) During the period defined in paragraph (2) it should be agreed that 40 per cent of the said dollar equivalent, plus any portion of the said 60 per cent not needed for your current expenditures in the United States, shall be represented by a special credit in the United States Treasury, available to the French treasury during the period of from one to three years after the war, to cover purchases of materials in the United States other than gold, all substantially in accordance with the conditions relating to the recently established special credit of \$200,000,000, and set forth in the letter of the Secretary of the Treasury dated August 16, 1918; the amount of the special credit herein mentioned, including the \$200,000,000 special credit already established, shall be limited to \$1,500,000,000.

(4) When the United States shall have made peace with the German Empire, and during the removal of its troops and their equipment from France, then the total dollar equivalent of franc advances made to the United States during such period shall be available to the French Government for purchases in the United States and for the establishment of special credits as mentioned in paragraph (3) until the sum of such special credits plus the sum of the expenditures made from dollar equivalents herein considered shall have equaled \$1,500,000,000. Thereafter the dollar equivalent of francs advanced to the United States for the purposes herein mentioned shall be applied to the cancellation of your existing debt.

(5) If before the making of peace between the United States and the German Empire the sum of \$1,500,000,000 shall have been reached by the establishment of special credits as provided for in paragraph (3), then thereafter the dollar equivalent of the francs advanced to the United States by the French treasury shall be applied to the cancellation of the existing debt to the United States.

(6) If subsequently agreed upon, instead of canceling the debt, a portion of the amount that might be absolutely canceled may be represented by obligations of one to the other, equal in amount, maturity, rate of interest, etc., so that there would be an automatic cancellation of the maturity of these obligations instead of at the moment when the funds would otherwise be available for such purposes.

(7) That any such obligations given by one Government to the other shall carry the provision that they are payable in the corresponding obligations of the other party.

(8) That any sum remaining due from one Government to the other at the end of the transactions herein referred to shall be represented by long-term obligations.

(9) The rate of expenditure of the special credit of \$1,500,000,000 should be fixed at some average monthly rate convenient to both parties, and, further, it should be conditioned that it should not be used if at any time the dollar is at a discount below its gold parity in the New York-Paris exchange quotations.

(10) It would also be necessary to assume that the dollar equivalent of franc advances shall be established at rates of exchange agreed upon from time to time between the two treasuries.

(11) It is understood that the funds to be advanced to the United States by France as at present and as contemplated by this memorandum are for the pur-

pose of meeting the expenditures of the United States Government in its war against Germany, as indicated in paragraph (1), and that the dollar equivalent of francs thus advanced and made available to the Government of France in the form of special credits, are to be expended for necessary purchases of foodstuffs for the French population, material for her manufacturers, and material for reconstructing the devastated provinces, and not for purchase and resale to third parties either in raw or unmanufactured state.

(12) In case a war indemnity be collected from Germany for purposes of reconstruction of French territory, the amount of such indemnity thus collected, when made available during the first three years after the end of the war, shall be deducted from the amount of the special credits herein presumed, and the amount thus deducted shall be applied to the cancellation of your debt.

This form of undertaking leaves very much less for future determination and interpretation than any other form which we have thus far discussed. It approaches very nearly the arrangement which I think Mr. Klotz had in view from the beginning.

In closing, I trust, my dear Tardieu, that you may have a very pleasant and safe voyage to America.

Cordially, yours,

CROSBY,

Special United States Commissioner of Finance in Europe.

His Excellency M. ANDRE TARDIEU,

French High Commissioner.

P. S.—Time has been lacking to give proper turn to loose phrases and to clear up some doubts. Before you have occasion to show this in Washington I shall have cabled explanations.

MARCH 8, 1919.

MY DEAR MR. DE BILLY: I learn that at a meeting of the financial drafting committee appointed by the executive council of 10 at the peace conference one of the allied Governments having proposed as one of the financial questions affecting peace the reapportionment and consolidation of war debts, this proposal was strongly supported by the representatives of your Government, Mr. Klotz taking the position that this question must be discussed while the delegates of all the powers are in Paris. While I understand that the drafting committee did not report this question as one to be dealt with in the peace treaty, I understand that it did report to the executive council as a question which had been raised, "interallied agreements as to the consolidation, reapportionment, and reassumption of war debts."

I need not dwell on my surprise at the position taken by Mr. Klotz on behalf of your Government, particularly in view of your letters of December 27, 1918, and February 5, 1919, as to which I testified before the Ways and Means Committee of the House of Representatives of the Congress at the recent hearing on the Victory Liberty bond bill.

I have, however, to state most emphatically that the Treasury, which, as you are aware, is clothed by the Congress with full authority to deal with foreign loans which it has made, will not assent to any discussion at the peace conference, or elsewhere, of any plan or arrangement for the release, consolidation, or reapportionment of the obligations of foreign governments held by the United States.

You will appreciate also that the Treasury can not contemplate continuance of advances to any allied Government which is lending its support to any plan which would create uncertainty as to its due repayment of advances made to it by the United States Treasury.

I should be obliged if you would communicate to your Government the views of the Treasury as expressed above, and I shall be anxious to receive its reply.

I am, my dear Mr. de Billy,

Very truly, yours,

ALBERT RATHBONE.

Mr. EDOUARD DE BILLY,

French Deputy High Commissioner.

Fifteenth and M Streets NW., Washington, D. C.

FRENCH HIGH COMMISSION IN THE UNITED STATES,
Washington, D. C., March 18, 1919.

HON. ALBERT RATHBONE,

Assistant Secretary of the Treasury, Washington, D. C.

MY DEAR MR. RATHBONE: By your letter of March 8 you informed me that at a meeting of the financial drafting committee in Paris one of the allied Governments having proposed, as one of the questions affecting peace, the reapportionment and consolidation of war debts, this proposal was strongly supported by the representatives of the French Government.

You expressed your surprise at the position taken by Mr. Klotz, and you requested me to communicate to my Government the views of the Treasury concerning this question.

I have just received an answer from Mr. Klotz by cable, the gist of which I give you below:

The proposition referred to was presented to the commission entrusted by the executive committee with the study of the financial questions, at a time when the rôle of this commission was reduced to the establishment of a list of the questions to be submitted to the executive committee, which had subsequently to decide which questions should be retained and, in such case, to whom their examination should be confided. The Italian delegation of the said commission having proposed that the question of the division among the Allies of the total of the war expenses be inscribed on this list and a discussion having begun on this point, the French delegate asked that the Italian proposition be not discarded *a priori*.

The purpose of the commission was purely and simply to make a list of the questions which the representatives of the powers now assembled in Paris might find it expedient to consider either in the general meetings or in meetings limited to the Governments directly interested; the inscription of the Italian proposition on this list would not in any way preclude the decision of the executive committee.

Furthermore, Mr. Klotz points out that with reference to the attitude of the French officials toward the principle involved in this question, the French Government never made any declaration favoring either the Italian proposition or any other similar proposition reproduced in the press or in the French Chambers.

I am, my dear Mr. Rathbone,
Very truly, yours,

BILLY.

MAY 25, 1920.

DEAR MR. NORMAN DAVIS: I see in the papers that the Franco-British conference at Hythe has provoked in the United States rather unfavorable comments. Permit me to give you in a friendly and personal way certain information which I hope will permit you to better appreciate the facts. We regret very much that circumstances will not allow us at this time a direct collaboration with you, so as not to have the great anxiety of avoiding false interpretation and misunderstanding.

You know how the question of Germany's reparation debt was officially raised at San Remo. They considered the difficulty of reviving international credit if the amount of this debt must remain indefinite until the month of May, 1921. They decided to offer the Germans an opportunity, in a conference at Spa, to make the proposals for fixing it provided for in the protocol attached to the treaty. And finally they realized through simple conversations the opportunity of according to Germany the means of liberating herself by a certain number of annuities.

Of all that nothing was formal except the call to Spa. The British Government was anxious not to approach this conference without having defined a little further the intentions of the Allies, so as not to be taken unawares by possible offers of the parties at the conference, but, on the contrary, to have prepared roughly in advance a common program by which to judge these offers.

Such was the object of the economic and financial interview at Hythe.

It could hardly be a question of determining figures there, but simply bringing up general ideas.

First. In going deeper into the subject, everybody agreed that it was necessary to determine the manner of settling the German debt, so as to obtain as promptly as possible actual resources for reparations. This will tend to put

Germany as soon as possible in a position to negotiate loans intended to free her from her reparation debt and the political and other restrictions connected therewith much quicker than would be the case by simple annuities. Whatever the outside difficulties may be for the moment, the success of the first German loan, even of moderate amount, appears as one of the most practical things for reestablishing international credit. It is self-evident that such a loan should be intended to provide in a certain measure for the re-vitalizing of Germany and the payment of her other debts, and at the same time to begin the payment of her debt of reparation.

Second. In the second place, it has been shown by the conversations at Hythe that in regard to the general improvement of the financial condition of Europe it was not sufficient to take into consideration only the debt of reparation of Germany. The international charges left by the war are represented on one side by this debt of reparation and on the other side by the war debts of the Allies. The one and the other weigh equally on the future and are a cause of apprehension for financiers. The British and French premiers expressed their opinion that there was occasion to size up the situation as a whole and to seek a parallel method of settlement. They have ordered the experts of both treasuries to continue their studies on those general bases.

No figure has been fixed upon. No definite procedure, such as the assignment of claims against Germany in payment of the war debts, has been adopted. All that the papers have printed in this respect is without foundation.

I am of the impression that as a matter of fact the British and French Governments have taken the trouble to meet together before the conference in Brussels to clear up the financial situation as far as they are able so that the adjustments following the war may operate without hindrance to the very necessary recovery of commerce (trade). For that purpose it will necessarily follow that Germany be given, without losing sight of the principles of the treaty, a settlement which will not discourage her from working and which, similarly, Great Britain will accord to her debtors (among whom we are), just as we will allow our debtors (Italy, Rumania, Serbia, etc.) delays and conditions of interest—*perhaps even annulment of debts* such as will enable them to pull through. The only manner in which to arrange all that with desirable promptness and other than by acts of charity which are very unfavorable to the credit of those who accept them is to make a regulation in common where each will put a little bit of his own.

As this does not only concern France and Great Britain, they will try to bring to the same points of view the other allied Governments.

I understand very well the difficulties which at present America experiences in taking part in such agreements. Is it not possible in some manner? At any rate, I will be happy if you will not disapprove efforts which are made in a spirit of moderation and good faith to put our affairs in shape, and you would infinitely oblige me if you could in an entirely personal manner let me know what you think of it. You know how much I appreciate the support of your friendship and your counsel.

Receive, dear Mr. Norman Davis, the expression of my profound sentiments and devotions.

CELIER.

JULY 23, 1920.

Monsieur CELIER.

Care of the Ministry of Finance, Paris, France.

MY DEAR MONSIEUR CELIER: Although my delay in replying to your letters of May 25 and June 24 would not so indicate, I was delighted to hear from you. Up to the present my new duties have left no time for anything except most urgent matters.

You, of course, realize that articles in the newspapers on various questions do not as a rule represent the official position or views of this Government. It is true there were many articles in the papers relating to the alleged decisions of the two premiers at Hythe. As a matter of fact, none of the accounts of what took place there was sufficiently clear and definite to necessitate or justify forming an opinion.

I am glad to note, however, that the necessity of a constructive settlement of German reparations is now more fully realized.

I may say, however, that the vague reports to the effect that it had been decided that the various intergovernmental debts and the settlement thereof

would be made to depend directly upon the settlement of collection from German reparation appeared to have a rather adverse reaction here.

It is felt here that the obligation on the part of debtor countries to liquidate war debts is a matter entirely independent of the reparation problem. The moneys were loaned before the question of reparations from Germany could be considered. It is, of course, realized that the ability to pay these war debts in full will in some cases depend upon the economic recovery of the debtor country, and that the amount received by way of reparation will be one of the elements in such recovery. It is hard for the people of this country, however, to see the justification for any plan of assignment of German reparation obligations in payment of war debts, or the using of reparation payments as a controlling index of payments to be required on war loans, when these loans and reparation obligations have no connection and receipts from reparations have at best only an indirect and partial relation to the ability of the debtor nations to pay. It would be impossible for me to express a personal opinion on any contemplated settlement of the reparations problem without more specific information than it contained in your letter. If the Secretary of the Treasury were inclined to tie up the reparation question with intergovernmental indebtedness, which I believe is not the case, it would be impossible for him to do so without congressional approval, which, in my judgment, is out of the question. Under existing circumstances I fear that any agitation along this line will simply be misleading and make it more difficult eventually for this country to participate and cooperate with other countries in the adjustment of existing economic problems.

As to the distinct problem of reparations, I may frankly say that my own personal view is that if the German indemnity is reduced and fixed at an amount which Germany may reasonably be expected to pay, and which the investors of the world will think that Germany can pay, the results to France will be greater and her ability to recuperate and liquidate all of her obligations increased, much more surely than would be the case if the question is left in an indefinite state in an endeavor to collect from Germany the full amount of her debt.

With regard to the liquidation of the United States loan to France, I am no longer at the Treasury and can not speak for the Secretary of the Treasury. As you are aware, he expressed a willingness to negotiate with the allied Governments for the funding of their demand obligations held by this Government into long-time obligations, and as a part of and in connection with such funding arrangements to provide for the postponement of interest accruing during three years. The Secretary of the Treasury, however, is empowered to make this concession as to postponement of interest only as part of a comprehensive and final funding agreement, which must be consummated if the Allies desire to take advantage of such a concession. In case such an arrangement is arrived at, the allied powers would have about two more years before interest payments would begin, during which time at least their indebtedness to the United States would not be any burden on them.

I do not believe that the United States will ever be an harassing creditor, but in substance I may say it appears to me that the ultimate American opinion will be that in time the Allies will be able to pay what they owe to the United States and for the sake of their financial credit will desire fully to fulfill their obligations; but that if they do not recuperate as expected and it is later found necessary to make some adjustment, then will be the time to consider such a question solely on its merits upon the basis of the general economic and financial situation.

I have more fully explained my personal views in a conversation to Ambassador Jusserand, who has just gone to France, and have suggested to him that he have a talk with you. I regret that I can not have an opportunity myself to see you and renew our cordial and satisfactory conversations.

With very best wishes and regards, I am, as ever,

Cordially, yours,

NORMAN H. DAVIS.

— — —
TREASURY DEPARTMENT,
Washington, December 15, 1920.

Memorandum for files:

Pursuant to a request which I made of Mr. Casenave over the telephone about 10 days ago, Mr. de Sleyes came to see me to-day. It is my understanding that Mr. Casenave is in Canada temporarily.

S. Doc. 86, 67-2—18

FRENCH SETTLEMENT.

As to this Mr. de Sieyes said that Mr. Dietrich had been working for some time on the figures which are now ready. I do not understand just what figures these are, as substantially all the figures had been agreed upon by the liquidation commission. He stated that prior to the payment of the Anglo-French loan the French Government had been most anxious to complete the settlement in the hope that there would result funds available for use upon the loan. Mr. de Sieyes and Mr. Casenave, however, came to the conclusion that no available funds would result from the settlement and impressed this upon their Government. Consequently the French Government, although desirous of disposing of the matter, has lost the incentive for haste. Apparently delay has also resulted from the reluctance of Mr. Casenave to take the responsibility for the settlement which he thinks may in any case arouse criticism in France. He believes that in making the settlement he would be assuming responsibility not only for what he has done since he has been in charge, but for whatever was done in the past by the French representatives, including Tardieu, both in Paris and here. I told Mr. de Sieyes that it is highly desirable that the settlement be made during the present administration, in view of the practical certainty that after its close there will not be anybody in the Treasury familiar with the matter. I pointed out also that anybody who is not familiar with it would, in all probability, as a matter of self-protection, consider himself bound to deal with the French Government at arm's length and would be unable to accept a result as advantageous to France as might be agreed upon by somebody who had been familiar with the financial arrangements between the two Governments during the past two and one-half years. I stated, further, that the great fall in French exchange since the end of November, 1919, when Mr. Rathbone discussed the settlement with Mr. Bloch, has greatly altered the situation. The fact that exchange for many months has been worse than 14 francs to the dollar, and that there is no prospect of any great appreciation of francs for some time to come, has entirely changed the plane upon which figures can be discussed in arriving at the rate or rates of exchange to be applied in the settlement, and has imposed a heavy responsibility on the representative of our Treasury who undertakes to apply a rate other than the new current rate. Mr. de Sieyes replied that he appreciated the force of these circumstances; that he was sure a settlement could be effected, and that he and Mr. Casenave would press the matter forthwith to the end that it may be disposed of before the 4th of March.

EXCHANGE OF OBLIGATIONS.

I stated to Mr. de Sieyes that a most serious situation is arising by reason of the facts that the exchange by his Government of long-time obligations for the demand obligations now held by us has not been made, that our only authority to defer the interest is in connection with the exchange of obligations, and that a political discussion of the whole matter may be precipitated at any moment. I called to his attention the present depressed business conditions in this country, the great desire of our people for relief from taxation, and the consequent heavy pressure upon Congress to relieve the national finances. I pointed out that in these circumstances there is little likelihood that the new administration, not having had a part in the making of the loans and being under both partisan and general pressure to ameliorate our finances, would be disposed to grant terms as favorable as those which have been proposed. I also stated that, in the opinion of the Treasury, it would be greatly to the advantage of each of the foreign Governments to have completed arrangements for the exchange of obligations. This would insure the deferring of interest for the whole of the three-year period and would put off the maturity of the principal for a substantial period of time. It would also indicate that the Government concerned had done all it could in present circumstances to deal with its indebtedness. If at the end of the period of deferment conditions have improved, the French Government might well be eager to begin paying annual interest.

If, on the other hand, recovery had been disappointing and the French Government did not consider itself able to pay interest, it would be in a much better position to discuss with this Government some further arrangements than it will be in if it merely lets matters drift. Public opinion and opinion in Congress are opposed to laying further burdens on our people in connection

with European matters. *Mr. de Sieyes said his Government views the exchange of foreign obligations as an international matter*, and that it is unlikely that any progress can be made for the present. I replied that it had always been the Treasury's view that the loans of United States to each Government concerned only that Government and should be dealt with separately. Mr. de Sieyes replied that unfortunately the meeting of a loan from another Government is not considered as urgent as the payment of a loan privately made, such as the Anglo-French. I called to his attention, however, the public feeling in France toward the Russians by reason of their failure to deal with their indebtedness to France. Mr. de Sieves admitted that the bitterness in France toward Russia on this account is very great and said that it would be most unfortunate if corresponding feeling should arise in this country. I stated that the best means of preventing such a feeling would be for the foreign Governments to proceed with the arrangements for the exchange of obligations, as they would in that way show that they were prepared to do all that could be done in the circumstances. Mr. de Sieyes replied that he was inclined to agree with this view but considered that it was a much more difficult matter than the winding up of the liquidation commission settlement.

REPAYMENT OF \$17,000,000 ON ACCOUNT OF BELGIAN RELIEF.

I suggested that, as a part of clearing up the foreign-loan business, it is desirable that this sum be applied on French obligations held by the United States in accordance with my earlier letters to Mr. Casenave. Mr. de Sieyes said that, inasmuch as the French Government now realizes that the fund can not be made available to it in cash, he thinks all that is holding the matter up is the belief of the French Government that assent to the application of this sum on its obligations would be an assent to the accounts of the C. R. B. The French Government is not in the position of withholding its assent to those accounts, but desires further information regarding them, particularly on the question whether part of the balance was not derived from other currencies than dollars. I replied that this Government can not go into the matter of the account between the C. R. B. and the French Government, and that, in view of the circumstances in which our loans for relief were made to France and the circumstances in which the fund was paid into the Treasury by Mr. Hoover, this Government is bound to assume that it is entitled to the funds. Mr. de Sieyes seemed to think this is a matter that can be disposed of before the end of the present administration.

PURCHASES IN THIS MARKET.

Mr. de Sieyes said his Government, through its own purchasing agent, is buying wheat in the United States. The total amount expected to be purchased from November, 1920, to April, 1921, is \$25,000,000. The French Government is no longer purchasing copper, cotton, coal, or any commodity in the United States other than wheat.

FRENCH FINANCES IN THE UNITED STATES.

Mr. de Sieyes told me that in the next 12 months the French Government must find about \$225,000,000. The requirements to be covered are:

City of Paris loan.....	\$50,000,000
Amount which French Government undertook to purchase from Three Cities Syndicate (the syndicate was able to dispose of only \$25,000,000 out of \$45,000,000)	20,000,000
Wheat	25,000,000
Interest on obligations held by the United States on account of the sale to France of surplus property.....	20,000,000
Maturing Treasury bills.....	60,000,000
Total.....	175,000,000

In addition, there is the service of the \$100,000,000 loan, and there are also other matters which Mr. de Sieyes did not specify. He stated that, in the opinion of his Government, the city of Paris should finance its own maturity of \$50,000,000. The French Government hopes to float another loan next spring for about \$100,000,000. The balance of its requirements it hopes to be able to

raise by the sale of francs. Mr. de Sieyes said that, in view of these plans, he thought it unlikely that there would be any recovery of the franc during the next 12 months, but that after that period the French will not have large requirements in this country. In his opinion, the payment of the Anglo-French loan placed on francs a strain somewhat greater than they could bear. In this connection he said that in order to meet the Anglo-French loan the French Government, acting directly from Paris, had sold about \$25,000,000 worth of wheat, which it had purchased on favorable terms in the Argentine and which in the spring and summer, in view of the favorable prospects of the French harvest, it was considered would not be necessary. The wheat was sold for more than it cost, and this resulted in a substantial profit to the French Government. The French harvest proved to be excellent, but the Algerian harvest was a disappointment. As a result, it became necessary again to buy wheat. This the French Government is now buying at prices more favorable to it than it had paid in the Argentine. It appears that arrangements are being discussed in New York for a loan to Algeria. Mr. de Sieyes says that this is an extremely rich Province and that it is desirable that the loan be made directly to it and not to the French Government. It appears, however, that the bankers consider it very difficult at this time to find the money.

H. KELLEY.

JANUARY 27, 1921.

MY DEAR MR. SECRETARY: In the Washington Post newspaper of the 24th instant appeared a report dated Paris, January 23, to the effect that M. Doumer, the new Minister of Finance, in an interview with a Paris journal, was asked his view of the suggestion that France's debts to the Allies be canceled and replied:

"I think America is far more sympathetic to us than is believed. Time must be permitted to do its work, and as a new administration is to be installed, let us await March with confidence."

As you know, negotiations with French representatives in this country regarding the exchange of the demand obligations of the French Government now held by the United States for long-time obligations have made but little progress. The French Government has not paid interest since April and May of 1919 on the obligations which it gave for advances made by the United States Treasury. As authority has not been granted for the deferring of interest except in connection with the exchange of obligations and as a part thereof, I shall be glad if you will ascertain by such means as you may deem advisable whether the report correctly sets forth the views of the French Government and whether the Treasury is to understand that it is the intention of that Government for the present not to enter into negotiations for the exchange of obligations held by the United States.

Very truly, yours,

D. F. HOUSTON.

The honorable the SECRETARY OF STATE.

Washington, D. C.

[No reply to this letter included in files submitted.]

SECTION 135.

Correspondence Relating to Authority of the Treasury Department to Extend Credits and Make Loans After the Termination of the War.

Assistant Secretary Rathbone Admits That Legislation Will Be Needed to Make Further Credits After Conclusion of Peace.

(Such legislation was never obtained.)

NOVEMBER 2, 1918.

Memorandum for the Secretary:

Attached is a copy of Mr. Crosby's letter to Mr. Tardieu of October 16, 1918, brought back from Europe by Mr. Davis, and also three cables received from Mr. Crosby on the subject. The gist of Mr. Crosby's suggestion is that a certain proportion of the dollars paid to the French in reimbursement for the francs

furnished for army expenditures abroad shall be set aside as a special credit available within certain limits and subject to certain conditions for expenditures by France in the United States for after-the-war purposes. Mr. Crosby suggests that the amount of this credit be limited to \$1,500,000,000, of which he estimates about \$600,000,000 will be used to purchase material here after the war to be sent abroad, and \$900,000,000 to pay obligations and interest in this country.

I do not believe that there should be any departure from the principle laid down in your message to Mr. Clemenceau of last summer, which was approved by the President, namely, that France must furnish us the francs we need for our governmental purposes in France during the war and until the return of our troops, just as we have supplied France with the dollars she needs in the United States for war purposes. We can not be put in the position of selling to France on credit while at the same time France is requiring cash payments for our purchases in France. Our loans to France should be limited to the amount by which the French dollar expenditures exceed our franc expenditures. If the dollars received by France for the francs furnished us exceed the amount of France's war expenditures here the excess should be applied toward payment of the obligations of France which we hold or, if and to the extent the Treasury should consent, applied for France's after-the-war purchases in the United States. No agreement should be made providing France with dollar credits in specific amounts for after-the-war purposes in this country until we know what these needs will be. The Treasury should receive with sympathetic consideration a statement of France's requirements during a reconstruction period just as it has received requests for assistance during the war period. Until the dimensions of these requirements of France are submitted to Great Britain and ourselves, our pledge in regard to aid for reconstruction purposes should be limited to an assurance of willingness to most sympathetically give consideration to the matter when presented to us in concrete form. *Legislation should, however, be secured extending the authority of the Secretary of the Treasury to establish credits with the approval of the President, and from the credits so established to purchase obligations of foreign Governments even after the conclusion of peace and to make such purchases for purposes other than for the national security and defense.*

SECTION 136.

The Position of the Treasury Department, as Attested by Mr. Rathbone's Foregoing Letter, Was Understood by Andre Tardieu, the French High Commissioner, as the Following Letter Indicates.

WASHINGTON, November 4, 1918.

[Free translation.]

TO ASSISTANT SECRETARY LEFFINGWELL:

I beg to hand you herewith a short analysis of the French Government's viewpoint as I explained it to you in our conversation of Saturday. This viewpoint is of the greatest importance to my country.

1. I believe that we agree on the necessity of an understanding between our two Governments on the subject of their financial relations.

Once peace is signed, and as long as you will have troops in France, you will have need of francs.

On our side, after peace is signed, we will require dollars for the purchase of materials for the reconstruction of our country, a quarter of whose productive capital has been destroyed by the enemy.

The French Government is disposed to supply the United States Government, after the cessation of hostilities, with francs in the same way as it does at present, but my Government requests the United States Government to furnish it with the dollars which it will need for purchases to be made in the United States for reconstruction purposes.

The United States Government is desirous, I know, to give the French Government the above-mentioned assistance, but a vote by Congress is necessary, since under present laws the power of the Secretary of the Treasury to open credits to the Allies ceases when the war ends.

The situation being thus, I would ask you to be kind enough to confirm by an exchange of letters our agreement on the above; that is, the willingness of my

Government to supply the United States Government with the francs which it will require as long as American troops are in France; the willingness of the United States Government to ask Congress for the necessary authority to supply the French Government with the dollars needed for its reconstruction purchases in the United States.

2. Such is my first proposition. I beg to submit a second.

Neither your Government nor mine know when peace will be proclaimed. That day we will have urgent need of reconstruction materials, for after four years of economic death there will not be a minute to lose if France wishes to repair the wrongs she has suffered by reason of the fact that her soil has been the battlefield of the Allies.

What will the situation be if at that time there has not yet been a vote by Congress? Such a situation would be disastrous for my country and it would be wrong for my Government not to guard against it.

Whence my second suggestion, as follows:

I would ask in order that we may provide against the possibility of the vote of Congress not taking place in time, that the Treasury assure us now, that from the moment peace is proclaimed, we shall have at our disposal for the payments for reconstruction purchases to be made by France in the United States, an amount equal to the counterpart of the transfers of francs and the cessions of material dating from October 1, 1918.

The principle of this measure is not new to the Treasury, since you have been already kind enough with a broadmindedness which we fully appreciated, to open to us special credits within the limits of the amount of francs transferred. (Assistance to the Bank of France, purchase of our bank obligations.)

This measure is indispensable to the security of France. I feel certain that you will understand it and I have no doubt of your friendly cooperation.

3. In short, and aside from the general measures that you will have to take in order to liquidate the expenses of the war with all the Allies after peace has been concluded, and as stipulated in Mr. Clemenceau's cable of June 9, I would call to your special attention once more the unique situation of France as the field of battle, obliged to rebuild the economic structure of the invaded regions and to rebuild it as hastily as possible.

On account of this unique situation I am asking for a special measure.

My stay in the United States is to be very short as you know. Will you be kind enough, after studying this letter, to submit it to Mr. McAdoo upon his return. Mr. Clemenceau has insisted emphatically upon my reaching an agreement with the Treasury before leaving the United States, and I believe that this agreement is possible on the above-mentioned basis.

I am inclosing with this letter a brief estimate of reconstruction expenditures, a part of which only will have to be met in dollars for purchases in the United States.

ANDRÉ TARDIEU.

SECTION 137.

Mr. McAdoo Recognizes That He Is Without Authority to Grant Credits After Conclusion of Peace.

NOVEMBER 7, 1918.

MY DEAR MR. TARDIEU: I have read with care and deep interest your letter of November 4 to Mr. Leffingwell with accompanying data relative to reconstruction in France. I have also read a copy of Mr. Crosby's letter to you of October 16, 1918, on the same subject, and have been informed of the conversation which Messrs. Leffingwell, Rathbone, and Davis, of my staff, have had with you concerning the franc expenditures of the United States in France until the repatriation of our soldiers, and the dollar requirements of the French Government for war and reconstruction purposes in the United States.

I am glad to note that you recognize our need of the francs required to cover our war expenditures in France and that your Government is willing to continue to supply the necessary francs, as it does at present, so long as American troops are in France.

The special dollar credit already arranged, the two special credits now being arranged, and the dollars to be made available against francs supplied to the United States Government, should enable your Government to meet for a con-

siderable time its current expenditures in the United States for approved purposes of whatever character. I shall continue to give most sympathetic consideration to any requests made by you on behalf of your Government, but you are, of course, aware of the fact that I have no power under existing law to grant credits for reconstruction purposes after the return of peace. Even if I possessed such power, it seems clear to me that, in harmony with the policy we have consistently and wisely observed concerning the establishment of war credits, credits for reconstruction purposes should not be established in advance of immediate requirements or before those requirements are definitely ascertained and agreed upon. I regard the questions presented by you, however, as of such importance to the common interests of France and the United States that in order to put me in a position to aid in the solution of the impending problems, I shall immediately, if the President approves, ask the Congress for authority to establish credits, with the approval of the President, in favor of France, and to purchase its obligations up to the amount of the credits as established, to enable your Government to meet purchases in the United States for reconstruction purposes after the war.

I am, my dear Mr. Tardieu, with high esteem,

Cordially yours,

W. G. McAdoo.

Mr. ANDRÉ TARDIEU,

High Commissioner of the French Republic, Washington, D. C.

SECTION 138.

Demand Obligations.

PARIS, November 9, 1918.

SECRETARY OF STATE,
Washington.

Routine. 5791. November 9, 9 p. m.

For McAdoo from Crosby, 661. In printed report made in September, 1918, to French Parliament by finance minister, debt to the United States is carried under head of time obligations, while advances by other Governments are carried as floated debts. Advances by British Government to French Treasury are for the most part expressed in bills bearing nominal maturity of 12 months or such like dates, but it is claimed by French Treasury officials, and I believe so considered by British Treasury officials, that these will be exchanged at an early date for obligations of longer term, this based upon the theory that it will be impossible to pay any short-term obligations. In this connection I call attention to my identical letter addressed on the 7th of January, 1918, to the chancellor of the exchequer, the ministers of finance of France and Italy, reading as follows:

In the haste of other matters it has not yet been convenient to discuss with you the question of the precise terms in respect to maturity and interest of the obligations which your Government entered into with the United States covering the loans currently made to you. There is at present in the possession of the Treasury of the United States a large amount of demand paper representing these transactions. The connections of exchange of these obligations for others have in no way been made the subject of commitment by the Secretary of the Treasury. The subject of the maturity of long-time bonds, if and when taken in such exchange, it is understood is determinable by the Secretary of the Treasury, subject to the limitations *ignominious* by the Act of Congress of September 24, 1917, of which you have had a copy. I shall hope at an early date to discuss more in detail the subject with you.

Mr. Klotz, in conversation with me, and Mr. Tardieu, in conversation and in writing, have in the past given assurance that, in so far as consistent with safe financing of the French Treasury, cancellation of existing debt would be accepted as against advances of francs, irrespective of other conditions which might be attached to any general arrangement therefor.

SHARP.

SECTION 139.

Outline of Treasury Department's Policy, as of March 4, 1919, Regarding New Credits to Be Established With France.

MARCH 4, 1919.

MY DEAR MR. DE BILLY: Mr. Rathbone has reported to me his conferences with Mr. Simon in regard to the requirements of your Government in this country, the use by your Government of the countervalue of francs furnished by your Government to meet the expenditures of the United States Government in France, and the need of your Government to obtain further advances from the United States Treasury to meet its necessary expenditures here for the purpose of the prosecution of the war.

At the outset permit me to assure your Government of the desire of the United States Treasury to aid in the solution of the financial problems which confront your Government as a result of the war and of its wish to consider most sympathetically all applications for advances from the United States Treasury which by law it may be authorized to make in order to meet such of the requirements of your Government in the United States as can not be supplied through private channels. I look forward to the continuation of the close and intimate relations between the United States Treasury and the French High Commission that have enabled the solution of the many important financial questions we have dealt with in the past and confidently believe that the no less serious financial problems of the future concerning both treasuries will, through the same spirit of friendly cooperation be successfully solved. I regard the restoration of France as a matter of great importance to all of the Governments associated in the war against Germany and unless this result can be achieved, as I sincerely believe it will, I do not consider that complete victory has been attained.

Before stating the general principles which Mr. Simon and Mr. Rathbone have discussed, there are two points to which I wish to refer.

It is quite essential that I retain a measure of control in regard to the use of the dollars which shall result from the transactions between the two Governments. Particularly during the period of transition from war activities to the ordinary activities of peace, I am obliged to maintain a position which will enable me to effectively determine from time to time the financial assistance which can be extended to France by the United States without peril to its own finances, industries, and commerce.

It must be clearly understood that the financial aid which the United States Treasury is willing to extend to France is limited to the requirements of France in the United States that can not be provided through private channels. I am unwilling that the financial assistance which the Treasury has extended or may hereafter extend to France should be used directly or indirectly in such manner as to enable the Government of France or its nationals either to pay its debts to or cover its purchases from other allied Governments or their nationals or indeed the Governments or nationals of other countries. The recent operations on our exchange markets by which the Bank of France has transferred considerable amounts of sterling to Great Britain, in effect from loans to your Government from the United States Treasury, furnish a striking example of the transactions which most emphatically I am unwilling to have continued.

I take pleasure in stating the following principles, which if accepted by your Government will enable me to continue from time to time as I may determine to establish credits and make advances to your Government for purposes authorized by United States law and against the duly executed obligations of your Government in a corresponding amount:

First. For loans made to France under the authority of existing or future law to meet French expenditures in the United States, obligations are to be given by the French Government payable on demand in dollars or at the option of the holder in francs at a fixed rate of exchange.

Second. The French Government will continue, from time to time on the request of the Secretary of the Treasury, to furnish francs for the use of the United States Government and its agencies in France. The Secretary of the Treasury will call for francs to be furnished by the French Government only as rapidly as he shall judge the same to be needed for expenditures in France in accordance with estimates furnished by him. Payment will be made for francs so furnished as the Secretary of the Treasury shall elect either in dollars at the monthly rate from time to time agreed upon or by the surrender in the United States of obligations of the French Government held by the United States, the

French Government making payment simultaneously in dollars of the accrued interest thereon. The Secretary of the Treasury in determining whether to make payment for francs so furnished in dollars or by the surrender of French obligations will take into consideration not only the immediate requirements of the French Government for dollars, but also its need for dollars to meet future purchases in the United States. By the adoption of this course of dealing the Secretary of the Treasury will be in a position, as he finds it possible to do so, to make dollars available to France for expenditure in the United States for such reconstruction purposes as may be approved by the Secretary of the Treasury.

Third. In case francs are required more rapidly in France by the A. E. F. than dollars are required for expenditure by France in this country for purposes for which the Secretary of the Treasury is not authorized by law to make loans, then, unless the Secretary of the Treasury shall require the same to be used in payment of obligations of the French Government held by the United States, such excess of dollars so obtained by the French Government is to be invested in United States certificates of indebtedness bearing interest at $2\frac{1}{2}$ per cent and payable at such dates, originally or with renewals, as may be agreed. Such certificates of indebtedness are to be held for the French Government by the Treasurer of the United States until their respective dates of maturity.

Fourth. The dollars received by the French Government as the countervalue of francs furnished by it and as well the principal and interest of the aforesaid certificates of indebtedness collected by the French Government are to be expended in the United States and for such purposes only as may from time to time be approved by the Secretary of the Treasury, except that if the Secretary of the Treasury shall so request such dollars shall be used to repay such obligations of the French Government held by the United States as shall be designated by the Secretary of the Treasury. No dollars which may become available to the French Government, whether from loans from the United States Treasury or from payments for francs furnished the United States Government or from the collection of the aforesaid certificates of indebtedness of the United States or otherwise, are to be used to make payments to any of the Allied Governments in reimbursement or otherwise unless and until the consent of the Secretary of the Treasury to such payment has been obtained; it being the intention that the weekly payments of \$10,000,000 by France to Great Britain are to cease and that no further reimbursements are to be made in dollars on the running account between the British and French Governments until after the presentation of accounts showing in detail the indebtedness of France to Great Britain and then not unless and until the Secretary of the Treasury shall approve the payment of dollars in liquidation or partial liquidation of such account. The partial memoranda accounts heretofore presented contain various items as to which the Treasury has never recognized the right of Great Britain to receive payment from France in dollars obtained in effect by means of the loans of the United States Government to France.

Fifth. The French Government will avail of private channels for the purposes of securing credits and loans on the United States market at such times and to such extent as the Secretary of the Treasury may request, but only after and in accordance with his approval.

The Treasury is notifying Lord Reading that it is unable to see its way to longer refrain from objecting to your Government continuing to make further dollar payments to the British Treasury until after there shall have been submitted to the United States Treasury an account covering the past transactions and its assent obtained to any such further payments which are made possible through advances to your Government from the United States Treasury. I do not, of course, object to your Government making payment in dollars for commodities purchased by or for it in the United States which have previously been approved by or on behalf of the Treasury, but I trust that in the future a way may be found to make these payments direct and not through the medium of the British Treasury thus avoiding complications which no doubt prove troublesome to the British Treasury as well as to the United States Treasury.

I am, my dear Mr. de Billy,

Very truly, yours,

CARTER GLASS.

MR. EDOUARD DE BILLY,

French Deputy High Commissioner, 15th and M Sts. NW.,

Washington, D. C.

SECTION 140.

The United States Treasury, With the Approval of the President, Supplied \$15,000,000 in Credits from Moneys to be Used "For the Prosecution of the War," With Which Austria Was Fed by the Allies.

HOTEL DE CRILLON,
March 29, 1919.

1. I have received advices to the effect that, at the request of the British, French, and Italian Governments, the United States Treasury Department is prepared to establish credits in favor of each of these Governments to the extent of \$10,000,000 to each for the payment of food purchased in the United States and used by these respective Governments up until September 1 next for relief in Austria to prevent the further spread of anarchy.

2. In order to put this arrangement into effect and to secure payment from Austria to the allied Governments for this food supplied to Austria, the allied Governments are to make an agreement substantially along the following lines:

(a) The Austrian Government will formally agree and at once proceed to place at the disposal of Great Britain, France, and Italy the State forests, salt mines, and certain other of its assets satisfactory to these countries.

(b) Great Britain, France, and Italy will undertake to supply German Austria with food commodities not to exceed \$30,000,000 in all, which is the estimated amount, at least, necessary to keep that country supplied until the next harvest.

(c) Up to the amount of \$30,000,000, these advances to Austria will be a first charge to be repaid before any reparation payments which the peace treaties may require Austria to make.

3. The above credits are established upon the understanding that the Governments of Great Britain, France, and Italy will apply the proceeds of any funds received by them under this arrangement to the repayment of their obligations incurred to the United States for the purchase in the United States of foodstuffs supplied to Austria.

4. The funds so provided may be applied only for the payment of foodstuffs transported and distributed under the direction of the supreme economic council through the office of the director general of relief and the allied commissions operating under his direction.

Very sincerely, yours,

UNITED STATES COMMISSIONER OF FINANCE.

A true copy:

HENRY C. BRECK,
Secretary to Finance Commissioner of United States.

AMERICAN COMMISSION TO NEGOTIATE PEACE,
Paris, April 30, 1919.

MY DEAR MR. SECRETARY: Mr. Norman Davis has transmitted your request for my approval of the establishment of additional credits of \$5,000,000 to each of the Governments of Great Britain, France, and Italy, these credits to be used for the purchase of food in the United States and supplied by them for the relief of Austria.

I take pleasure in approving the establishment of these additional credits, totaling \$15,000,000, to be made available for the purpose indicated and upon the conditions fixed by you.

Cordially, yours,

WOODROW WILSON.

HON. CARTER GLASS,
Secretary of the Treasury, Washington, D. C.

NEW YORK, May 14, 1919.

DEAR MR. RATHBONE: I acknowledge receipt of your letter of May 12, informing me that the Secretary of the Treasury is prepared to establish in favor of the French Government, in addition to the credits referred to in your letter

of April 21, a special credit of \$5,000,000 to cover cost of food and food products for the relief of Austria. I am to-day advising the French Government of this by cable.

I am, my dear Mr. Rathbone,

Very truly, yours,

FREDERIC MOEH.

The Hon. ALBERT RATHBONE,

Assistant Secretary of the Treasury, Washington, D. C.

NEW YORK, May 11, 1920.

NORMAN H. DAVIS, Esq.,

Assistant Secretary of the Treasury, Washington.

MY DEAR MR. DAVIS: In accordance with your request I take pleasure in giving you below the data and amounts of payments made to the Wheat Export Co., of this city, for the French share in the Austrian relief account:

Sept. 3, 1919-----	\$5,000,000.00
Sept. 5, 1919-----	3,000,000.00
Sept. 9, 1919-----	8,000,000.00
Jan. 2, 1920-----	137,042.12
Total-----	16,137,042.12

A sum of \$1,662,957.88 was refunded to the French Government by the Wheat Export on November 28, 1919, but this amount was again paid to the Wheat Export on January 2, 1920, upon their request following the receipt of instructions from London.

Hoping that the above fully answers your inquiry, I am, my dear Mr. Davis,

Very truly, yours,

L. DE SIEYES.

CUBA

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SECTION 141.

Cuba.

Under the Liberty loan acts which authorized the Secretary of the Treasury, with the approval of the President, to make loans to foreign Governments *then engaged in war with enemies of the United States for the purpose of prosecution of the war*, credits were established for Cuba in the sum of \$10,000,000. All of these credits were established prior to the date of the armistice, and the cash advances were made prior to the armistice.

The main point of interest in regard to the Cuban transaction, which the committee will probably desire to make note of, is shown in the correspondence between the Treasury Department and the State Department relative to whether, under the law, loans could be made to Cuba. The Treasury Department requested the State Department's attitude on this question, as Cuba was only technically in the war and not actually engaged in the conflict. The State Department stated that Cuba was actually engaged in the war, and loans could therefore be made to Cuba, but the State Department called the attention of the Treasury Department to the fact that if there was any doubt or dispute as to the legality of this law the matter could be submitted to the Attorney General. This was never done. The importance of this correspondence is that it shows that the Treasury Department made no effort to get a legal opinion on this question either in the case of Greece or any of the other countries or de facto countries.

SECTION 141-A.

Correspondence Between the Treasury Department and the State Department Relating to the Belligerent Status of Cuba.

(NOTE.—The importance of this correspondence lies in the reply of the State Department, that “the question as to whether under a given set of facts, your department would be authorized, under the provisions of the act (of April 24, 1917) to make a loan to the Cuban Government, seem to be one for determination by the Attorney General.”

It developed that Cuba *had* fulfilled the conditions of active belligerency and the credit was approved. But, in the case of such a country as Liberia, which did nothing toward the prosecution of the war, or of Czechoslovakia, which was not in existence until the war was over (and consequently neither could be deemed to be “engaged in war, etc.,” within the meaning of the act), the opinion of the Attorney General was not sought in the premises by the Treasury Department before credits were established or cash advanced.)

SEPTEMBER 5, 1917.

MY DEAR MR. SECRETARY: The act of Congress approved April 24, 1917, provides that loans made under its authority by the Secretary of the Treasury shall be to "governments engaged in war," etc. In connection with this provision and with the application of the Cuban Government for a loan, I have the honor to request an expression of your view as to whether a mere declaration of war by the Cuban Government is in fact such an act as will permit the Secretary of the Treasury to assume that that Government is *engaged in war*.

Cordially, yours,

OSCAR T. CROSBY,
Assistant Secretary.

HON. ROBERT LANSING,
Secretary of State.

DEPARTMENT OF STATE,
Washington, September 20, 1917.

MY DEAR MR. SECRETARY: I have received your department's letter of September 5, 1917, in which you request an expression of my view as to whether "a mere declaration of war by the Cuban Government is in fact such an act as will permit the Secretary of the Treasury to assume that that Government is engaged in war," within the terms of the act of Congress, approved April 24, 1917, and entitled "An act to authorize an issue of bonds to meet expenditures for the national security and defense, and for the purpose of assisting in the prosecution of the war, to extend credit to foreign governments, and for other purposes." Your letter appears to be based on the assumption that the Cuban Government has done no more in the prosecution of hostilities against Germany than to make "a mere declaration of war."

The question as to whether, under a given state of facts, your department would be authorized, under the provisions of the above-mentioned act, to make a loan to the Cuban Government would seem to be one for determination by the Attorney General.

With reference to the facts regarding the activities of the Cuban Government, however, I may state that, according to the department's records, the President of Cuba, on April 7, 1917, in pursuance of an act which had been unanimously passed by the Cuban Congress on that date, declared that from that day a state of war then existed "between the Republic of Cuba and the Imperial German Government." The act of the Cuban Congress authorized the President of that country "to dispose of the land and sea forces in such manner as he should deem necessary, utilizing the existing forces, reorganizing them or creating new forces, and to dispose of the economic resources of the nation as required," and called upon the President of Cuba to "report to Congress the measures which he shall adopt in fulfillment hereof."

In a telegram bearing the same date as this act of Congress and presidential proclamation the American minister at Habana reported that "protective measures" had been taken by the Cuban authorities "so far as possible"; that a German hemp factory near Matanzas, where activities had been suspected and where a German Army officer had been located, had been occupied by the Cuban forces; that an "order for the registration of every German in the country" had been telegraphed to the district military commanders, as well as orders for the arrest of German reserve officers in Cuba, and that the German vessels "interned" in Cuban ports had been seized and their officers and crews placed in the Habana fortress. Subsequently, as you are aware, the Cuban Government sent a commission to the United States to confer with this Government regarding the matter of the prosecution of the war against the common enemy.

On April 12, 1917, the President sent to the President of Cuba a telegram reading as follows:

"I am greatly impressed by the unanimity with which the Cuban people through their constituted Congress have unhesitatingly cast in their lot with the nations of the world who are championing the rights and liberties not alone of neutrals but of all mankind. We rejoice that Cuba, having gained the prize of self-government through sacrifice and blood, is in a position to appraise, as all regenerated peoples do, the worth of that prize, and stands ready to aid in confirming its existence for the welfare of mankind."

On April 14, 1917, the minister at Habana was instructed to convey to the Cuban Government an appropriate expression of the gratification of the United States "at Cuba's desire to cooperate in sending such a commission to the United States."

In view of the above mentioned facts and of these communications to the Cuban Government, I would suggest that if it be deemed inexpedient, at the present time, to make a loan to the Cuban Government under the terms of the act of Congress of April 24, 1917, the refusal should be based on other grounds than that Cuba is not, at the present time, "engaged in war with the enemies of the United States," as indicated in this act.

Sincerely, yours,

ROBERT LANSING.

The SECRETARY OF THE TREASURY. _____

SEPTEMBER 22, 1917.

MY DEAR MR. SECRETARY: I have the honor to acknowledge the receipt of your communication of the 15th of September relating to the Cuban loan, and note that you approve the issue of \$30,000,000 of bonds which have heretofore been in question. It is expected that the taking of \$15,000,000 of these bonds by the United States Government will be arranged for within the next two or three days.

In this connection I have to acknowledge receipt of yours of the 20th of September answering the inquiry contained in my letter of September 5, 1917, as to the status of Cuba as a belligerent. The position indicated by you is quite in conformity with that which I had anticipated; and, indeed, as indicated in the communication to which you kindly replied, the inquiry was made solely because it seemed best to have on the record some disposition of the question, technical as it was, and which had been presented by one of the legal advisers of the department.

In the meantime, I remain,

Cordially, yours,

OSCAR T. CROSBY, *Secretary*.

HON. ROBERT LANSING,
Secretary of State.

SECTION 142.

Correspondence Withdrawing Unexpended Balance of Cuban Credit of \$5,000,000.

(NOTE.—The point raised by Mr. Rathbone in following letter seems to have applied to Cuba alone; i. e., that "termination of the fighting in Europe" also terminated the necessity of further advances by the United States to foreign countries "for the prosecution of the war.")

APRIL 21, 1919.

DEAR MR. MINISTER: In view of the fact that the termination of the fighting in Europe has made it unnecessary for the Government of the United States to make further advances to your Government, the Secretary of the Treasury has directed me to advise you that the unexpended balance of the credit established in favor of the Cuban Government in the amount of \$5,000,000 has been withdrawn by the Secretary of the Treasury, with the approval of the President.

I am, my dear Mr. Minister,

Very truly, yours,

ALBERT RATHBONE.

DR. CARLOS MANUEL DE CÉSPEDES.

*Envoy Extraordinary and Minister Plenipotentiary,
the Cuban Legation, Washington, D. C.*

S. Doc. 86, 67-2—19

APRIL 24, 1919.

MY DEAR MR. ASSISTANT SECRETARY: I have the honor to acknowledge the receipt of your letter dated April 21, by which you inform me that in view of the fact that the termination of the fighting in Europe has made it unnecessary for the Government of the United States to make further advances to my Government, the Secretary of the Treasury has directed you to advise me that the unexpended balance of the credit established in favor of the Cuban Government in the amount of \$5,000,000 has been withdrawn by the Secretary of the Treasury, with the approval of the President.

I take note of your communication and am giving knowledge of the same to my Government to-day.

I am, my dear Mr. Assistant Secretary,

Yours, very truly,

CARLOS MANUEL DE CÉSPEDES.

LIBERIA

SECTION 143.

Liberia.

Under the Liberty loan act, which authorizes the Secretary of the Treasury, with the approval of the President, to make loans to foreign Governments *then engaged in war with enemies of the United States for the purpose of the prosecution of the war*, a credit of \$5,000,000 was established for the Government of Liberia. This credit was established September 9, 1918. Upon this credit advances were made to the extent of \$26,000, which was for the purpose of sending the Liberian delegation to the peace conference. I have not attached the correspondence on Liberia, because the committee in the examination of Mr. Kelley went into the Liberian matter thoroughly and placed in the record the correspondence showing all of the facts.

There now remains an unexpended balance under the credit established for Liberia of \$4,974,000, and a mission from Liberia arrived in this country a few weeks ago to try and obtain advances on this credit so established.

RUMANIA

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SECTION 144.

Rumania.

Under the Liberty loan act which authorized the Secretary of the Treasury, with the approval of the President, to make loans to foreign Governments then engaged in war with enemies of the United States for the purpose of the prosecution of the war, there was a credit established for Rumania of \$25,000,000. Twenty million of the 25,000,000 credit so established for Rumania were established on and after March 8, 1919, five months after all hostilities had ceased.

On November 15, 1920, Rumania was indebted to the United States for interest on the loan above referred to to the extent of \$1,605,121.04. The War Department sold to Rumania surplus war material to the amount of \$12,913,589.66.

SECTION 144-A.

Statement by the Assistant Secretary of the Treasury to the Effect that the Secretary of the Treasury Had No Power to Make Loans for Reconstruction Purposes.

(NOTE.—This statement should be compared with the correspondence in sec. 144b.)

DECEMBER 30, 1918.

HON. CARTER H. GLASS,
Secretary of the Treasury,
Washington, D. C.

MY DEAR SECRETARY GLASS: I am organizing a trading reconstruction company to do export and import business with the Balkan States, particularly with Rumania. I might say that the plans I have under way are capable of great development both in this country and abroad.

Will you be good enough to advise me if a loan has been made to the Rumanian Government by the United States or if such a plan is contemplated? I also should like to know in either event whether the loan is a commercial or a Government loan; that is, a loan to the Government of Rumania proper for governmental use or one to the Government for the purposes of restoring and building up trade in Rumania.

Thanking you in advance for your courtesy, I am, with kindest personal regards.

Sincerely, yours,

HENRY GREEN.

DECEMBER 31, 1918.

HENRY GREEN, Esq.,
25 Broad Street, New York City.

DEAR SIR: The Secretary of the Treasury has asked me to acknowledge receipt of your letter addressed to him and dated the 30th instant, and to inform you that while a credit was sometime ago established in favor of the Rumanian

Government and drafts issued against the same, that no application is now pending in this department for a further advance to the Rumanian Government.

Under the existing legislation, there is no power in the Secretary of the Treasury to make loans to a government for the purpose of restoring and building up trade with that country.

Very truly, yours,

ALBERT RATHBONE.

SECTION 144-B.

Correspondence Dealing With the Belligerent Status of Rumania and the Authority of the Treasury to Establish Credits With that Country for the Purposes of Food Relief.

(Note especially letter of President Wilson to the Secretary of the Treasury, Mr. Glass.)

PARAPHRASE OF A CABLEGRAM.

[From the American Mission at Paris, France. Dated Jan. 2, 1919, at 8 p. m. Received Jan. 3 at 4 a. m. No. 132. Urgent.]

The following is from Davis for Rathbone, Assistant Secretary of the Treasury:

1. The necessity of immediate relief to prevent anarchy and starvation is indicated in reports from Rumania. Attention in this connection is invited to cables to the Department of State and cables from Hoover to the Food Administration. Although it is hard, before complete information is had and adequate arrangements are made for meeting the same, to proceed in a situation apparently requiring action, in conference with Gen. Bliss, Col. House, Hoover, and others, it was decided to be advisable to take some action of a temporary nature to meet the emergency prior to obtaining more definite plans and arrangements.

2. It is stated by Hoover that relief could be afforded the situation by an advance of \$5,000,000 for expenditure through the Food Administration or the Grain Corporation to pay for the cost of supplies en route at the present time to the Mediterranean which could be diverted to Rumania. The situation would only be met by this temporarily, but other arrangements in the meantime can probably be made, including the participation of France and England. Reports from Rumania indicate, in addition to need for food, a need of shoes and clothes, which can be obtained probably from England.

3. The limitations on the power of the Secretary to establish credits were explained, but it is the opinion of Secretary Lansing that the present state of hostilities of Rumania brings that country within those limitations, and he is so cabling to the Secretary through the Department of State, recommending the importance of financially assisting her.

4. According to Hoover's information, other sections of Europe will become desperate during the winter unless furnished assistance, and if this task is to be undertaken by the Army of the United States it appears that we should obtain special legislation and be in a position to give assistance wherever situation demands, or get England and France, as an alternative, to participate to the extent at least of making advances through the organization of Hoover to those countries which can not be financed by us, by giving their obligations or currencies in payment of the supplies obtained in the United States. With or without legislation, it appears that in view of the present limitation of advances to England and the special situation as to France, there should be less objection to a fixed share being assumed by them in the relief of Europe and of meeting the same with their own currencies and resources. It is the desire of Italy to take part in the relief of contiguous peoples, but the currency of Italy could only be used by us for expenses in certain localities.

5. The situation in Vienna, according to the latest reports which are considered reliable, is desperate, the total number of gold stock of Austria being less than \$50,000,000, or less than 1 per cent of the outstanding bank notes; and the Czechs and Jugo-Slavs make the claim that even this gold cover the notes held by them. Although Vienna has offered the electric plant and water

works as security, she has failed in her endeavors to negotiate a credit in Holland and Switzerland. It is considered inadvisable to mortgage the city for the purpose of furnishing relief, and Hoover has decided, in order to meet the immediate necessities [apparent omission] situation, to send 10,000 tons of flour, the payment for the same to be made out of the funds furnished him by the President, and to take obligations of the banks of Vienna payable six months subsequent to the signing of peace, with a claim against assets in the hands of the enemy custodian or such commercial security as can be given by them. It is thought by the bankers of Vienna that once the financial blockade is lifted they can get sufficient from Austrian emigrants and otherwise to carry them over, and at the present time they have about made arrangements to obtain 10,000 tons of wheat from an Austrian merchant in the Argentine Republic. They can probably make some arrangements to obtain some food from Hungary also.

6. Distribution has been dislocated by the present chaotic situation, but this can no doubt be assisted once the emergencies are met and the greater number of the countries can start making commercial arrangements for the obtaining of food requirements without Government loans.

7. It is understood that a message was sent to the Secretary of the Treasury to-day by the President requesting Congress to place at his disposal funds for relief purposes, and while it is thought that this cable is in accord with the policy and views of the President, it was not possible for it to be submitted to him for approval prior to his departure for Italy this evening. I shall be glad, however, if you can and are disposed to establish qualified credit of \$5,000,000 for Rumania, to ask for the formal approval of the President, if you so desire, and to assist in securing obligation of Rumania.

AMMISSION.

JANUARY 3, 1919.

HON. FRANK L. POLK,
*Counselor, Department of State,
Washington, D. C.*

DEAR MR. POLK: I learn from the papers that a new Serbian minister has arrived, or is about to arrive, in Washington. This leads me to inquire whether the authority of the chargé d'affaires of the Serbian Legation continues to sign obligations of his Government, notwithstanding the presence in Washington of the Serbian minister, and whether the Serbian minister newly arrived has power to sign such obligations.

This department would also be glad to be informed whether, in the absence of Prof. Masaryk, anyone else has authority to sign obligations in the name and in behalf of his Government which would be valid and binding and have the sanction of the State Department.

I have also heard informally that the Government of Rumania desires to borrow money from the United States in order to purchase food, said to be urgently needed in that country. Under the statutes authorizing the Secretary of the Treasury to make loans to foreign Governments, he is permitted to establish credits only in favor of foreign Governments "then engaged in war with the enemies of the United States." I shall accordingly be obliged if the Department of State will be good enough to inform this department whether the Government of Rumania comes within this limitation and, if so, whether the Department of State has made such inquiries as will enable it to designate to the Treasury Department some person as authorized in the name and on behalf of the Government of Rumania to execute obligations which will be valid and binding internationally and will have the sanction of the Department of State.

I am, my dear Mr. Polk,

Very truly, yours,

ALBERT RATHBONE.

PARAPHRASE OF CABLEGRAM SENT TO SECRETARY OF STATE, AMMISSION, PARIS,
JAN. 3, 1919.

Legal difficulties in regard to loan to Rumania are whether at the present time Rumania is, as a matter of fact, at war, so as to be regarded as belligerent within meaning of act of Congress; whether Rumanian representatives here have authority from duly constituted Government to sign obligations for

advances; also whether the loan will be used for the purpose which the act of Congress contemplated. No information on the first point, other than the following has been received here: A telegram dated November 9, from minister, which telegram was delayed six weeks, stated that the King was prepared to demand surrender of Germans, and reenter the war. A telegram from ambassador, dated December 12, quoted a colleague as saying that it was understood no declaration of war could be made by the present Government of Rumania, as now constituted, but that Rumania could be looked upon as an ally, although not formerly recognized as such. Heretofore department has held Rumania not at war since treaties were signed at Bucharest. Department, however, assumes you have information showing that in fact Rumania is in a state of war with Germany, and if this assumption is correct, the first legal difficulty would be satisfied. No doubt Rumania would make a declaration of war upon suggestion of American representative who can now be reached by telegraph.

In regard to second difficulty: No representative of Rumania here has authority of any kind to sign obligations. Rumanian minister signed obligations for former advance, but he has now left. The Treasury says it has no information regarding the use of the former advances made by it, or for what purpose such advances were used. Department is not advised as to whether Rumanian Government, as now constituted, can give valid constitutional authorization for the signing of obligations to representative here, any more than Serbian or Belgian Governments could in the past.

Third difficulty is that the act of Congress under which loans are made provides the following, "for the purpose of more effectually providing for the national security and defense and prosecuting the war." Refusals have recently been transmitted to Montenegro, who sought to borrow from the Government for the purchase of agricultural machinery, cattle, relief of war desolation, army expenses, care of disabled soldiers; likewise Government of San Marino refused loan for the building of railways, hospitals, and schools.

Treasury Department is unable to make loans proposed unless this department will give sanction as to all three points mentioned, which, as indicated above, it is not in a position to do unless the Treasury is directed by the President to make the loan proposed.

If facts in your possession show that Rumania is at war and that loan is to be used for purposes within act of Congress, it is suggested that Rumanian Government should instruct its representative here to negotiate a loan agreement in its name and on its behalf, and to sign obligations thereunder and perform any other necessary acts in the premises. If President will on account of uncertainty of legal authority of present Rumanian Government to make foreign loans or delegate such authority to representatives here approve the loan, as matter of policy the Treasury will take action. Similar procedure was followed in doubtful cases of Belgium and Serbia.

PARIS, January 9, 1919.

SECRETARY OF STATE,
Washington.

For the Secretary of the Treasury from the President.

Referring to cable from Davis to you relative to an advance of \$5,000,000 to Rumania, and the various communications to State Department and Food Administration on Rumanian situation. The information from the (orderlies?) indicates an extremely dangerous situation which must be relieved in the next few days and one which, if cumulative, with others, may necessitate increased military effort on our part. In my opinion this would be in the interest of national defense, and I strongly approve giving this advance so as to allow the shipment of urgent food pending the appropriation for relief now in Congress. The British are sending cargo of wheat and we must assist by forwarding cargoes now in the Mediterranean. I wish to also urge the desirability of the Treasury aiding in every way in the disposal of our surplus food products in order to prevent losses to our producers and to prevent consequent difficulties as far as we can and disorder in Europe. Unless there is some legal obstacle, I regard this of the highest importance.

AMMISSION.

JANUARY 11, 1919.

Hon. FRANK L. POLK,
Department of State, Washington, D. C.

DEAR MR. POLK: Supplementing my letter to you of the 3d instant. I take pleasure in inclosing to you herewith copy of a message received by the Secretary of the Treasury from the President (215 Jan. 9, 5 p. m.). This message leads me to ask whether the Department of State is now able to give the advices in regard to Rumania which are necessary before this department is in a position to advance funds to the Rumanian Government to enable it to purchase the food urgently needed in that country.

I am, dear Mr. Polk,
 Very truly yours,

ALBERT RATHBONE.

DEPARTMENT OF STATE,
Washington, January 13, 1919.

Mr. ALBERT RATHBONE.
United States Treasury, Washington, D. C.

DEAR MR. RATHBONE: In reply to your letter of January 3, in respect to the authority of the chargé d'affaires of the Serbian Legation, Mr. Simitch, to continue to sign obligations for his Government for advances made by the United States, notwithstanding the presence in Washington of the Serbian minister, I beg to say that several days ago the chargé d'affaires cabled his Government requesting that necessary powers to sign obligations should be sent at once to the minister. In the meantime the minister considers that neither he himself nor Mr. Simitch has the necessary powers.

In respect to your inquiry regarding the person to sign obligations in behalf of the Czecho-Slovak Government in the absence of Prof. Masaryk, I beg to state that I sent a letter to the Treasury Department on this subject on December 27, 1918, and am also in receipt of your reply thereto of January 4. In the latter letter you ask whether you are correct in understanding that the obligations for advances hereafter made and executed by Mr. Pergler should be in the name of the Czecho-Slovak Republic. In reply I should say that inasmuch as the authority of Mr. Pergler is in the name of the Czecho-Slovak Republic, the obligations executed by him should be in the name of the Czecho-Slovak Republic.

In respect to the desire of the Government of Rumania to borrow money from the United States in order to purchase food, I have dispatched a telegram to the Secretary of State at Paris on this subject, a paraphrase of which I inclose herewith for your information.

I am, my dear Mr. Rathbone,
 Very truly, yours,

FRANK L. POLK.

AMERICAN COMMISSION TO NEGOTIATE PEACE.
Paris, January 14, 1919.

Hon. CARTER GLASS,
Secretary of the Treasury, Washington, D. C.

MY DEAR MR. SECRETARY: Mr. Norman H. Davis has brought to my attention a cablegram of January 7 from the Treasury Department, containing the views of the department concerning the establishment of a credit of \$5,000,000 in favor of Rumania and the advance of funds thereunder against Rumanian obligations, to pay for foodstuffs bought in the United States.

The situation now existing in that country, critical for Rumania herself and attended with the possibility of consequences less purely local, persuades me, as a matter of national policy and in the interest of national defense, to lend my strong approval to the establishment of the proposed credit, even though there may be some uncertainty regarding the legal authority of the present Rumanian Government to negotiate foreign loans or to delegate authority to its representatives in the United States.

My approval is, of course, conditioned upon the fulfillment of such other requisites as you may deem necessary or advisable.

I am, my dear Mr. Secretary,
 Cordially, yours,

WOODROW WILSON.

JANUARY 14, 1919.

MISSION,
Paris.

For President from Glass.

First. Your message regarding Rumania just received. Advance to Rumania will be made when essential requirements imposed by loan statute are met. Wired Davis several days ago particulars of requirements and that Treasury would make advance whenever put in position to do so legally. Understand State Department has cabled Lansing on subject.

Second. Appreciate importance of food supplies in relation to your policies and anxious to use powers of Treasury to support them. *Treasury has uniformly recognized supply of foodstuffs to European allies as a purpose for which loans could be made under existing law and will continue to do so until conditions change or you advise to the contrary. In no case has it refused to make such loans.*

Third. Appreciate desirability of marketing our surplus products, and that this is a collateral advantage of the policy of supplying foods to Europe. The question of Treasury's attitude on prevention of loss to producers has been raised here. Treasury has taken position that artificial upholding of prices was undesirable because of burden thereby imposed on community in general and the disadvantage at which our industries would be placed in international markets.

Since the armistice many claims for indirect protection of prices have been put forward in regard to commodities the production of which had been stimulated to meet war needs. Treasury has maintained that any obligations of our Government to producers of such commodities should be met by direct appropriation and payment as is proposed by bills now pending in the case of certain minerals. I am convinced that to meet such obligations indirectly by using governmental powers granted for other specific purposes to prevent losses to the producers by artificial maintenance of price is both economically and politically objectionable. McCormick is familiar with, and I believe fully shares, my views on these questions which I hope may have your approval.

CARTER GLASS,
Secretary of the Treasury.

DEPARTMENT OF STATE,
Washington, January 18, 1919.

The SECRETARY OF THE TREASURY.

Attention of Mr. Albert Rathbone.

SIR: I have the honor to refer to Mr. Rathbone's letters of January 3 and 11, addressed to Mr. Polk, in which the inquiry is made as to whether Rumania is to be considered as coming within the provision of the statutes which permit the Secretary of the Treasury to establish credits only in favor of governments "then engaged in war with the enemies of the United States." I beg to advise you that *in the opinion of this department* Rumania is in a state of war with Germany and should be regarded as a belligerent within the meaning of the act of Congress.

As to the second point regarding Rumania raised in Mr. Rathbone's letter of January 3, namely, whether any person is authorized in the name and on behalf of the Government of Rumania to execute obligations which will be valid and binding internationally, I regret to inform you that there is at present no person with such powers. The department, however, is to-day cabling its minister at Bucharest instructing him to urge the Rumanian Government immediately to forward full powers to a representative at Washington.

I have the honor to be, sir,
Your obedient servant,

FRANK L. POLK,
Acting Secretary of State.

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., February 7, 1919.

Mr. ALBERT RATHBONE,
Treasury Department, Washington, D. C.

MY DEAR MR. RATHBONE: We have received numerous cables from Mr. Hoover and from the American minister at Bucharest indicating the extreme shortage of food in Rumania.

In Mr. Hoover's cable of January 7, 1919, he states that "Rumanian bread supply for the entire people estimated to last another 30 days. Short of fats and milk. Last harvest 60 per cent a failure."

The allied ministers at Jassy, in their cable of January 2, state: "The food situation becomes more and more alarming. If the Allies do not better it with the least delay possible and in the meantime do not announce at once that all measures to this effect are in process of execution, troubles yet more serious than those of last week will occur. It is repeated here that the Allies do not realize that nowhere is the situation as grave as in Rumania, which, after being entirely devastated by the Germans and Russians, is the sole one of all the allied countries finding itself for months in a total isolation. * * *"

The American minister, on January 8, 1919, cabled to the State Department, "I repeat again that unless a sufficient quantity of wheat and maize is immediately sent to Rumania, bolshevism will take hold of the people, just the same as in Russia. * * *"

On January 23, 1919, Mr. Hoover cabled: "We have about 22,000 tons wheat flour already in Mediterranean en route to Rumania, worth \$5,000,000. * * * Obtain payment of \$5,000,000 to Grain Corporation and we will deliver flour on receipt of Rumanian Government, payment to be finally settled in Washington as to any balance pro and con. * * *"

In view of these cables showing the urgency of the situation in Rumania, and also indicating that Mr. Hoover has immediately available at Trieste a large quantity of foodstuffs to be made available for Rumania's needs, the Food Administration urgently requests that the Treasury Department do everything possible to expedite the granting of credits to the Rumanian Government to pay for the food supplies now available to Rumania at Trieste.

I am,

Yours, faithfully,

THOS. F. WHITEMARSH,
Acting for Herbert Hoover,
United States Food Administration.

FEBRUARY 8, 1919.

Mr. N. H. LAHOVARY,
Chargé d'Affaires of the Rumanian Legation,
Washington, D. C.

DEAR SIR: I have the honor to acknowledge the receipt of your letter of February 7, 1919, addressed to the Secretary of the Treasury, and take pleasure in informing you that the Secretary of the Treasury has established in favor of your Government a further *credit* of \$5,000,000, to be availed of against the duly executed obligations of your Government in a corresponding amount for the purpose of making payment of United States food and food products urgently needed in Rumania to feed its population. Arrangements will be made to advance said \$5,000,000 on February 8, 1919, against obligations of your Government as aforesaid, on the understanding that the amount so advanced will be turned over to the Food Administration or some agency thereof in payment of food or food products purchased by your Government and that any balance of the amount so advanced not used for such purchase shall be applied by your Government upon its receipt toward the repayment of the principal of the obligation of your Government to be given as aforesaid.

In connection with the establishment of the aforesaid credit of \$5,000,000 in favor of your Government, the Secretary of the Treasury has instructed me to inform your Government that \$1,666,666 of a credit previously established in favor of your Government by the Treasury and not heretofore availed of has been withdrawn.

I am, my dear Mr. Lahovary,

Very truly, yours,

ALBERT RATHBONE.

SECTION 145.

History of Credits Established and Cash Advanced to June 25, 1919.

JUNE 20, 1919.

DEAR SIR: In reply to your letter of May 15, 1919, in which you inquire about the financial relations of the United States Government with the Government of Rumania, I take pleasure in advising you that as stated in my

letter of February 12 last a credit of \$6,666,666 was arranged on January 8, 1918, in favor of the Rumanian Government. On that day an obligation of the Rumanian Government for \$5,000,000 was signed in Paris by the representatives of the Rumanian Government against which five drafts for \$1,000,000 each were delivered to that Government. The Treasury understands that these drafts were subsequently transferred by the Rumanian Government to the Rumanian National Bank, and arrangements are now being made for their return to the United States Treasury. Upon such return, the obligation dated January 8, 1918, will be canceled and the credit against which it was delivered withdrawn in a corresponding amount. The remaining \$1,666,666 of that credit was withdrawn on February 8, 1919.

The Treasury understands that a check for \$5,000,000 was delivered by the Rumanian Government to the United States minister for food purchases. Under the arrangement for the return to the United States Treasury of the five drafts this check is to be surrendered.

The following credits have been established for the purchase of food through the American Relief Administration:

Feb. 8, 1919	\$5, 000, 000
Mar. 8, 1919	5, 000, 000
Apr. 11, 1919	5, 000, 000
Apr. 21, 1919	5, 000, 000
	<hr/> 20, 000, 000

Against these credits advances have been made as follows:

Feb. 8, 1919	\$5, 000, 000
Mar. 13, 1919	5, 000, 000
Apr. 15, 1919	5, 000, 000
May 27, 1910	5, 000, 000
	<hr/> 20, 000, 000

All advances made by the United States Treasury to the Rumanian Government have been upon the understanding that they were to be expended by the Rumanian Government only through the American Relief Administration for food and food products.

Yours, very truly,

ALBERT RATHBONE.

Mr. LOUIS E. VAN NORMAN,
*Trade Commissioner, American Legation,
Bucharest, Rumania.*

JUNE 23, 1919.

MY DEAR MR. LAHOVARY: I take pleasure in advising you that the Secretary of the Treasury, in accordance with your request, has established in favor of your Government an additional credit of \$5,000,000 to cover the purchase of foodstuffs in the United States during the month of June through the American relief administration for delivery to your Government. This credit is to be made available against the duly executed obligations of your Government to the extent and at the time determined by the Secretary of the Treasury after advices shall have been received through the State Department that the American representative at Bucharest has received from your Government the five drafts for \$1,000,000 each heretofore delivered to your Government in accordance with the arrangements which have been made in Paris concerning this subject and after a satisfactory settlement has been made concerning the disposition of the proceeds of sale of the brass disks purchased by the War Department from your Government.

I am, my dear Mr. Lahovary,

Very truly, yours,

ALBERT RATHBONE.

Mr. NICHOLAS HENRY E. LAHOVARY,
Secretary of the Legation, the Rumanian Legation, Washington, D. C.

BELGIUM

SECTION 146.

Belgium.

In order that the committee may have all of the facts summarized before it before going over the correspondence on Belgium, there is here set out a summary of the credits established, the advances made, the war munitions and supplies sold to Belgium.

Under the Liberty bond acts of April 24, September 24, 1917, April 4, 1918, and of July 9, 1918, which *provide for the loaning of money by the United States, to Governments then engaged in war with enemies of the United States, for the purpose of prosecuting the war*, a sum total of \$349,214,467.89 was advanced to Belgium. Of the credit so established, approximately \$183,300.000 was set up prior to November 11, 1918, the date of the armistice, and approximately \$165,900,000 of credit was established from the date of the armistice down to the present time, the last credit for Belgium having been established on March 30, 1920, which was approximately \$9,000,000. The last cash advance made to Belgium was on August 26, 1920, for approximately \$10,500,000. Upon these advances Belgium owed interest to November 15, 1920, according to the Treasurer's report of 1920, in the amount of \$25,339,000.

In addition to these loans made under the Liberty loan act and the interest due upon them, Belgium purchased from the War Department surplus war supplies amounting in all to \$25,588,581.14. We now hold Belgium's obligations for this sum. The items comprising this sum are April 10, 1919, \$19,000,000; August 5, 1919, \$8,392,097.57; August 21, 1919, \$196,483.50.

Thus we find that we now hold the obligations of Belgium in the amount of approximately \$402,000,000. All of the foregoing statements on accounts are taken from the report of the Secretary of the Treasury for 1920, pages 54, 58, 65, and 325.

The letters which are appended hereto show that a large part of the money loaned to Belgium was transferred by the Belgian Government to the Belgian Relief Commission to be used for relief work. A large part of this relief work took place in the devastated region of Belgium that was during the war held by the Germans. This relief work, however, did not stop with the termination of the war or the date of the armistice, but continued long thereafter.

England, France, and Belgium jointly agreed to supply the necessary funds for the relief in Belgium. Under the Liberty loan acts of the United States no funds were made available for this purpose, and in order to circumvent the law the arrangement was agreed upon whereby the United States would loan Belgium the money for war purposes. Belgium would then use it for this relief work. The correspondence shows that in some instances Belgium turned over some of this money borrowed from the United States to Great Britain and France for relief purposes.

It will be noted by the correspondence that a number of credits were established prior to the armistice which were in the nature of obligations on us to pay money to Belgium after the armistice.

SECTION 147.

Correspondence Relating to Authority of Secretary of Treasury to Establish Credits for Reconstruction Purposes.

OCTOBER 10, 1918.

DEAR MR. MINISTER: Mr. Crosby, the special United States commissioner of finance in Europe, has referred to me a communication addressed to him by Mr. Van de Vyver, the minister of finance of the Belgian Government, under date of September 5, 1918, asking the establishment of a credit by the United States Treasury to the equivalent of 4,000,000 pounds sterling in favor of the "Comptoir National pour la reprise de l'activite economique en Belg'que."

I hardly think that I need assure you, my dear Mr. Minister, of my sympathetic interest in the economic reconstruction of Belgium, nor of the appeal which this project would make to the American people who have appreciated the great sacrifices made by your country to achieve our common aims.

I am obliged, however, to point out to you the authority given me under the existing laws of the United States to make advances to the Allied Governments is confined to advances made for the purposes of the national security and defense and to aid in the prosecution of the war. In these circumstances I do not see that the Treasury Department is now in a position to open a credit for the purpose proposed. While I am of the opinion that the present is not the time to ask the Congress of the United States for additional authority to make advances of this character, no doubt this and other kindred questions will at an appropriate time receive the serious consideration of our law-making body.

May I ask you to transmit to the minister of finance of your Government this message and the assurances of my profound esteem.

I am, my dear Mr. Minister,
Very cordially, yours,

BARON E. DE CARTIER,
*Envoy Extraordinary and Minister Plenipotentiary,
the Belgian Legation, Washington, D. C.*

OCTOBER 10, 1918.

Memorandum for the Secretary:

1. I do not believe that the existing laws authorize a loan to the Belgian Government for the economic reconstruction of Belgium.
2. In view of the French requests and of the advisability of conferences with the British and French regarding the French requirements for after the war, the supply of francs for the use of our Army after peace is declared and the method and cost of the return of our Army, I doubt the wisdom of establishing at this time a credit in favor of Belgium for after-the-war purposes even if we had authority to do so.
3. I suggest a letter to the Belgian minister in the form attached.

OCTOBER 16, 1918.

DEAR SIR: I am in receipt of your letter of October 14 transmitting report received from the C. I. R. in regard to supplying relief to the civilian population in that portion of Flanders which may be evacuated by the enemy. While the advances of the American Treasury for Belgian relief have been confined to advances to the Belgian Government for the purchase of supplies in the United States for distribution in the occupied portion of Belgium by the commission for relief in Belgium, I have cabled to the American Treasury, explaining the situation presented by you. As explained to Mr. Keynes, I can not make any commitment in this respect, but have recommended that, upon request of the Belgian Government and Mr. Hoover, the commission for relief in Belgium be authorized to reimburse the net f. o. b. cost in dollars

of that portion of the supplies (in the 20,000,000 rations) furnished from your army stocks and originally purchased from the United States. The decision of the American Treasury will be communicated to you in due course.

With reference to the claims of the commission for relief in Belgium for reimbursement from the British treasury for freight charges paid in Swedish kroners from dollar balances of the commission, I am glad you agree to accept as a part of the European expenditures of the commission which you agreed to finance, the freights paid on charters placed in London with your knowledge or authority and which were not placed by the American War Trade Board. I am informed by Mr. Poland, the European director of the commission for relief in Belgium, that at the suggestion and with the approval of your foreign office, the charters in question were placed in London in the free market with the consent of the interally shipping executive and were not allocated to the commission by the United States Government.

I hope, therefore, that you will issue instructions for the corresponding reimbursement to the commission for relief in Belgium for transfer to its New York account.

I am, sir,

Very sincerely, yours,

NORMAN H. DAVIS.

Sir JOHN BRADBURY,

Treasury Chambers, Whitehall, London, S. W., 1.

LONDON, October 11, 1918.

SECRETARY OF STATE,
Washington.

Urgent. 2728. October 11, 5 p. m.

Rathbone from Davis 706. British treasury informed me to-day that in view of present military operations in Flanders and the imminent evacuation by enemy of territory hitherto occupied, Belgian Government and director of commission for relief have obtained approval of foreign office for relief of liberated Belgian population to be undertaken at present by relief commission who are in consultation with Hoover.

According to confidential military information this relief will be required within next few days and to avoid complicating position by calling upon commission to divert floating cargoes, British war office has agreed, subject to approval of British treasury, to supply immediate requirements up to 20,000,000 rations from army stocks. British treasury desired to know to-day if we will allow commission for relief to reimburse them in dollars for supplies so furnished, such as flour, meat, condensed milk, at any period purchased by them from us in order to replace corresponding amount of stock. I informed them I could not make any commitment and could not consult Crosby because of interruption in telephone line, but that on account of urgency and importance of situation, would recommend it as an exception not to be considered as a precedent. War office requiring immediate answer in order to augment its stocks in proportion to anticipated demands. British treasury gave its approval, but requested me submit matter to you. Understand civil population will necessarily have to be supplied for short time from supplies of occupying army. Total value for 20,000,000 rations estimated at \$5,000,000, of which approximately one-half represents above items for which dollars or replacement would be requested. While rations supplied to population under such circumstances will probably be more liberal than ordinary allotments, understand this will eventually reduce correspondingly purchases of relief commission in America.

LAUGHLIN.

SECTION 148.

President Wilson Requests Mr. Hoover to Organize Belgium Reconstruction and Relief Through Committee for Relief in Belgium (C. R. B.).

OCTOBER 22, 1918.

DEAR MR. HOOVER: On the 14th instant the Treasury received from Mr. Norman H. Davis, who has been with Mr. Crosby in England, a cable of which I inclose herewith a copy. As you will observe from this cable, it was proposed that the British war office should supply for the relief of the liberated Belgian

population immediate requirements up to 20,000,000 rations from army stocks, and the United States Treasury was asked if it would consent to the commission for relief reimbursing the British treasury in dollars for supplies so furnished, such as flour, meat, condensed milk purchased by the British from the United States, so that a corresponding amount of stock could be replaced in this country.

After consultation with Mr. Rickard, both of us assuming that this course was approved by the C. R. B. authorities in England, I cabled Mr. Crosby as per copy inclosed (Treasury, No. 484), consenting to the proposed reimbursement on the understanding set forth in said cable.

The Treasury has now received a further cable from Mr. Davis on the subject (No. 713), a copy of which is herewith inclosed, from which it appears that the C. R. B. authorities in London, while of the opinion that the relief is absolutely necessary, had not joined in the previous request, and are of the opinion that such emergency should be undertaken by the occupying armies, and that the relief should not be administered by the C. R. B. or paid for out of C. R. B. funds, but that if the proposed reimbursement is the price of securing the assurance of military relief the C. R. B. authorities are prepared with your approval to sanction the action proposed.

I shall be obliged if you will inform me of the position the C. R. B. desires to take in this matter so that this department can send the necessary instructions to Mr. Crosby. For your further information I inclose a copy of my letter of October 17 to Mr. Rickard informing him that a cable from London had advised us that the British treasury agreed to construe freights on charters placed in London with their knowledge or authority as chargeable to the European expenditures for Belgian relief, and to reimburse the Commission for Relief in Belgium accordingly, and that Mr. Poland had advised that all charters in question were so placed and accordingly that a request was being made that the British treasury should reimburse the commission.

That you may have the whole subject before you with this letter I also inclose a further copy of cable No. 711, which has been received from Mr. Crosby, a copy of which was sent to you in my letter of yesterday.

The department has just received from Mr. Davis a further cable (No. 717) of which I inclose a copy.

Very truly, yours,

ALBERT RATHBONE.

HERBERT HOOVER, Esq.,

United States Food Administrator, Washington, D. C.

UNITED STATES FOOD ADMINISTRATION,

Washington, October 24, 1918.

DEAR MR. RATHBONE: With respect to the 20,000,000 rations and the settlement to be arrived at in regard to them with the commission for relief, it is doubtful in my mind whether any rations will need to be expended by the British Army. If it does happen so, it seems to me that the whole thing can be settled by subsequent negotiations; that it would be just as well to cable to London that the relief commission is anxious that the British Army should be prepared to deliver rations in case of necessity; that they are making every effort to take care of the population independent of the army; that the question as to who shall pay for the rations expended can be quite well left for determination when it is found whether or not such rations are needed.

As to the question raised in various cables with reference to the future of the relief commission, I think you will realize that this is a matter that will not be settled in London, but as between this Government and the Belgian Government and, probably, entirely determined in Washington. I have already laid the matter before the President and the Belgian Government and I am expecting to be able to coordinate views at an early date.

Yours, faithfully,

HERBERT HOOVER.

ALBERT RATHBONE, Esq.,

Assistant Secretary, Treasury Department, Washington, D. C.

THE WHITE HOUSE,

Washington, November 7, 1918.

DEAR MR. HOOVER: The probable early evacuation of Belgium brings us face to face with the problem of this distressed people, not only in regard to continued food relief but also with regard to the many questions of economic

rehabilitation. The initial task of preserving the bare lives of the people during German occupation, undertaken four years ago under your direction, is now nearing completion. I believe that the American people will willingly accept a large share of the burden of assisting in the now all-important work of reconstruction and rehabilitation pending repayment by Germany for the injury done.

In order that such assistance should be exerted in the most liberal, efficient, and comprehensive manner I feel that it should be organized under a single agency, which may coordinate the whole effort of the American people and Government in the furnishing of supplies, machinery, finance, exchange, shipping, trade relations, and philanthropic aid. I also feel that such an agency, in addition to being the sole vehicle of supplies, should also have some proper participation in the expenditure and distribution of assistance. Such unity of administration would give a much greater assurance of proper assistance and should be effective in preventing profiteering.

The large experience of the Belgian Relief Commission, the character of its organization without profit, its established use of shipping, and the sympathetic bond which it now forms with the Belgian people, point to its continuation and enlargement as the natural agency for this purpose. I should therefore be glad if you and your colleagues of the commission would undertake this extended work.

I understand that it is also the wish and purpose of the English and French people to participate in carrying this burden. It would seem to me desirable to inquire if these Governments would not therefore continue and enlarge their present support to the commission to these ends, so that we may have a comprehensive and efficient agency for dealing with the entire problem on behalf of all.

It is, of course, of primary importance that our assistance in this expenditure and organization shall be built upon cooperation with the Belgian Government and the use of such internal agencies and methods as may be agreed upon with them, to whom our whole solicitude is directed.

It is also of first importance that the expenditure of all the philanthropic aid of the American people toward Belgium, of whatever character, should be conducted by or under the control of the commission if duplication and waste are to be avoided.

With a view to the advancement of these ideas I have addressed a note to the various departments of our Government indicating my wish that all matters relating to these problems should be undertaken under your guidance and that they should give to you every cooperation.

I wish you to proceed at once with the undertaking, so far as it relates to the United States, and I should be glad if you would, through the proper agencies, take up a discussion of these matters with the Belgian Government and with the English and French Governments as to their relationship and participation.

Cordially and sincerely, yours,

WOODROW WILSON.

Hon. HERBERT HOOVER,

United States Food Administration, Washington, D. C.

NOVEMBER 8, 1918.

Memorandum for the Secretary:

We have all read the President's letter of November 6 about Belgium and your memorandum of November 8 concerning it. Hoover has not been in touch with Rathbone and me. He never is except when he wants us to pull his chestnuts out of the fire. Hoover knows nothing about finance, nothing about exchange, and nothing about economics. The Treasury ought not to have been placed in the position of seeking guidance about such subjects from Hoover, who has never failed to be wrong wherever his duties confronted him with problems of that nature.

Notwithstanding all this, we have drafted a short letter accepting the President's decision. The President has, in the midst of his many cares, most likely overlooked the request you made for an opportunity to present the matter to him before he reached a decision. A debate about the subject would only tend to magnify the importance of the decision which the President has already reached; while such acquiescence as we suggest will tend to minimize its importance. In the long run we shall, though somewhat hampered by the directions the President has given, be in a position to raise specifically with the

President each important question that is presented before credits are established, though, of course, Hoover may put us in the position of having to pull some more of his chestnuts out of the fire by making commitments which will require the establishment of credits which we otherwise might not have done. At present the issue really comes down to the question of Hoover's competence to deal with such problems—one which we can not gracefully present. When specific questions arise I think we shall have little difficulty in bringing about the desired result.

R. C. LEFFINGWELL.

THE WHITE HOUSE,
Washington, November 6, 1918.

MY DEAR MAC: In view of the approaching evacuation of Belgium and the new problems that confront this unfortunate people, I have asked Mr. Hoover to expand the activities of the Commission for Relief in Belgium to cover the entire relationship of this Government, and possibly that of other Governments, together with all American public charity, to the whole business not only of food but also clothing, raw material, tools, machinery, *exchange*, and other economic relief involved in the reconstruction of Belgium.

I would be obliged if your department would give him all support and co-operation in this matter and refer to him for guidance in all questions of an economic order that arise in any connection between Belgium and this country.

Faithfully, yours,

WOODROW WILSON.

HON. WILLIAM G. MCADOO,
Secretary of the Treasury.

SECTION 149.

Treasury Grants Additional Credits for Relief Purposes.

LÉGATION DE BELGIQUE,
Washington, D. C., November 12, 1918.

MY DEAR MR. SECRETARY: In the letter I wrote you this morning I begged you to remit to me on Thursday next, November 14, the sum of \$1,600,000 for *Belgian war-relief purposes*.

As the balance of the credit of \$9,000,000 established on October 23 last for the same purposes is only \$700,000, may I take the liberty of asking you for a new credit of \$9,000,000 to be credited for war-relief purposes in favor of the Belgian Government.

Believe me, my dear Mr. Secretary, with renewed thanks,

Very sincerely, yours,

E. DE CARTIER, *Belgian Minister.*

HON. ALBERT RATHBONE,
Assistant Secretary, United States Treasury, Washington, D. C.

NOVEMBER 13, 1918.

DEAR MR. MINISTER: In compliance with the request contained in your letter of the 12th instant, I take pleasure in advising you that the Secretary of the Treasury has established in favor of your Government a further credit of \$9,000,000 for relief purposes, to be availed of against the duly executed obligations of your Government at such times as shall be agreed upon.

I am, my dear Mr. Minister,

Very truly, yours,

ALBERT RATHBONE.

Baron E. DE CARTIER,
Envoy Extraordinary and Minister Plenipotentiary,
The Belgian Legation, 2346 Massachusetts Avenue NW.,
Washington, D. C.

NOVEMBER 16, 1918.

DEAR MR. PRESIDENT: In connection with the payment by the Belgian Government of interest in the amount of \$3,410,250.77, which became due November 15 on its obligations held by the United States, there was on the 15th instant

advanced to the Belgian Government the sum of \$3,400,000 against credits previously established with your approval for military and other purposes.

I have the honor to ask your approval of a further credit in favor of the Belgian Government for such purposes in the amount of \$5,000,000, of which it is estimated that \$2,200,000 will cover such requirements here for approximately a month, and \$3,400,000 are for the purpose of replenishing by the amount of the advance above mentioned the previous credits, the full amount of which I understand is required by the Belgian Government to cover commitments already made or about to be made.

Cordially, yours,

WM. G. McADOO,
Secretary.

The PRESIDENT,
The White House.

THE WHITE HOUSE,
November, 1918.

Approved.

SECTION 150.

Mr. Hoover Goes to Europe to "Make Arrangements in Regard to Belgian Relief and Reconstruction."

NOVEMBER 13, 1918.

DEAR CROSBY: The President has decided that the aid which the United States may determine to extend toward the relief and reconstruction of Belgium will be furnished through the Commission for Relief in Belgium, under Mr. Hoover's direction. Mr. Hoover is leaving for Europe on Friday to make arrangements in regard to Belgian relief and reconstruction, and possibly also in respect of relief which the United States may find it necessary to extend in central European countries. In view of the financial questions involved, it is quite necessary that the Treasury should keep in close and constant touch with this matter. While I have no authority to establish credits or make advances for reconstruction purposes, it is probable that Congress will be asked to enact additional legislation covering the subject at an early date. I realize that the many and important matters to which you are giving your attention would make it impossible for you to give precedence to these relief and reconstruction questions over all others. Mr. Hoover is to be gone for only a short time, and I think that during the time he spends in Europe the Treasury should be prepared to take up in cooperation with him the various financial questions involved, at such times and places as shall suit Mr. Hoover's convenience. I have therefore determined to send Mr. Norman H. Davis to Europe with Mr. Hoover as the special representative of the Treasury for this purpose. I have talked with him in regard to the subject, and he is familiar with my views and will discuss with you the various questions as they arise, so far as you are able to give them your attention. I realize that you have wanted Davis to return to Europe, and I hope that he will find time while he is there to assist you in such other matters as you may wish. I feel at present that Davis should return to Washington with Hoover.

I trust you are feeling entirely well and strong again and that you will not wear yourself out in the important work which has been devolved upon you.

Cordially, yours,

WM. G. McADOO.

Hon. OSCAR T. CROSBY,
Sunderland House, Curzon Street, London, W. 1.

NOVEMBER 16, 1918.

DEAR MR. POLK: Your letter of the 13th instant addressed to the Secretary of the Treasury has been duly received inclosing a copy of a note from Mr. Colville Barclay, chardé d'affaires of the British Embassy, dated November 6, 1918, inquiring whether or not the United States Government has any objection to proposals therein set forth with respect to the general question of Belgian reconstruction.

I understand that Mr. Hoover, with the authority of the President, is on his way to Europe, where he is to formulate plans in respect to such aid as the

United States Government may determine to furnish for the reconstruction of Belgium.

I should also like to call to your attention that the Secretary of the Treasury has no authority under the existing statutes to make advances either to the Belgian Government or to the British Government for the purpose of aiding in the reconstruction of Belgium.

I am, my dear Mr. Polk,

Very truly, yours,

ALBERT RATHBONE.

HON. FRANK L. POLK,
Counselor to the Department of State,
Washington, D. C.

SECTION 151.

The Secretary of the Treasury Again States That He Is Without Power to Establish Credits for Reconstruction Purposes.

NOVEMBER 21, 1918.

DEAR MR. PRESIDENT: I have received your letter of November 6th advising me of your decision in regard to Belgian relief and reconstruction. It is needless to say that I accept your decision loyally, although I should have been glad if you could have given me the opportunity requested in my letter of October 26 to discuss this matter with you.

Under the provisions of the acts of Congress giving me the authority, with your approval, to establish credits in favor of foreign Governments, *I am limited in establishing credits for the purpose of "more effectually providing for the national security and defense and prosecuting the war," and my authority to establish such credits ceases upon "the termination of the war between the United States and the Imperial German Government."* I have not, therefore, authority to establish credits in favor of the Belgian Government for reconstruction purposes, but until the termination of the war with Germany I have authority, with your approval, to establish credits in favor of the Belgian Government for relief purposes.

Under dates of December 3, 1917, and July 18, 1918, you gave your approval to the establishment of credits in favor of the Belgian Government for relief purposes at the rate of \$9,000,000 per month for the period commencing November, 1917, and ending with the month of October, 1918. In pursuance of this authority, I have established credits for relief purposes in favor of the Belgian Government from time to time as required by that Government to make the payments needed by the Commission for Relief in Belgium to meet its current cash requirements for relief purposes, but there remains unestablished or unadvanced of the credits so authorized the sum of \$14,000,000.

I am now in receipt of a request from the Belgian Government asking the establishment of credits at the rate of \$20,000,000 a month commencing with the month of November, 1918, for the Belgian Government, from which loans may be made to it from time to time as required by the Commission for Relief in Belgium to make payments for the purpose of Belgian relief. The Belgian Government asks that provision be made so that notice of three months will be given before the establishment of such credits shall terminate and a fund thus provided from which may be advanced to the Belgian Government an amount sufficient to meet such commitments as the Commission for Relief in Belgium may have found it necessary to make before such notice is given, in order that its relief work may be carried on in an orderly and uninterrupted manner. The credit requested is in addition to the \$14,000,000 as yet unestablished or not advanced from the previous credits.

Mr. Hoover has advised me that he estimates that the Commission for Relief in Belgium will need for food and clothing expenditures about \$20,000,000 a month for some months, in addition to the portion of the present credits which you have authorized in favor of the Belgian Government for relief purposes which remains unexpended. Mr. Hoover states that it is impossible that the Commission for Relief in Belgium should proceed with its program for Belgian relief without assurances from the Treasury that it will be supported, as on a sudden cessation of payments from the Belgian Government to the Commission for Relief in Belgium the population would starve and the relief commission be left suddenly with large orders and commitments that could not be compassed. He further advises me that it will take at least three months to make the necessary changes in the program of the commission.

In order to comply with the acts of Congress referred to I deem it important, and I shall so advise Mr. Hoover, that neither the Belgian Government nor the Commission for Relief in Belgium should make committals for future expenditures for a longer period in advance than is absolutely necessary. In order, however, to provide for the continuance of relief required as a war measure to be administered through the Commission for Relief in Belgium I now ask your authority to establish in favor of the Belgian Government for relief purposes, and in addition to the credits for this purpose which you have previously approved, credits to the amount of \$80,000,000.

It is not my intention to establish these credits more rapidly than at the rate of \$20,000,000 per month for the current and the next succeeding three calendar months unless I should deem it necessary to do so, and then only to the extent I should deem advisable to provide for advances to the Government of Belgium to enable it to provide adequately for commitments of the Commission for Relief in Belgium.

If you approve the establishment of credits in favor of the Belgian Government for the purpose and to the amount above set forth, will you be good enough to indicate your approval at the foot of this letter?

That you may have the entire letter before you, I attach copies of the letters before referred to which I have received from the Belgian minister and from Mr. Hoover, both dated November 13, 1918, and drafts of the replies I propose to make to such letters in case you approve the establishment of the credits herein referred to.

Cordially, yours,

WM. G. McADOO.

The PRESIDENT,
The White House.

THE WHITE HOUSE,
November, 1918.

Approved.

NOVEMBER 29, 1918.

DEAR MR. MINISTER: I have received your letter of November 13 asking the establishment of credits in favor of your Government at the rate of \$20,000,000 a month for relief purposes. I take pleasure in informing you that I have established a credit in favor of your Government for *relief* purposes in the amount of \$12,000,000, which added to the unexpended credit balances heretofore established in favor of your Government and not withdrawn up to November 29 makes the total credit established in favor of your Government for relief purposes \$13,500,000. These credits will be made available to your Government for relief purposes against its duly executed obligations at such time and in such amounts as may be agreed.

I have already informed you that under existing legislation I have no authority to establish credits in favor of your Government for reconstruction purposes, and my authority to establish credits in favor of your Government for any purpose ceases upon the termination of the war between the United States and the Imperial German Government. I have, however, obtained the approval of the President to the establishment in favor of your Government of additional credits for relief purposes so as to be in a position prior to the termination of the war to establish such credits in the amount necessary to meet expenditures and commitments made from time to time with my approval.

It is quite essential that so far as the Treasury is expected to advance money to your Government to meet expenditures for relief purposes commitments should not be made without the approval of this department, nor should they be made further in advance than is absolutely essential for furnishing the relief required as a war measure in an orderly manner.

I feel that I must also call to your attention that many demands are being made upon the United States Treasury, and that it will be absolutely necessary to keep the financial assistance which this Government may furnish the Belgian Government for relief purposes to the minimum required to accomplish the desired result.

I am, my dear Mr. Minister,
Very truly, yours,

WM. G. McADOO.

BARON E. DE CARTIER,
*Envoy Extraordinary and Minister Plenipotentiary,
The Belgian Legation, Washington, D. C.*

SECTION 152.

Press Statement of the Committee for Relief in Belgium, Giving Hoover's Statement on Belgian Conditions.

THE COMMISSION FOR RELIEF IN BELGIUM, WASHINGTON, D. C.

DECEMBER 23, 1918.

The physical damage in Belgium to-day is described in a cable which has just been received from Herbert Hoover, United States Food Administrator and chairman of the Commission for Relief in Belgium. Mr. Hoover is in Europe by direction of President Wilson for the purpose of formulating a program for food distribution to the liberated peoples. William B. Poland, European director of the Commission for Relief in Belgium, aided in the survey.

The Washington headquarters of the Commission for Relief in Belgium to-day announced that an enlarged program had been laid out in response to Mr. Hoover's cable and that from now on 180,000 tons per month would be shipped, including clothing, which will require 500,000 dead-weight tons of shipping in continuous service. *The cost of the entire program is borne by the Belgian and French Governments from loans made by the American Government.* The relief commission has at present 340,000 tons on time charter, lacking 160,000 tons to move the full monthly program. Application has been made to the United States Shipping Board to fill this deficit, and it is expected that the request will be favorably acted upon.

Mr. Hoover's cablegram is as follows:

"Together with Mr. Poland, European director of the Commission for Relief in Belgium, I have now completed a survey of the entire Belgian situation as disclosed by the evacuation. The work of the American relief officials in Europe during the last month has been beyond all praise, because they have followed up the retreating army with distributions, by one means or another, and there has been no break in the food supply at any point.

"Prior to the armistice the German Army had completely destroyed a zone of railroads and canals some 20 miles wide, extending entirely across Belgium. After the armistice there was comparatively little destruction of transportation to the rear of this zone, and with the rapid rehabilitation of transportation facilities across this zone of destruction the problem of distribution of food and of reconstruction can be undertaken with much less difficulty than at present.

"The Germans in their final retreat removed but little of the relief supplies.

"Their action toward the native harvests and cattle in their withdrawal differs widely in different areas. They started to take all remaining hogs from the western part of Belgium, except those hidden by the peasants in underground caves. After the armistice, however, and with the demoralization of the German Army in its final retreat, many of these beasts were abandoned or sold by soldiers to the peasants further back, and in practical results there appears to have been no widespread cattle stealing in the retreat, although during the four years of occupation there has been a great diminution, probably over one-half, in the total number of cattle and hogs. It can be said almost literally that horses have disappeared out of Belgium, there probably now being 15 per cent of the original animals left.

"Investigation proves that industrial and residential destruction in Belgium varies greatly in different localities and with different industries. For instance, out of the 50 steel furnaces in Belgium 35 or 40 have been deliberately destroyed by the Germans in their determination to end the Belgium steel industry. Many of the textile mills have been put out of commission, either through deliberate destruction and removal of machinery or by removal of the copper and brass parts and electric motors. Some of the textile mills of the more antiquated type of equipment apparently did not appeal to the Germans, and they can be gotten into action at an early date. The Germans seem to have focused themselves on the modern equipments.

"The glass industry has been but little interfered with, and the stern promise of retribution by President Wilson seems to have saved the coal industry, except for very few mines, although actual explosives and wires were laid in place for the destruction of a large number of the mines. The President's warning seems to have created a sudden change of heart.

"There are some three hundred thousand French refugees in Belgium, driven out of northern France by the Germans. They have been cared for out of the meager stores of the Belgians and by the Commission for Relief in Belgium.

They are, however, like homing pigeons in their resolve to return to their native villages. As there is no transportation, the roads southward into France are a continuous stream of these pitiful groups of men, women, and children, pulling their carts and trudging through the cold and wind toward their destroyed homes. Everything is being done that is humanly possible, but in the present state of demoralization, with moving armies, the necessity of using every truck and horse with which to feed the population, their plight is heart-breaking. They refuse all persuasion to wait in the crowded Belgian villages until their affairs can be organized.

"The Americans of the relief commission are working night and day providing shelter stations, clothing, and food for them, but like many other human migrations in Europe to-day there is no solution to the suffering that must go on.

"One of the great difficulties of the Belgians lies in the enforced currency circulation imposed upon them by the Germans. This currency runs into millions of paper money and presents an extremely difficult financial problem to the Government.

"The Belgian Government is rapidly taking hold, the Belgian manufacturers are engaged everywhere in the rehabilitation of their works, so far as materials are available, and the spirit of Belgium was never better than to-day. The Belgians are resolved to find a solution of their manifold difficulties with as little assistance as possible from the outside. They are, of course, dependent upon continued Government financial advances for the provision of imports pending German indemnity and the reconstruction of their export business."

SECTION 153.

Review of the Treasury Dealings With Belgium to February 6, 1919.

FEBRUARY 6, 1919.

DEAR MR. POLK: This department recently received a cable from Mr. Crosby (No. 868) in which he advised that an agreement had been reached between the treasury of Great Britain and the Belgian Government by which the former established a credit in favor of the latter in the amount of £9,000,000, conditional that the American and French Governments agreed to the proposed course and to the provision of similar facilities. Such credit was apparently established subject to the condition that the first receipts which accrued to the Government of Belgium in respect of compensation or indemnity from the enemy powers should be applied to the liquidation of the Treasury bills to be issued under said credit for the purpose of providing funds for the reconstruction of Belgium, with the liquidation of any other similar advances received from any of the associated Governments subject to such general principles as the peace council might lay down with the disposition to be made of the assets which the enemy powers make available. A copy of the cable above referred to is inclosed herewith for your convenience.

Since the signing of the armistice this department has been making advances in large amounts to the Belgian Government in order to supply food and other relief for the population of Belgium. It has been contemplated to continue making such advances in large amounts for some months to come. While this department did not desire to enter into discussions as to the compensation or indemnities which might be received by the Belgian Government, its hands were forced by the stipulation contained in the credit which the British treasury was prepared to grant to the Belgian Government and which apparently placed advances made for physical reconstruction of Belgium on a higher plane as to security and repayment than advances made for other purposes.

In view of these circumstances the Secretary of the Treasury, under date of January 18, 1919, addressed a letter to the Belgian minister, of which a copy is herewith inclosed, and on the same date, pursuant to his directions, I wrote Sir Hardman Lever, the financial secretary of the British treasury, and M. Edouard de Billy, French deputy high commissioner, as per copies inclosed herewith, transmitting for the information of their respective Governments copy of the letter of January 18 from the Secretary of the Treasury to the Belgian minister. On the same date I cabled Mr. Davis (No. 716), referring to the letter written by the Secretary of the Treasury to the Belgian minister on

Mr. Crosby's cable hereinbefore mentioned, and transmitted to him the text of January 18, 1919. In this cable I stated that it was important that the Treasury's position as indicated by said letter should be brought before our peace mission; that it should be made clear to the mission that the Treasury had sought to avoid this issue, but its hands were forced by arrangements negotiated between British and Belgian Governments, and it seemed imperative that Treasury should immediately secure its position in order to adequately protect the advances it was making Belgium for foods and relief purposes. I also called attention to the fact that the monthly advances for such purposes had been largely increased since the signing of the armistice.

On January 22, 1919, I received a call from the Belgian minister, who stated that he had transmitted to his Government the letter to him of January 18 from the Secretary of the Treasury and was awaiting telegraphic instructions from his Government. In the meantime he pointed out the difficulties which would arise in cutting off the methods necessarily pursued for furnishing food to the Belgian Government and asked that sufficient time be given him to communicate with and receive instructions from his Government before the Treasury should refuse to permit the Food Administration to continue making commitments for food for Belgian relief purposes, with the assurance that the Treasury Department was prepared to make advances to the Belgian Government to cover such commitments which should be made with the approval of the Treasury. In view of the representations made by the Belgian minister I wrote him under date of January 22, 1919, and inclose a copy of said letter. On February 1, not having heard from the Belgian Government in response to the letter of the Secretary of the Treasury of January 18, 1919, I again wrote the Belgian minister on the same subject, and inclose herewith a copy of said letter.

The Secretary of the Treasury is to-day in receipt of a letter from the Belgian minister in which he states:

"In reply to your letter of January 18 I have much pleasure in informing you, on receipt of telegraphic advice from my Government to that purpose, that the Belgian Government willingly grants the request from the United States Treasury that advances which it has made or which would be made to Belgium for food and relief purposes during the period which had elapsed since the cessation of hostilities will receive treatment as favorable as that accorded to advances which may be made to my Government by the British or French Governments for reconstruction purposes."

On this date I am acknowledging the receipt of said letter from the Belgian minister of February 5, 1919, and advising Sir Hardman Lever and M. Edouard de Billy of the receipt of same, as per copies of my letters of this date to the Belgian minister, Sir Hardman Lever, and M. Edouard de Billy, inclosed herewith.

I am also sending a cable to Mr. Davis, communicating to him the text of the letter of February 5 addressed by the Belgian minister to the Secretary of the Treasury, a copy of which cable is inclosed.

In view of the importance to the United States Government of having it understood and accepted by the Governments concerned that advances which may be made by other Governments for the physical reconstruction of Belgium shall not stand on any higher plane or be entitled to any priority of security or repayment over advances which this Government has made since the signing of the armistice and the reoccupation of Belgium and shall hereafter make to the Belgium Government for food and other relief purposes, I present the matter to you so that any other steps required may be taken by the Department of State to insure the acceptance of this principle and to make it clear that the United States Treasury is continuing to make advances to the Belgian Government for food and other relief purposes on the faith of the communication of the Belgian minister of February 5, 1919.

I am, my dear Mr. Polk,

Very truly, yours,

ALBERT RATHBONE.

HON. FRANK L. POLK,
Acting Secretary of State.

SECTION 154.

Correspondence, Including Letter of President and His Recommendation to the Senate, Relating to the Acceptance of the United States of German Bonds as Security for the Belgian Debt.

FEBRUARY 8, 1919.

DEAR MR. MINISTER: Referring to your letter of February 5 and my reply of the 6th instant regarding the use of indemnities which may be awarded to your Government to the payment of advances made since November 11, 1918, to your Government for relief purposes by the United States Treasury, I have the honor to advise you that I have received a cable from Mr. Davis setting forth a copy of a letter addressed by the British treasury to Compte de Grunnei, of the Belgian commission, and reading as follows:

"I beg to confirm our telephonic conversation of to-day with reference to the proposal of the United States Government that advances made by that Government for the commission for relief in Belgium on account of food and relief for the Belgian people should be considered as ranking with the 'similar credits' which, under the agreement between His Majesty's treasury and the Belgian Government are to rank *pari passu*, repayment out of the first installments of any payments for reparation or indemnity made by Germany to Belgium.

"His Majesty's treasury are prepared to regard American C. R. B. advances at present date as 'similar credits' in the above sense on condition that the British C. R. B. credits are also regarded and that the British treasury shall receive the same proportion of the amount recovered out of the indemnity as the British gross contribution, whether made in cash or in bonds, to America bears to the total cost of the contribution of the leading powers for Belgium relief. In so far as recoveries are made in cash, the British treasury would, of course, be prepared to apply the proper proportion of that cash toward redeeming the corresponding bonds given by them to the Government of the United States."

The United States Treasury is unable to modify its position, which has been recognized by your Government, namely, that advances made to your Government by the United States Treasury for relief purposes since November 11, 1918, must receive treatment as favorable as that accorded to advances which may be made to your Government for reconstruction purposes, and in continuing to make advances to your Government for relief purposes the United States Treasury confidently relies upon the assurances which you have given on behalf of your Government that this will be the case.

I do not altogether understand the second paragraph of the British treasury's letter to Compte de Grunnei; there may have been some error in its telegraphic transmission, and I am asking Sir Hardman Lever to explain just what was intended thereby, and particularly what is meant by "gross contribution, whether made in cash or in bonds." Until the receipt of this information and until the Treasury is advised regarding advances made to your Government for relief purposes by the British Government, this department is not prepared to attempt to precisely define the advances from the British treasury to your Government for relief purposes which should be entitled to the security of the indemnities that may be awarded your Government on a parity with the security thereby afforded to the advances made since November 11, 1918, to your Government for relief purposes by the United States Treasury.

In principle, however, the United States Treasury is quite willing to acquiesce in the view that advances of the British Government to your Government for purposes similar to the advances to your Government for relief purposes from the United States Treasury and made and availed of during a like period should similarly and proportionately receive like treatment in respect of the security afforded by indemnities which may be awarded to your Government.

I do not consider that the discussion of this matter need be complicated with any arrangements as to repayments by the British Government of its obligations held by the United States either out of amounts received by the British Government from your Government or otherwise. The time of payment of the British Government's obligations held by the United States can in due course be adjusted directly between the British and United States Treasuries.

The Secretary of the Treasury has received a letter from M. de Billy in which, after referring to the arrangement between your Government and the

British treasury, referred to in the letter of January 18 addressed to you by the Secretary of the Treasury, he states:

"France, which has loaned 2,000,000,000 francs to Belgium without guaranty and without interest, and whose particular situation will not permit her, perhaps, to participate in the further provisioning of Belgium, runs the risk of finding herself seriously affected by this fact."

In view of this letter, I desire to make it entirely clear that the United States Treasury has not urged that any arrangement should be made at this time to secure any particular advances which have been made or may be made to your Government by the indemnities which may be awarded your Government. It is only because arrangements are now being made to avail of any such indemnities as security for future advances to your Government that the United States Treasury has taken the position indicated in the letter of January 18, 1919, addressed to you by the Secretary of the Treasury.

I am sending a copy of this letter to Sir Hardman Lever and a copy to M. de Billy.

I am, my dear Mr. Minister,

Very truly, yours,

BARON E. DE CARTIER,

Envoy Extraordinary and Minister Plenipotentiary,

The Belgian Legation.

FEBRUARY 8, 1919.

DEAR MR. POLK: Before sending to you my accompanying letter of February 6 regarding the question of the allocation of indemnities or compensation that may be awarded to the Belgian Government toward repayment of advances made to that Government by certain of the associated Governments, I have received from the Department of State a cable from Mr. Davis (No. 23) setting forth a communication addressed by the British treasury to *Compte de Grunnel* of the Belgium commission. A copy of that cable I inclose herewith. The Treasury does not feel able to modify its previous position as taken in the letter of January 18 to the Belgian minister, and which has now been accepted by the Belgian Government, as set forth in my letter to you of February 6. The commodities purchased by use of the United States advances to Belgium after November 11, 1918, could not well have reached Belgium prior to the reoccupation of that country. The suggestion of the British treasury that the advances made by the United States Treasury to Belgium for relief purposes between November 11, 1918, and February 1, 1919, should not participate with the British advances made to Belgium for reconstruction purposes in the security afforded by the indemnities and compensation which may be awarded Belgium does not meet with the approval of this department.

While the Treasury is not sufficiently informed regarding British advances to Belgium for relief purposes to define precisely which of such advances should be regarded as in the same category as the United States advances to Belgium for relief purposes, it sees no objection that such British advances as were made for purposes similar to the advances from the United States Government for relief purposes and as were made and availed of during a like period should similarly and proportionately receive like treatment in respect of the security afforded by indemnities which may be awarded the Belgian Government.

The Secretary of the Treasury has also received a letter from M. de Billy under date of February 6, 1919, from which I quote as follows:

"It is thus that the recent Anglo-Belgian agreement introduced for the first time into the financial relations of two countries the principle of pledging special resources to come from the enemy as a guaranty of one of the new advances to be granted by England for the provision of supplies to Belgium. The result of this understanding has been to lead the American Treasury to take immediately similar steps in regard to Belgium. France, which has loaned 2,000,000,000 francs to Belgium without guaranty and without interest, and whose particular situation will not permit her, perhaps, to participate in the further provisioning of Belgium, runs the risk of finding herself seriously affected by this fact. In any case, the principle of equality among the credits of the different countries, admitted by all common accord, finds itself modified without all the large countries interested having previously taken concerted action thereupon."

I wish to make it perfectly clear that the Treasury is not seeking at this time a discussion and determination of the uses to which any indemnity awarded

to Belgium may be put. In view, however, of the arrangements effected between the British treasury and the Belgian Government referred to in my letter of February 6, the Secretary of the Treasury felt it imperative to take the position indicated in his letter to the Belgian minister of January 18, 1919.

I inclose herewith letters to (1) the Belgian minister, (2) Sir Hardman Lever, (3) M. de Billy (all of even date, and (4) a cable to Mr. Davis, with extra carbons for your files. If these meet with your approval, I shall be glad if you will send them forward, advising this department accordingly. May I venture to suggest that in view of the advances to Belgium which it is planned that this department should make each week, it is of considerable importance that communications on the subject should go forward to the Belgian minister, the representatives of the British and French treasuries, and to Mr. Davis at the earliest possible date.

I am, my dear Mr. Polk,
Very truly, yours,

ALBERT RATHBONE.

HON FRANK L. POLK,
Acting Secretary of State.

BRUSSELS, *February 15, 1919.*

SECRETARY OF STATE, *Washington:*

For Pope for Guaranty Trust, New York. Two. Fifteenth.

Belgian Government informed peace settlement will not afford much actual cash from Germany and would like place indemnity loan of \$250,000,000 in America with right, if possible, spend, say, one-fourth outside on necessary supplies not obtainable in United States, such as Chilean nitrates and other South American products. Anxious for quick action, and will welcome suggestions and proposals. Considers following particulars essentially reflect financial position:

Debt at beginning hostilities 4,100,000,000 francs, 3 per cent; consols now quoted 63, interest on which was fully offset by income from railways and State property, now much deteriorated, but to be rehabilitated out of indemnity.

New three-year 5 per cent Treasury bonds, about 3,000,000,000 francs, issued internally since armistice at par with 1 per cent bankers' commission to help retire marks in circulation, three-fourths of subscription being payable in March.

War debt to Allies about 5,000,000,000 francs, which Government assumes will be dealt with in such manner as not to prejudice the proposed loan.

Belgian currency in circulation at beginning of war about 1,000,000,000 francs; at armistice, about 2,600,000,000 francs; at present, about 4,000,000,000 francs, practically all in form of national bank and Societe Generale bank notes protected by about 300,000,000 francs gold about 5,000,000,000 marks in Reichsbank notes by bank assets. Increase since armistice is due to final steps in retiring marks circulation, which, when completed, will further increase total circulation to about 4,500,000,000 francs. Obviously there is an undesirable measure of inflation which probably will be corrected by internal loans.

Indemnity claims against Germany are not completed, but apart from war debt to Allies are expected to exceed 25,000,000,000 francs, about 10,000,000,000 francs of which will be in respect of State claims. All claims, of course, will be subject to scrutiny and revision, but they have in principle been guaranteed by the Allies and accepted by Germany. They are of vital importance from the standpoint of credit, although underlying them is the traditional credit of a people of tried spirit and unique commercial and industrial achievement, whose rate of taxation before the war was half that of France and England and who consistently kept within their budget.

HONNOLD PHILLIPS.

APRIL 22, 1919.

DEAR MR. SYMONS: I have received your letter of April 21 asking for the establishment of further credits in favor of your Government for relief purposes. I have also discussed with Baron Snoy and Mr. Paternotte the desire of your Government for the establishment of additional credits in its favor for war supplies and to provide for the payment of interest due May 15, 1919, on obligations of your Government held by the United States.

S. Doc. 86, 67-2—21

I take pleasure in informing you that the Secretary of the Treasury is prepared from time to time to establish further credits in favor of your Government to be availed of from time to time against obligations of your Government in a corresponding amount at such times and to such extent as shall be determined by the Secretary of the Treasury up to the amounts hereafter indicated, for the purposes hereinafter set forth, and on the understanding herein expressed.

For all future advances to your Government from the United States Treasury your Government will give its demand obligations payable in dollars, or, at the option of the holder, in francs at the buying rate for cable francs on Antwerp on the New York market at noon of the day of demand as determined by the Federal Reserve Bank of New York.

Your Government will from time to time, at the request of the Secretary of the Treasury and on such dates as he shall request, deposit francs to the credit of the Treasurer of the United States or to the credit of such other person or persons as the Secretary of the Treasury shall indicate, with such depositary in Belgium as the Secretary of the Treasury shall designate, up to such amount of francs in the aggregate as the Secretary of the Treasury shall determine to be needed by the United States Government, its departments or agencies, or by the American Red Cross, Young Men's Christian Association, or similar organizations, to meet expenditures, whether civil or military, for war purposes or for purposes growing out of the war.

For francs so deposited at the request of the Secretary of the Treasury your Government is to receive in payment thereof either, as the Secretary of the Treasury shall elect, (a) dollars credited to your Government at the Federal Reserve Bank of New York at the buying rate for cable francs on Antwerp on the New York market at noon of the day of deposit of such francs, as fixed by the Federal Reserve Bank of New York, or (b) obligations of your Government then held by the United States at par of principal, either surrendered to representatives of your Government in Washington or New York, or indorsed with appropriate notation showing payment on account of the principal thereof if not fully paid, such surrender or notation, as the case may be, being regarded as the equivalent of due demand of the payment of the principal of the obligations surrendered or of a part of the principal set forth in any such notation as of the day of such deposit of francs. Accrued interest up to the date of such deposit of francs on any such obligations so surrendered, or upon the portion of the principal thereof set forth in any such notation, to be paid by your Government in dollars simultaneously with the surrender of such obligations or the making of such notation thereon, as the case may be, by the deposit of the amount of such interest to the credit of the Treasurer of the United States with the Federal Reserve Bank of New York.

The amount of the credits which the Secretary of the Treasury is prepared to establish in favor of your Government, as aforesaid (subject to reduction as hereinafter stated), and the purposes for which the same are to be availed of, are as follows:

(a) Two million one hundred and fifty thousand dollars, or such lesser amount as may be sufficient with the unexpended credit balance in favor of your Government for relief purposes, in the amount of \$28,300,000, to provide for the amounts which shall become due from your Government to the commission for relief in Belgium in connection with the April program of said commission, and to defray the cost of the purchase in the United States of not exceeding 80 tons of wheat and 10 tons of lard, and shipping charges in respect thereof, to the extent such payment is made to the United States Shipping Board on ships under the control of the United States Shipping Board.

(b) One million dollars, or such lesser amount as may be sufficient to provide for such purchases of your Government in the United States up to June 1, 1919, for military supplies as may from time to time be approved by the Treasury.

(c) An additional sum sufficient to pay the interest due on May 15, 1919, on obligations of your Government held by the United States.

To the extent that your Government may receive dollars in payment for francs furnished by your Government at the request of the Secretary of the Treasury, your Government shall, if the Secretary of the Treasury shall so request, forthwith upon their receipt pay such dollars to the Secretary of the Treasury, to be by him applied as he shall determine toward the payment of the principal of or interest upon obligations of your Government held by the

United States, or in case the Secretary of the Treasury shall so determine, from time to time such amounts may be retained by the Belgian Government, and the Secretary of the Treasury in such event may, in his discretion, reduce by a corresponding amount his commitment above set forth to establish credits in favor of the Belgian Government.

At the election of the Secretary of the Treasury, the Belgian Government will accept its obligations held by the United States, or appropriate notation thereon of payment on account of the principal thereof at par in payment of all claims of the Belgian Government or any department or agency thereof against the United States Government or any department or agency thereof. If payment of any such claims is to be made in francs, obligations of the Belgian Government payable only in dollars, or notation thereon as aforesaid, will be accepted in Washington or New York as the equivalent of francs at the buying rate for cable francs on Antwerp on the New York market at noon of the day of surrender or notation, as the case may be, as determined by the Federal reserve bank of New York. The accrued interest on all obligations or upon the portion of the principal thereof set forth in any such notation, accepted in payment of any such claims, will be paid by the Belgian Government in dollars simultaneously with the surrender of such obligations or the making of such notation thereon, as the case may be, by the deposit of the amount of such accrued interest to the credit of the Treasurer of the United States with the Federal reserve bank of New York.

The advances which may be made by the Secretary of the Treasury to your Government against these credits will be made on the faith of the assurances given to the Secretary of the Treasury by the Belgian minister in his letter dated February 5, 1919, that advances made or to be made by the United States to the Belgian Government for food and relief purposes after the cessation of hostilities would receive treatment as favorable as that accorded to advances which might be made to the Belgian Government by the British or French Governments for reconstruction purposes, and on the understanding that in accordance with the determination of the Supreme Economic Council, in Paris, all advances made to your Government after November 11, 1918, by any of the allied Governments and powers associated in the war for food, relief, and reconstruction purposes would be made a first lien or charge on the amounts received by your Government from the enemy countries for reparation or indemnity.

As under the terms of the armistice the cost of the maintenance of the Belgian army of occupation since November 11, 1918, is to be paid by Germany, and as it is understood that the only part of this cost for which cash is received now is the part for which expenditures are incurred in marks, the balance constituting a claim against Germany, to be liquidated out of its additional payments to Belgium in priority to payments for reparation, the Secretary of the Treasury is not prepared to make further advances to your Government, except upon its assurance that the Belgian Government will repay to the Government of the United States the amount of advances made to your Government after November 11, 1918, by the United States Treasury to provide supplies for the Belgian Army out of the first moneys received by the Government of Belgium from Germany under the terms of the armistice.

The Secretary of the Treasury does not feel that he can assure your Government of the establishment of any further credits in its favor beyond the amounts which he is prepared to establish as above set forth. Except for the limited purposes set forth in the Victory Liberty loan act, credits can not be established by the Secretary of the Treasury in favor of foreign Governments after the termination of the war; and the limit imposed by the Congress on the total credits which the Secretary of the Treasury may establish in favor of certain foreign Governments may make it impossible for the Secretary of the Treasury to establish credits in favor of your Government in addition to those mentioned above, either before or after the termination of the war.

I shall be glad to have you confirm the foregoing arrangement, pursuant to which the Secretary of the Treasury is prepared to establish further credits in favor of the Belgian Government.

I am, my dear Mr. Symons,
Very truly, yours,

ALBERT RATHBONE.

Mr. C. SYMONS,
Counselor of the Belgian Legation, Washington, D. C.

FEBRUARY 3, 1921.

DEAR MR. MERLE-SMITH: Referring to your letter of the 1st instant and to our previous conversation, the Treasury advanced to the Belgian Government from the beginning of the war to the armistice the sum of \$171,780,000. Interest on these advances has been paid to April 15, 1919. The principal sum above mentioned includes advances of \$499,400 made to enable the Belgians to pay the interest due November 15, 1917, and \$1,571,468.42 to enable them to pay the interest due May 15, 1918. The remainder of the interest up to April 15, 1919, was also paid out of Treasury advances, for which the United States holds Belgian obligations given after November 11, 1918. In view of the receipt by the United States of interest up to April 15, 1919, it would appear that if the United States should accept payment of Belgian obligations given before the armistice by receiving a corresponding amount of German obligations and surrendering the Belgian obligations, it would receive German obligations for \$171,780,000, with interest from April 15, 1919. This would leave the United States holding Belgian obligations given subsequent to the armistice for interest from May 15, 1918, to April 15, 1919, on advances to Belgium made before May 15, 1918, and from their respective dates to April 15, 1919, on advances made from May 15, 1918, to November 11, 1918, both dates inclusive. Under the proposed recommendation I understand the United States would not be bound to receive German obligations in exchange for these. It might be, however, that Belgium would be entitled to receive from Germany an adjustment sufficient to enable Belgium to pay them off with interest. I inclose a list of the dates and amounts of advances made by the Treasury to Belgium through November 11, 1918, showing the rate of interest borne by each. The information received by the Treasury is that British advances to Belgium prior to the armistice did not exceed £77,500,000. I am not sufficiently familiar with the considerations before the peace conference to venture to comment on that part of the draft inclosed in your letter of the proposed communication to Congress dealing with the merits of the suggestion that German bonds be received in exchange for part of the Belgian obligations now held by the United States.

Very truly, yours,

N. KELLEY.

HON. VAN S. MERLE-SMITH,
Third Assistant Secretary of State,
Department of State.

Advances to the Belgian Government from the beginning of the war to the armistice for which the Treasury holds Belgian obligations.

Date of advance.	Amount.	Interest rates.		
		From date of advance to Nov. 15, 1917.	From Nov. 15, 1917, or from date on advances made thereafter to May 15, 1918.	After May 15, 1918.
		Per cent.	Per cent.	Per cent.
1917.				
May 16.....	\$7,500,000	1 ¹ / ₃	2 ³ / ₄	5
June 19.....	7,500,000	3 ¹ / ₂	3 ¹ / ₂	5
July 23.....	7,500,000	3 ¹ / ₂	3 ¹ / ₂	5
Aug. 2.....	1,000,000	3 ¹ / ₂	4 ¹ / ₂	5
Aug. 21.....	1,000,000	3 ¹ / ₂	4	5
Aug. 22.....	7,500,000	3 ¹ / ₂	4	5
Sept. 13.....	2,000,000	3 ¹ / ₂	4	5
Sept. 21.....	1,000,000	3 ¹ / ₂	4	5
Sept. 27.....	7,500,000	4 ¹ / ₂	4 ¹ / ₂	5
Oct. 1.....	500,000	4 ¹ / ₂	4 ¹ / ₂	5
Oct. 2.....	2,000,000	4 ¹ / ₂	4 ¹ / ₂	5
Oct. 15.....	2,000,000	4 ¹ / ₂	4 ¹ / ₂	5
Oct. 22.....	7,500,000	4 ¹ / ₂	4 ¹ / ₂	5
Nov. 7.....	400,000	4 ¹ / ₂	4 ¹ / ₂	5
Nov. 16.....	1,000,000	.....	4 ¹ / ₂	5
Nov. 26.....	7,500,000	.....	4 ¹ / ₂	5
Dec. 8.....	2,000,000	.....	4 ¹ / ₂	5
Dec. 12.....	500,000	.....	4 ¹ / ₂	5
Dec. 19.....	2,000,000	.....	4 ¹ / ₂	5
Dec. 28.....	7,500,000	.....	4 ¹ / ₂	5

¹ To June 15, 1917.² From June 15, 1917.³ \$166.00.⁴ \$834,000.

Advances to the Belgian Government from the beginning of the war to the armistice for which the Treasury holds Belgian obligations—Continued.

Date of advance.	Amount.	Interest rates.		
		From date of advance to Nov. 15, 1917.	From Nov. 15, 1917, or from date on advances made thereafter to May 15, 1918.	After May 15, 1918.
1918.		Per cent.	Per cent.	Per cent.
Jan. 26.....	\$9,000,000		4½	5
Mar. 14.....	500,000		5	5
Mar. 23.....	1,000,000		5	5
Mar. 29.....	1,000,000		5	5
Apr. 8.....	1,500,000		5	5
Apr. 20.....	1,000,000		5	5
May 7.....	1,000,000		5	5
May 14.....	3,000,000		5	5
May 15.....	500,000			
	6,000,000		5	5
May 18.....	1,500,000			
	1,000,000			5
June 4.....	1,000,000			5
June 13.....	3,000,000			5
June 15.....	2,000,000			5
June 18.....	1,700,000			5
June 21.....	2,000,000			5
June 26.....	2,000,000			5
July 5.....	2,000,000			5
	1,700,000			
July 12.....	3,000,000			5
	500,000			
July 16.....	2,000,000			
	1,680,000			5
July 18.....	2,000,000			5
July 19.....	3,000,000			5
July 24.....	3,000,000			5
	5,000,000			
July 30.....	3,000,000			5
Aug. 1.....	500,000			5
Aug. 15.....	1,050,000			5
Aug. 27.....	500,000			5
Aug. 29.....	1,000,000			5
Sept. 12.....	700,000			5
Sept. 17.....	1,450,000			5
	400,000			
Sept. 24.....	2,000,000			5
	600,000			
	1,800,000			
Oct. 1.....	1,500,000			5
Oct. 8.....	1,500,000			5
Oct. 15.....	3,000,000			5
	1,800,000			
Oct. 22.....	2,000,000			5
Oct. 24.....	5,000,000			5
Oct. 29.....	1,300,000			5
Nov. 6.....	3,200,000			5
Do.....	1,500,000			5
Total.....	171,780,000			

SECTION 155.

Undersecretary of State Davis Recommends to President Sending Message to Congress Proposing Exchange of Belgium Obligations for German Indemnity Bonds.

FEBRUARY 18, 1921.

MY DEAR MR. PRESIDENT: I concur in Mr. Davis's letter to you on the 17th instant, transmitting a suggested draft of a message to be sent to Congress on the subject of your undertaking to recommend to Congress that German bonds be accepted in exchange for Belgian obligations for sums borrowed from the United States during the war and up to November 11, 1918.

Faithfully, yours,

D. F. HOUSTON.

The PRESIDENT, *the White House.*

THE UNDERSECRETARY OF STATE,
Washington, February 17, 1921.

MY DEAR MR. PRESIDENT: In compliance with your suggestion made at a Cabinet meeting some weeks ago, Secretary Houston and I have examined your undertaking to recommend to Congress that German bonds be accepted in exchange for Belgian obligations for sums borrowed from the United States during the war and up to November 11, 1918. I am, therefore, transmitting a suggested draft of a message to be sent by you to Congress on the subject.

Final arrangements have not as yet been made for the delivery by Germany to the reparation commission of the necessary bonds. The department is informed that no action with regard to the agreement has yet been taken by the French and British Governments, though responsible officials of both Governments have informally stated their belief that appropriate action to fulfill the commitments entered into will be taken at the proper time. Considering the uncertainty as to what arrangements will finally be made by the allied Governments with regard to reparations and the impossibility therefore of estimating the future value of obligations issued by the German Government, we are not prepared to take any position at present with regard to the advisability of the arrangement contemplated. I believe, however, that in view of your commitment it would be wise to present the matter, in somewhat the form suggested, to the Senate before the termination of your administration.

Faithfully, yours,

NORMAN H. DAVIS.

The PRESIDENT, *the White House*.

TO THE SENATE:

I herewith call your attention to an agreement with Belgium made by the British and French premiers and myself, which is embodied in the following letter:

JUNE 16, 1919.

M. HYMANS,
Ministre des Affaires Etrangères, Hotel Lotti, Paris.

SIR: The reparation clauses of the draft treaty of peace with Germany obligate Germany to make reimbursement of all sums which Belgium has borrowed from the allied and associated Governments up to November 11, 1918, on account of the violation by Germany of the treaty of 1839. As evidence of such an obligation Germany is to make a special issue of bonds to be delivered to the reparation commission.

Each of the undersigned will recommend to the appropriate governmental agency of his Government that, upon the delivery to the reparation commission of such bonds, his Government accept an amount thereof corresponding to the sums which Belgium has borrowed from his Government since the war and up to November 11, 1918, together with interest at 5 per cent unless already included in such sums, in satisfaction of Belgium's obligation on account of such loans, which obligation of Belgium's shall thereupon be canceled.

We are, dear Mr. Minister,
Very truly, yours.

G. CLEMENCEAU.
WOODROW WILSON.
D. LLOYD-GEORGE.

In recommending to you that Congress take appropriate action with regard to this agreement, certain facts should be brought to your attention.

The neutrality of Belgium was guaranteed by the treaty of London of 1839. In considering the reparation to be made by Germany it was agreed that the action of Germany in grossly violating this treaty by an attack on Belgium obligated the German Government under international law to repay to Belgium the costs of war. On this principle the treaty of Versailles (art. 232) provided that in accordance with Germany's pledges already given as to the complete restoration for Belgium, Germany should undertake, in addition to the compensation for material damage, to make reimbursement of all sums which Belgium had borrowed from the allied and associated Governments up to November 11, 1918, together with interest at 5 per cent per annum on such sums. This obligation was to be discharged by a special issue of bearer bonds to an equivalent

amount payable in gold marks on May 1, 1926, or at the option of the German Government on the 1st of May in any year up to 1926.

For various reasons the undertaking defined in the above letter was not embodied in the treaty. Belgium's obligations to the United States for advances made up to the date of the armistice amounted to approximately \$171,000,000, and to England and France they amounted, I am informed, to about £164,700,000. In view of the special circumstances under which Belgium became involved in the war and the attitude of this country toward Belgium it was felt that the United States might well agree to make the same agreement respecting pre-armistice loans to Belgium as England and France offered to do.

Advances made by the Treasury to the Belgian Government from the beginning of the war to the armistice amounted to \$171,780,000. This principal sum, however, includes advances of \$499,400 made to enable Belgians to pay the interest due November 15, 1917, and \$1,571,468.42 to enable the payment of the interest due May 15, 1918. The interest on the advances has been paid up to April 15, 1919, the interest due from May 15, 1918, to that date having been paid out of Treasury loans for which the United States holds Belgian obligations, which, however, were made after November 11, 1918, the date of the armistice. This latter advance would not come within the terms of the agreement above mentioned. If, therefore, the United States accepts payment of Belgian obligations given before the armistice by receiving a corresponding amount of German obligations, it would seem that it should receive German obligations amounting to \$171,780,000 with interest from April 15, 1919.

Although it is understood that England and France will take their share of the German bonds when received by Belgium, I am informed that the reparation commission has not as yet finally determined the details of the issuance of the necessary bonds by the German Government. A recommendation at this time that suitable legislative action should be taken may appear somewhat premature, but in view of the approaching termination of my administration I have brought this matter to your attention, hoping that suitable action may be taken at the appropriate time.

Respectfully submitted.

THE WHITE HOUSE, *Washington.*

ITALY

SECTION 156.

Italy.

Under the Liberty loan act authorizing the Secretary of the Treasury, with the approval of the President, to make loans to Governments *then engaged in war with enemies of the United States for the purpose of the prosecution of the war*, credit was established for Italy in the total sum of \$1,666,260,179.72. There remains at the present time an unexpended balance in Italy's favor established under this credit of \$34,921,192.73. Of the credit so established approximately \$455,500,000 of credit was established for Italy after the date of the armistice. Up to November 15, 1920, Italy was indebted to the United States for interest due on the above loan in the sum of \$120,258,713.68. There is no record of any sales of surplus war materials or American relief foodstuffs to Italy.

Prior to our entrance into the war it appears that a private loan from the Italian Government was floated in this country to the extent of \$25,000,000, on October 15, 1915, by Lee, Higginson & Co.

The correspondence on the Italian situation attached hereto shows in part what the money loaned Italy was expended for. It also shows in detail the transaction between the State Department, the Treasury Department, and the Italian Government whereby the loan of \$16,000,000 was made to Italy for use in Austria.

SECTION 157.

Italian Ambassador Advised by Secretary of Treasury of Establishment by the United States of an Additional Credit of \$100,000,000 on November 12, 1918.

NOVEMBER 7, 1918.

THE PRESIDENT,
The White House.

DEAR MR. PRESIDENT: With your approval on October 16 last a credit of \$200,000,000 was established in favor of the Italian Government. Of this credit, there now remains an available balance of \$19,000,000, the Italian Government having reimbursed the British Government \$91,000,000 in connection with the purchase by the Wheat Export Co. of 100,000,000 bushels of wheat, and having made further considerable reimbursements to the British Government in respect of cereals for the past cereal year. I now ask your approval of an additional credit in favor of the Italian Government in the sum of \$100,000,000, which, with the available balance from the previously established credit, should be sufficient to provide until well into the month of December the requirements of the Italian Government in the United States, including the interest due November 15 on the obligations of the Italian Government held by the United States.

Cordially, yours,

W. G. McADOO.

THE WHITE HOUSE.
Approved November, 1918.

NOVEMBER 12, 1918.

COUNT V. MACCHI DI CELLORE,

*Ambassador Extraordinary and Plenipotentiary,
The Italian Embassy, Washington, D. C.*

MY DEAR MR. AMBASSADOR: Acknowledging the receipt of your letter of the 6th instant, I have the honor to inform you of the establishment of a credit in favor of the Italian Government in the amount of \$100,000,000, to be made available against the duly executed obligations of your Government to enable your Government to meet its cash requirements in the United States at such times and for such purposes as may be agreed upon.

I am, my dear Mr. Ambassador,

Very truly, yours,

ALBERT RATHBONE.

SECTION 158.

Correspondence Relating to the Policy of the United States in Regard to Postarmistice Credits and Advances—The International Political Background for This Policy.

DECEMBER 4, 1918.

Hon. ALBERT RATHBONE,

Assistant Secretary of the Treasury.

DEAR RATHBONE: AS Crosby cabled you, the British treasury established in favor of the Italian Government a credit of £50,000,000 to run them until the 1st of the next July. I have not learned as yet if this credit is to cover the period from now to the 1st of July or from January 1st to July 1st; at any rate about £10,000,000 of this will be required for interest, and something like £20,000,000 apparently will be required to pay unsettled claims of various British Government departments for supplies, etc. This will, therefore, leave about £20,000,000, or enough for two months. I rather like the principle of establishing a fixed amount, so that Italy will know what to depend upon. The Italians, however, have already been back at the British treasury and explained that this will not meet their requirements by any means. I rather judge that the object of the British treasury in doing this was to force Italy to retrench and then apply to us to meet the balance of their requirements. Evidently Italy is going to have more trouble than anyone. As I understand, before the war, Italy's trade just about counterbalanced itself. It is therefore apparent that it will be impossible for them for some time to come to obtain from their exports or even with the dollar remittances of Italian emigrants, the dollars and sterling with which to cover their interest payments to the United States and England.

I understand that, from a *political* standpoint, it is not considered advisable to shut down completely on Italy before the peace conference, and that even then, in order to avoid trouble in Italy, it may be necessary to see that the people in Italy are fed. We have, however, already advanced Italy enough money to cover her wheat purchases in the United States for next year, and she should not require much more to cover her food purchases for the next few months.

Aside from food, I understand that the most important supplies which Italy will require from the United States will be cotton, copper, and petroleum, and it seems to me that if it is necessary to make advances for such purchases, they could be made on a commercial basis. I suggest for your consideration that all advances after the 1st of January for anything except the balances required to complete munition contracts in the United States should be on a different basis from the loans made heretofore, and that they should be made with the distinct understanding that they would be repaid within, say, 12 to 24 months as a maximum, because we would simply be making advances which would be ordinarily made through banking and commercial channels, but which are probably necessary until commerce is set free.

I have had a long talk with Stringher, who is very glad, indeed, that we did not agree to the lira being raised above 6.35. He is very fearful that he is going to have trouble to maintain even that rate. Stringher said that he would return to Rome at once and begin to take measures to provide for their requirements as quickly as possible from their own resources, but that it would necessarily take a month or two to get accurate information as to what will be required. I suppose that by this time he will have obtained an accurate estimate as to the amount required by Italy to make payment for such part of

approved contracts as are to be completed, and that you will set up a credit for that amount.

For your information I inclose herewith copy of a letter written by the British treasury to the French treasury. As Crosby cabled you, Keynes is of the opinion that England would require about \$100,000,000 from us for some time, but does not yet state just how long he thinks this will be required. I am inclined to think that practically all they will need from us will be credits to cover the contracts for war materials. They are considerably exercised over some letter which you wrote to Lever regarding the demand obligations. Keynes says that it is manifestly so impossible for them to pay their obligations on demand that he can not understand why we insist on pressing that point. After some discussion with him I was satisfied that they would pay those obligations about as fast as we are going to want them paid, and that they would like to sit down and come to a mutually satisfactory agreement as to when they could reasonably be expected to pay them, and that the demand obligations be refunded accordingly with the proviso, however, that if at any time before the maturity of any such obligations the dollar exchange should be at a discount with respect to sterling, sufficient obligations will be taken up to maintain parity. I think the question of obligations is bound to come up at the peace conference, and the attitude taken by our Government will have considerable bearing upon the pressure which may be brought to bear at the peace conference. It seems to me, therefore, that it would be advisable to come to a more definite understanding in regard to this matter as soon as possible, and that so far as England is concerned we should arrange to divide the obligations, having a certain amount mature annually, beginning after a reasonable period.

Very sincerely, yours,

NORMAN H. DAVIS.

DECEMBER 5, 1918.

HON. ALBERT RATHBONE,
Assistant Secretary of the Treasury.

DEAR RATHBONE: In continuance of my letter written to you yesterday I understand that Italian prewar total imports amounted to 6,000,000,000 lire and their total exports to 4,000,000,000 lire. In addition to this they received about 1,000,000,000 lire from tourists' trade and a like amount from Italian emigrants. It is apparent, therefore, that Italy will have to improve considerably its prewar trade in order to obtain sterling and dollars with which to pay the interest on their debts to the United States and England. I think, therefore, that we will have to carry their interest for them for probably two or three years in addition to granting certain credits during the next few months for the purchase of raw materials with which to start their export trade. As the \$6,500,000 transferred weekly by Italy to England covers principally cereals, it certainly will not be necessary to continue this—or, at least, very much of this—after the 1st of February next, having already been taken care of in the loan for the wheat. Italy is to get a credit of 18,000,000 florins from the Dutch and is also to have 40,000,000 pesos of the credit which is practically closed with Argentina, and this should assist most materially in covering their neutral requirements.

I have had a talk with Keynes regarding the \$10,000,000 a week advanced to France for transfer to the British. He is reluctant to see this stopped, but I told him of your views regarding this matter and advised him informally not to make any further advance commitments expecting to be covered from this source. Roughly speaking, as I remember, about half of this amount is required to cover foodstuffs purchased from us, which Keynes admits has been substantially taken care of from February 1 in the loans made for the purchase of the 100,000,000 bushels of wheat. Most of the other half of this amount is used for neutral tonnage and insurance on same, and, as I explained to Keynes, the francs purchased by our nationals should give them sufficient dollars or sterling to cover this amount. Keynes, of course, is afraid of our shutting off on this because they have probably been using some of the funds received from the sale of francs for American and British private requirements to meet some of their expenditures here which has prevented them from the necessity of borrowing for some time from the British except for payment of interest. They have, however, I judge, been covering most of their requirements here from the sale of their own war bonds, which has been done with the approval of the British treasury.

From the Treasury standpoint it is advisable, of course, to cut off as soon as possible our advances to the allied Governments. But, on the other hand, from a political standpoint it may be advisable not to cause too much anxiety just before the peace conference. As I have already advised you, the British treasury has notified the French and Italian treasuries that they are through making advances to them. They have either done this in order to force them on us or for political reasons in order to force their opinions at the peace conference in consideration of then agreeing to additional advances. The British treasury attitude regarding relief has changed considerably from what it was when I left here in October. In discussing the question of relief to Belgium and Serbia Keynes told me substantially that he had changed from his original idea of dividing the financial assistance into three parts, because in view of the fact that they have advanced considerably more than we have to these countries we should be willing to finance practically all of the relief. I told him that we might be willing to finance the relief to the extent of the supplies furnished from the United States, but it would not be because they had advanced more or less to these countries than we have, and that we would not even discuss any arrangements on the basis of what they had done before we came into the war, nor should we take the position that the war should be continued for a year or two in order to enable us to loan as much to the other Governments as the British had loaned them.

McAdoo's resignation has increased the uncertainty and unsatisfactory situation here, which makes me want to go home. Auchincloss, however, has expressed a definite desire to have me remain in Paris with the peace delegation for financial work, and I shall return to Paris at the end of this week and have a further talk with him. In the meantime I hope to hear something from you which may clarify the situation.

With best regards, I am,
Sincerely, yours,

NORMAN H. DAVIS.

P. S.—Hoover and Hurley are not in agreement as to the administration of the enemy tonnage if procured for the relief requirements. Hurley returned here last night and Hoover returns to-morrow, but I suppose the differences will be adjusted.

Hoover seems quite prepared to follow the views of the Treasury in regard to the financing of relief.

I suppose you have already considered the possibility and advisability of applying whatever sums we have to pay for the German ships and for the enemy property taken over by the custodian (and which will probably be payable to France and Belgium as indemnity) to the liquidation of French and Belgian obligations

SECTION 159.

Italy's Estimate for Postarmistice Period 1918-19.

ROYAL ITALIAN EMBASSY,
Washington, December 14, 1918.

Mr. GEORGE O. MAY,
Treasury Department, Washington, D. C.

MY DEAR MR. MAY: Following our conversation of yesterday, I beg to explain to you my estimates for our engagements on the American market during the remaining part of the fiscal year 1918-19.

My estimates are based on the outstanding contracts for the part of them which has not been delivered and has not been canceled and which is not covered by credits already placed on the banks in favor of the different contracting parties at the date of December 1.

These engagements amount in round figures to.....	\$70,000,000
To this figure, however, must be added: First, the interest on the funds already advanced by the United States Treasury and which I may foresee shall be advanced during the fiscal year; I may estimate in a tentative way this amount as being.....	27,000,000
Second, the reimbursement to the British Government which, as far as I know to-day, amounts to.....	260,000,000
Of course, this latter is a very uncertain figure on account of the fact that certainly I am not aware of all the reimbursements to be made to His British Majesty's Government.	

Third, the purchases to be made in neutral countries and which will certainly absorb the balance of the \$40,000,000, as figured out on the letter of Mr. Rathbone of November 29, minus the \$20,000,000 to be reimbursed for this purpose to the British Government, and which has been included among the reimbursements to said Government-----	\$20, 000, 000
Fourth, the ocean freight and the inland freight which may be calculated at an average of \$4,000,000 per month for 7 months-----	28, 000, 000
Fifth, unforeseen expenses and agency expenses-----	15, 000, 000
Total -----	420, 000, 000

At the first of this month there was still available on the credits already established in favor of the Italian Government the amount of \$119,000,000, of which \$59,000,000 was on the general credits and \$60,000,000 on the monthly credits for the purchase of values of neutral countries. There are, therefore, more than \$300,000,000 to be covered in some way.

Besides, the future development of our purchases of food on the American market must be considered. These purchases are not yet being covered by regular contracts, because our food administration is making its contracts month by month, and therefore I was not able to figure these out under the outstanding contracts.

I think, therefore, that I am as far correct as possible in foreseeing that our further need of money for the balance of the fiscal year will run very near to the \$400,000,000.

Of course, this is only a rough estimate, and I communicate it to you merely in a friendly way in order to submit to you my ideas of our present situation.

Please accept, my dear Mr. May, my best regards,

Yours, very truly,

ENRICO ALLIATA.

ROYAL ITALIAN EMBASSY, *December 18, 1918.*

HON. ALBERT RATHBONE,
*Assistant Secretary of the Treasury,
Treasury Department, Washington.*

MY DEAR MR. RATHBONE: You are well aware of the fact that, besides the advances scheduled for this month, only \$14,000,000 remain available on the general credits already granted to Italy, and I do not need, I think, to emphasize the fact that my country is not yet in a position to renounce the financial help of the United States of America. Besides, our purchase of food in America should be increased in order to provide for the very urgent needs of our civil population.

May I ask you, therefore, to consider with you usual friendly feeling the establishment of a new credit in favor of the Italian Government, in order to enable us to be in a position to meet our expenses in this country?

I beg leave to express to you that I feel sure you will consider this very important matter favorably, and for that I ask you to accept my best thanks.

Yours, very truly,

ENRICO ALLIATA,
Delegate of the Italian Treasury.

DECEMBER 20, 1918.

Mr. ENRICO ALLIATA,
*Care of the Italian High Commission,
Washington, D. C.*

MY DEAR MR. ALLIATA: I am in receipt of your letter of the 18th instant, and assure you of the desire of the Treasury to give sympathetic consideration to requests from your Government for credits to enable it to meet its essential needs for food. As you have been advised, the authority of the Treasury to establish credits in favor of foreign Governments is limited to the purposes of national security and defense and the prosecution of the war and ceases with the conclusion of peace.

In these circumstances I feel bound to impress on you the importance of restricting your requirements within the narrowest possible limits and of developing plans to make payments from sources other than United States advances for all purchases in the reasonably near future.

If you will be good enough to furnish me with an estimate of your food requirements in the United States for the month of January and of the funds which you expect to have available to meet such purchases other than from United States advances, I shall be in a position to consider the amount of the further credit to be established for that month. I do not know whether the proposed food requirements will have been submitted to the interally food council, but if so, I should desire to have the recommendation of that body before me.

I am, my dear Mr. Alliata,
Very truly, yours,

ALBERT RATHBONE.

ROYAL ITALIAN EMBASSY, *December 21, 1918.*

HON. ALBERT RATHBONE,
Assistant Secretary of the Treasury,
Washington, D. C.

MY DEAR MR. RATHBONE: I duly received your esteemed favor of the 20th instant in regard to the new credits required in order to meet our purchases in the United States.

I know that the authority given to the Treasury by law for the establishment of credits in favor of foreign Governments will cease with the conclusion of peace, but my request was made with the idea that peace has not yet been concluded.

No doubt the Italian Government, as well as the other allied Governments, shall develop a plan to make payments from sources other than United States advances for all purchases in America, but I feel sure that you will agree with me that these plans take a reasonable length of time to be put in action, and, as far as Italy is concerned, I feel that it would be a pity to destroy now, with a financial arrangement intended to bring money into the United States, the wonderful work done through your good assistance for the support of the Italian exchange.

On the other hand, I am perfectly aware of the difficulties the United States Treasury must face in this time, but I venture to affirm that you may witness that the policy which has always guided the Italian Government, as well as its representatives in this country, has been to keep our requirements within the narrowest possible limits, because we felt that it was our interest as well as yours not to ask for assistance which was not justified by our most urgent needs.

As a matter of fact, we made, through the good assistance of the War Industries Board and with your approval, lots of contracts which could not be canceled when the armistice was signed. The credits already established by the United States Government did not cover the entire amount of our contracts, but they were requested and granted, following only our cash situation without regard for the orders placed on the American markets. This fact brings the consequence that a substantial amount of orders placed with your approval has not yet been covered by the credits granted to Italy.

These purchases may be estimated as being \$70,000,000; and the payments of them are being made every day with the cash advanced by you.

I venture, therefore, to make known to you that the immediate stopping of all the advances for these purchases would eventually put us in a rather embarrassing position, not having had the time required to develop another financial plan. But, on the other hand, even as I realize the great difficulties you are facing at the present time, I feel sure that your good assistance will not cease at this very moment in which all the Allies are facing the most critical problems.

About the purchases of food, I beg to assure you that all the requirements have been previously submitted to the interallied food council before sending the orders to this country. My estimates for January, 1919, for food purchases are, in round figures, as follows:

(a) For orders already placed and not yet paid.....	\$30,000,000
(b) For orders to be placed during the month of January.....	25,000,000
Total.....	55,000,000

To these figures, however, should be added the freight for transportation of the food in Italy and which, only for the ships of American flag, may be es-

timated on the strength of the average of last months and of the requirements of the Shipping Board as being \$8,000,000. Besides, the requirement for cotton bills are, in my judgment, to be considered as well as the weekly reimbursement to the British Government for cereals allotted to Italy, for which the five weeks of January amount to \$32,500,000. Under these circumstances, I think that I am far from wrong in estimating our cash requirement for January, 1919, at a minimum of \$100,000,000; and I am sorry to state that we are relying for this entirely upon the assistance of the United States, because we have not available in America any substantial amount of money to meet our purchases here. You know, in fact, that the dollar values deposited by you for the payments made in Italy for the needs of the United States Army and the United States Navy amount only to a very few million dollars.

I beg of you, my dear Mr. Rathbone, to consider this request with your usual friendly feeling, and accept my best thanks for the attention you are going to give to this matter and for the assistance which, I feel sure, you will once more grant to us.

I am, my dear Mr. Rathbone,
Yours, very truly,

ENRICO ALLIATA,
Delegate of the Italian Treasury.

DECEMBER 30, 1918.

MR. ENRICO ALLIATA,
Delegate of the Italian Treasury,
The Italian Embassy, Washington, D. C.

MY DEAR MR. ALLIATA: Referring to your letters of the 21st and 24th instant, I take pleasure in informing you of the establishment of a credit in favor of the Italian Government, in the amount of \$100,000,000, to be made available against the duly executed obligations of your Government to enable your Government to meet its cash requirements in the United States, at such times and for such purposes as may be agreed upon. It is to be understood that as to commitments heretofore made by your Government advances from this credit will be made only to cover such as were incurred with the approval of the Food Administration or the purchasing commission, and as to which the contracts and notifications have been duly filed, and that as to commitments hereafter to be made advances will be made from the above mentioned credit only in cases where this department has been notified of the commitment and has advised you that it has no objection thereto.

I am, my dear Mr. Alllata,
Yours, very truly,

ALBERT RATHBONE.

ROYAL ITALIAN EMBASSY.
January 4, 1919.

HON. ALBERT RATHBONE,
Assistant Secretary of the Treasury, Washington, D. C.

MY DEAR MR. RATHBONE: Please accept my thanks for your kind promptness in arranging the establishment of a new credit in favor of the Italian Government in the amount of \$1,000,000.

It is perfectly understood that with this amount will be paid only the purchases made with the approval of the Food Administration or of the purchasing commission, and that hereafter advances from the above-mentioned credit will be made only in cases where the Treasury Department has been notified of the commitment and has advised us that it has no objection thereto.

I understand, besides, that it is quite in order for us to pay the freight on the steamships allocated to Italy by the Shipping Board without any previous notification to you. For the payment of the cotton bills, I am expecting to receive definite advice from you, understanding that it is your desire that such payment will be made as soon as possible through the usual commercial channel.

With my best regards, I remain, my dear Mr. Rathbone,
Yours, very truly,

ENRICO ALLIATA,
Delegate of the Italian Treasury.

SECTION 160.

Advance of \$31,000,000 to Italy to Reimburse British Government for Cereals Bought for Italy.

(This is but one of many cases.)

ROYAL ITALIAN EMBASSY,
January 11, 1919.HON. ALBERT RATHBONE,
Assistant Secretary of the Treasury, Washington, D. C.

MY DEAR MR. RATHBONE: I received your esteemed favor of January 10, with which you kindly advise me that the United States Treasury is prepared to make advances to the Italian Government for \$31,207,509.80, in order to enable us to reimburse the British Government with the final balance on account of the cereals for the crop year ending August 31, 1918.

I thank you very much for this advice and I am going to take up this matter with Sir Hardman Lever in order to settle the way to reimburse the aforesaid amount.

I remain, my dear Mr. Rathbone,
Yours, very truly,

ENRICO ALLIATA,
Delegate of the Italian Treasury.

JANUARY 13, 1919.

DEAR MR. ALLIATA: I take pleasure in acknowledging the receipt of your three letters of January 11 (Nos. 863, 930, and 954). I have received word from Sir Hardman Lever that he expects to receive from your Government on Thursday of this week the \$31,203,509.80 in settlement of the British claim for reimbursement against your Government in respect of cereals for the crop year 1917-18, and on the same date a payment of \$6,500,000 on account of reimbursement in respect of cereals for the current crop year, and also on some day during the week the \$6,500,000 payment in respect of cereals which was postponed from last week.

I understand that in estimating the amount of advance which your Government desires to receive from the United States Treasury during this week, at \$30,000,000 on January 16, you did not take into account the reimbursement to the British Government above mentioned in the amount of \$31,203,509.80, and I am, therefore, assuming that the amount of the advance which your Government will require on the 16th instant will be \$60,000,000.

I am glad to hear the Italian foreign office has handed to the United States ambassador at Rome the power to Baron Pietro Arone di Valentino to sign certificates of indebtedness for advances to be made by the United States Treasury out of the credits established in favor of the Italian Government. I assume that this department will very shortly receive the advices from the Department of State as to such authority, and which must be received before the Treasury is in a position to make advances against the obligations of your Government signed by Baron Pietro Arone di Valentino.

I am, my dear Mr. Alliata,
Very truly, yours,

ALBERT RATHBONE.

MR. ENRICO ALLIATA,
*Care the Italian High Commission,
Washington, D. C.*

SECTION 161.

Review by the Assistant Secretary of the Treasury, Mr. Rathbone, of the Italian Financial Dealings With United States to February 4, 1919.

FEBRUARY 4, 1919.

DEAR MR. ALLIATA: I have the honor to acknowledge the receipt of your letters of January 24, January 30, and January 31 in relation to the establishment by the Secretary of the Treasury of a further credit in favor of your

Government and to estimate withdrawals therefrom. In connection with this request I note the information you gave this department by telephone that the bank balances of your Government on February 1, 1919, amounted to not in excess of \$2,165,765.49.

In connection with the expenditures of your Government for cereals I desire to confirm my recent statement to you that the Treasury is advised that in Genoa there is some 500,000 tons of congested merchandise against a low point of 200,000 tons last summer caused by a lack of rolling stock on the railways, and that 5,000,000 lire worth of foodstuffs were recently dumped into the harbor as the same had rotted. The Treasury can not see its way to make advances to your Government for the purchase of food that is not required for use, and I should be glad to be informed what steps have been taken by your Government to remedy the existing congestion at Genoa. I may add that further information that has been received by this department would seem to indicate that the need of your Government to purchase foodstuffs in the United States will very shortly cease. I am advised by the Food Administration that the orders of your Government for foodstuffs during February approved by the Food Administration, aggregate about \$12,000,000, and that your mission advises that it has unpaid bills for food for December and January to the amount of \$20,000,000. These items aggregate \$32,000,000, \$8,000,000 less than the amount of your estimate. I do not understand why the unpaid food purchases of your Government other than cereals should total this amount of \$20,000,000, and I will be obliged if you will be good enough to arrange that Mr. May be supplied with full information on this subject at the earliest possible date.

I note that the \$10,000,000 which you require for the payment of outstanding contracts which have been approved by the purchasing commission will reduce your future requirements for this account to \$44,000,000. I am in hopes that through cancellations, adjustments, and settlements this figure will be very largely reduced. I should be glad if you will arrange to have full data as to the present situation of these contracts furnished Mr. May, together with information as to the steps being taken by the representatives of your Government to cancel, adjust, and settle the same.

In regard to cotton, the outstanding cotton bills to be paid during February, of which this department has a record, aggregate something under \$5,000,000 as against your estimate of \$8,000,000. I understood that further purchases of cotton needed by your Government could probably be financed through private channels and that Mr. Cerruti was investigating that matter with a view to making such arrangements. I shall be glad to learn of the results of his inquiries. Our advices from Italy on the subject would seem to indicate that there is a considerable quantity of cotton now in Italy or owned by Italian merchants awaiting shipment to Italy, and that cotton spinners in Italy feel they are perfectly able to finance their cotton purchases through private channels.

I desire to call to your attention that advances were made to your Government during the last nine months of 1918, after deducting therefrom payments to the British Government for reimbursement and interest payments to the United States Treasury, in substantially the following amounts:

April-----	\$39, 888, 000	September-----	\$15, 258, 000
May-----	21, 235, 000	October-----	42, 500, 000
June-----	24, 872, 000	November-----	36, 126, 000
July-----	29, 932, 000	December-----	39, 000, 000
August-----	13, 621, 000		

There was advanced to your Government last month \$95,000,000 of which \$26,000,000 was to reimburse the British Government for cereals for the current crop year, about \$31,203,000 to reimburse the British Government for cereal purchases during the past crop year, and \$10,000,000 to reimburse the British Government for neutral purchases, leaving a balance of \$27,797,000.

In view of these figures I can not believe that the requirements of your Government for dollars during the month of February will prove nearly as large as your estimate.

It would seem as if \$75,000,000 would, with the unexpended balance of the credits heretofore established in favor of your Government and its present bank balance, together with such revenue as your Government may be able to avail of through sales of lire on this market, be sufficient to meet the requirements of your Government in the United States during the month of February and possibly longer. This amount of \$75,000,000 is \$39,000,000 in excess of the

amounts which you expect to reimburse the British Government during the month of February, and it can hardly be possible that now nearly three months after the signing of the armistice the current dollar expenditures of your Government in the United States will exceed its expenditures here during the period of active fighting.

I take pleasure in informing you that the Secretary of the Treasury has established a further credit in favor of your Government in said sum of \$75,000,000, to be made available against the duly executed obligations of your Government in a corresponding amount at such times as may be agreed upon. While it is hoped that you will find that the amount of this credit is more than your Government will require during February, should it prove otherwise the Treasury is prepared to further discuss the question with you. It is of course to be understood that the advances which may be made to your Government from the credit aforesaid are to be used only for the purposes mentioned in your letter and to the amounts therein set forth as reduced in accordance with the foregoing.

The Treasury will be prepared, against the duly executed obligation of your Government, to advance on Thursday, February 6, the sum of \$20,000,000, and tentatively suggests that further advances against the credit be made as follows, assuming the cash requirements of your Government in the United States will require advances to be made so rapidly:

Tuesday, Feb. 11.....	\$6, 000, 000	Thursday, Feb. 20.....	\$12, 000, 000
Thursday, Feb. 13.....	12, 000, 000	Tuesday, Feb. 25.....	6, 000, 000
Tuesday, Feb. 18.....	6, 000, 000	Thursday, Feb. 27.....	12, 000, 000

It would be convenient if you could arrange to inform me on the respective dates on which advances are to be made to your Government the amount of its bank balances in the United States at the close of the previous day.

I have assumed in this letter that it would be necessary for your Government to continue during the month of February the weekly payment of \$6,500,000 to the British Government. This matter is being investigated and if these payments can be discontinued during the month I shall so advise you, and in such case a corresponding amount of the credit may be made available at a later date for other purposes if the Treasury shall so determine and the proposed advances to your Government during February can be reduced by a corresponding amount. A like course will be pursued in regard to the other estimated payments of your Government during the month of February for food, on account of contracts or for other purposes.

I am, my dear Mr. Alliata, very truly, yours,

ALBERT RATHBONE.

Mr. ENRICO ALLIATA,
The Italian High Commission,
Washington, D. C.

SECTION 162.

President Wilson Requests the Treasury to Lend \$25,000,000 to Italy to "Obtain Certain Food and Other Primary Requirements for Existence During This Trying Readjustment"—Reply of the Secretary of the Treasury.

U. S. S. "GEORGE WASHINGTON,"
February 19, 1919.

The SECRETARY OF STATE.
Washington, D. C.

Secretary Treasury: I am impressed with the financial difficulties of the Italian Government and the importance of their obtaining certain food and other primary requirements for existence during this trying readjustment. Davis and Strauss, who, at my suggestion, discussed matter with Italian ministers who approached me on the subject, will, I understand, cable you more in detail. I sympathize with your reluctance to make any advance for requirements outside of the United States, but I considered it of public interest and necessity that the situation in Italy be not allowed to grow worse; and if you can see your way to do so, I would approve your advancing to Italy, upon such conditions as you may determine, up to \$25,000,000, if not impossible, toward meeting her current neutral purchases, which sum appears to be otherwise unobtainable during the next two or three months.

WOODROW WILSON.

FEBRUARY 28, 1919.

DEAR MR. PRESIDENT: I received your wireless message of the 19th indicating your approval of advances to Italy up to the amount of \$25,000,000 for the purchase of products of neutral countries. I have also received through the Italian Embassy a communication from the Italian minister of finance on the subject, and also a cable from Mr. Davis.

In my judgment, there are two principles which we ought to seek to establish in connection with any arrangement for meeting such requirements of the Italian Government: First, that the arrangement by which Great Britain contributed one-half of the Italian requirements for expenditures outside the United States and Great Britain should be continued by that Government, and, second, that where needs of the Italian Government for commodities of foreign origin can be met from surplus stocks in the United States, this should be done rather than that Italy should make fresh purchases in the countries of origin.

Before the receipt of your message I requested further information from the Italian representatives regarding the purposes for which the special credits requested is to be applied, and whether and to what extent the British treasury was prepared to continue advances to the Italian Government for the purpose of meeting its expenditures in neutral countries. I am now in receipt of advices from the Italian representatives that Great Britain has granted Italy a new credit of £5,000,000 to provide for purchases in neutral countries, to be advanced at the rate of £1,000,000 during the months from February to June.

In view of your wireless message above referred to I am advising the Italian representatives that I am prepared to establish in favor of the Italian Government a special credit in the amount of \$25,000,000 for the purchase of products of neutral countries under certain limitations set forth in my letter of even date to Mr. Alliati, of which I inclose herewith a copy.

During the entire course of the war the obligations contracted by the Italian Government for the payment of which it has later requested advances from us has been a matter of concern to the Treasury. In many instances there has been an apparent disinclination on the part of the Italian Government to comply with the requirements of the Treasury that proposed contracts must be approved on behalf of our Government before they are entered into. The Treasury has been constantly asked to make advances to Italy to meet its obligations entered into without the knowledge or consent of the Treasury. I have carefully noted your letter of November 23, 1917, to Secretary McAdoo calling attention to the imperative necessity of keeping very strictly to the agreements upon which our loans are based in regard to the method of purchase. In order to properly deal with the Italian situation and as well with those arising with other foreign Governments, it is, in my judgment, quite necessary to adhere to the plan which you have approved that all discussions and negotiations regarding our further loans must be carried on here in Washington under my direction. I regard it also as highly important that our financial assistance to the various allied Governments should be limited very strictly toward meeting their requirements in the United States. I believe that such limitation is required in order to preserve our own financial and commercial prosperity, which is being put to a severe strain by the tremendous expenditures which the Treasury is being called upon to meet.

Cordially, yours,

The PRESIDENT,
The White House.

SECTION 163.

Great Britain, as a Condition of Establishing Credit of £5,000,000, Obtains a Lien from Italy on Amounts Awarded Italy by Peace Treaty—Italian Ambassador Notified That United States Must Be Granted Equal Treatment.

MARCH 4, 1919.

DEAR MR. ALLIATA: Referring to the letter addressed to you by the Secretary of the Treasury under date of February 28, I am advised by cable from Europe that Mr. Stringer told Mr. Davis that he had made arrangements which were satisfactory with the Treasury of Great Britain for additional credits for Italy. In response to Mr. Davis's question as to just what the arrangements were Mr. Stringer stated that he had been allowed by the British treasury a credit of £5,000,000 for neutral purchases and additional credits for requirements in

the United Kingdom, and that he did not feel free to give details to Mr. Davis. He subsequently stated that the matter would be discussed with Mr. Davis by Mr. Attolico. Mr. Davis states that he afterwards saw Mr. Attolico, who said it was his desire to see Mr. Davis later in order to expedite the situation.

You will readily appreciate that the United States Treasury is not prepared to make available to your Government any part of the special credit for neutral purchases referred to in the Secretary's letter to you above mentioned, or, indeed, to continue to make advances to your Government unless it is fully advised of the terms and conditions upon which the British treasury is prepared to make further advances to your Government. This is particularly the case inasmuch as some information has reached this department which would indicate that the condition on which the British treasury agreed to make further advances to your Government was that it should have a lien on amounts awarded to your Government by the peace treaty for the security of advances so made. The United States Treasury has not sought to have determined at this time the use to be made of any amounts which may be awarded to the allied Governments by the treaties of peace, but it must most emphatically take the position that it is not willing to continue its advances to the allied Governments, except on the distinct understanding that the advances made by the United States Government to Italy will be treated as favorably as advances to Italy by any other of the allied Governments, and shall have a lien and charge on all amounts received by your Government for reparation, ranking as high as any lien or charge thereon given by your Government to its indebtedness to any allied Government.

I suggest that you immediately communicate with your Government in regard to this matter, so that you may be in a position, before seeking further advances from the United States Treasury, of giving it full assurances on this point. I am sending a copy of this letter to the representatives of the British Government.

I am, my dear Mr. Alliata,
Very truly, yours,

ALBERT RATHBONE

MR. ENRICO ALLIATA,
Delegate of the Italian Treasury,
Washington, D. C.

MARCH 4, 1919.

DEAR MR. PRESIDENT: Since writing you on February 28 in regard to the establishment of a credit of \$25,000,000 in favor of Italy to meet in part certain of its purchases in neutral countries I have received a cable from Europe indicating that Great Britain has established a credit in favor of Italy for its neutral purchases in the amount of £5,000,000 and additional credits to meet Italian purchases in the United Kingdom on the condition that the British treasury should have a lien against funds to be received by Italy in the nature of reparation. Although Mr. Davis requested Mr. Stringer to inform him of the terms upon which the British treasury had established these credits in favor of Italy, Mr. Stringer stated he did not feel at liberty to do so, but that Mr. Attolico would later discuss the matter with Mr. Davis. This, however, he had not done on March 1, when Mr. Davis sent his cable above referred to.

In these circumstances I am notifying the representatives of the Italian Government that the United States Treasury is not prepared to make further advances to Italy unless it shall receive assurances from the Italian Government that the advances which the United States Treasury has made or shall hereafter make to the Italian Government shall receive treatment in all respects as favorable as the treatment accorded by the Italian Government to advances made or to be made to it by the British treasury. I am also communicating with representatives of the British treasury asking the terms and conditions upon which the aforesaid credits in favor of Italy have been recently established by the British Government.

If this course meets with your approval, will you be good enough to so indicate at the foot of this letter.

Cordially yours,

CARTER GLASS.

The PRESIDENT, *The White House.*

Approved.

THE WHITE HOUSE,
March, 1919.

MARCH 4, 1919.

DEAR MR. ALLIATA: Referring to the letter addressed to you by the Secretary of the Treasury under date of February 28, I am advised by cable from Europe that Mr. Stringer told Mr. Davis that he had made arrangements which were satisfactory with the treasury of Great Britain for additional credits for Italy. In response to Mr. Davis's question as to just what the arrangements were, Mr. Stringer stated that he had been allowed by the British treasury a credit of \$5,000,000 for neutral purchases and additional credits for requirements in the United Kingdom, and that he did not feel free to give details to Mr. Davis. He subsequently stated that the matter would be discussed with Mr. Davis by Mr. Attolico. Mr. Davis states that he afterwards saw Mr. Attolico, who said it was his desire to see Mr. Davis later in order to expedite the situation.

You will readily appreciate that the United States Treasury is not prepared to make available to your Government any part of the special credit for neutral purchases referred to in the Secretary's letter to you above mentioned, or, indeed, to continue to make advances to your Government unless it is fully advised of the terms and conditions upon which the British treasury is prepared to make further advances to your Government. This is particularly the case, inasmuch as some information has reached this department which would indicate that the condition on which the British treasury agreed to make further advances to your Government was that it should have a lien on amounts awarded to your Government by the peace treaty for the security of advances so made. The United States Treasury has not sought to have determined at this time the use to be made of any amounts which may be awarded to the allied Governments by the treaty of peace, but it must most emphatically take the position that it is not willing to continue its advances to the allied Governments, except on the distinct understanding that the advances made by the United States Government to Italy will be treated as favorably as advances to Italy by any other of the allied Governments, and shall have a lien and charge on all amounts received by your Government for reparation, ranking as high as any lien or charges thereon given by your Government to its indebtedness to any allied Government.

I suggest that you immediately communicate with your Government in regard to this matter so that you may be in a position, before seeking further advances from the United States Treasury, of giving it full assurances on this point. I am sending a copy of this letter to the representatives of the British Government.

I am, my dear Mr. Alliata,

Very truly, yours,

ALBERT RATHBONE.

MR. ENRICO ALLIATA,

Delegate of the Italian Treasury,

1712 New Hampshire Avenue NW., Washington, D. C.

ROYAL ITALIAN EMBASSY,

March 4, 1919.

MY DEAR MR. RATHBONE: I duly received your esteemed favor of March 4, with which you communicated to me that the United States Treasury is not prepared to make available to the Italian Government any part of the special credit for neutral purchases referred to in the Secretary's letter under date of February 28, or to continue to make advances to the Italian Government unless it is fully advised of the terms and conditions upon which the British treasury is prepared to make further advances to the Italian Government.

I am, indeed, at a loss to give to you any information about the subject besides that which I have already forwarded to you with my letter dated February 25th, No. 4598, but I have immediately cabled to the Italian ministry of the treasury, explaining to him what is the position taken by the United States Government in regard to any lien on the amount which will be awarded to the Italian Government by the peace treaty for the security of the advances made either by the United States Treasury or any allied Government.

I am very hopeful that the information I am going to receive from the Italian ministry of the treasury will be able to clear this very disappointing suspension, but in the meantime I would be glad if you would think it possible to advance me with at least a part of the amount I have requested you for with my letter of February 27, No. 4746, in order to put me in a condition to face the most urgent payments until the situation is cleared.

You will recollect that I have requested of your kindness to advance, on Thursday next, the 16th instant, \$30,000,000. I was planning to dispose of this amount as follows:

First, for reimbursement to the British Government of the balance due for wheat allotted to Italy before Jan. 13-----	\$10,000,000
Second, for weekly reimbursement to the British Government-----	6,500,000
Third, for payments on outstanding contracts and for foodstuffs-----	13,500,000
Total -----	30,000,000

Leaving aside the reimbursement to the British Government, the balance of \$13,500,000 is absolutely necessary to me on account of the fact that I ought to pay--

Cotton bills due during the next week for cotton purchased three months ago-----	\$3,000,000
For amounts to be paid to the United States Shipping Board-----	3,000,000
For tobacco-----	1,000,000
For payments due to the United States Spruce Production Corporation, about-----	1,500,000
For foodstuffs to be delivered during the next seven days-----	5,000,000
Total -----	13,500,000

Under these conditions I feel it is my duty to earnestly ask you to study the way in order to avoid any embarrassment on the course of our payments, considering that any suspension will cause a great harm either to our credit as well as to the industries in the United States.

But I venture to express my hope that you will help me in this critical situation and you will see the way in order to settle this very important question.

You know that I should dispose with, some hours in advance, the amount which would be placed to the credit of the Italian Government on the Federal reserve bank, and I beg of your kindness, therefore, to let me know something with your usual kind promptness.

Thanking you in advance, I renew to you the expression of my highest consideration.

Yours, very truly,

ENRICO ALLIATA,
Delegate of the Italian Treasury.

HON. MR. ALBERT RATHEONE,
Assistant Secretary of the Treasury,
Washington, D. C.

SECTION 164.

Secretary of the Treasury, "With Some Reluctance," Establishes an Additional Credit of \$20,000,000.

MARCH 5, 1919.

DEAR MR. ALLIATA: Your letter of February 27, 1919, has been duly received, asking for the establishment of a further credit in favor of the Italian Government and asking for certain advances against that credit during the current month. I have also received your letter of March 3, 1919, advising as to the dollar balances of your Government as of the close of last February.

In connection with the application of your Government for the establishment of a new credit and for advances during the current month of March, I must refer to my letter to you of March 4, expressing the unwillingness of the Secretary of the Treasury to make further advances to your Government until it has furnished the information and given to the United States Treasury the assurances therein specified.

I have also received your letter of March 4 and discussed the same with the Secretary of the Treasury. The Secretary fully appreciates the situation which has arisen and the unfortunate consequences which must ensue if no advance is made to your Government by the Treasury to-morrow. He has therefore, although with some reluctance, *established* a further *credit* in favor of your Government in the amount of \$20,000,000, to be made available against the duly

executed obligation of your Government in a corresponding amount. The Secretary has authorized me to inform you that the Treasury will be prepared to advance to your Government to-morrow, March 6, against its duly executed obligations the said sum of \$20,000,000, of which \$6,500,000 is to be used by your Government for reimbursement of the British Government on account of cereals, and the remaining \$13,500,000 is to be used to meet your expenditures in the United States for purchases therein within the limits and for the purposes set forth in your letter last above mentioned.

The decision to advance to your Government to-morrow an amount sufficient to enable the said \$6,500,000 to be paid to the British treasury was reached upon the understanding with the British Government that if the information requested in my letter to you above mentioned is not received by the Secretary of the Treasury, and if the assurances requested in said letter are not given to the satisfaction of the Secretary of the Treasury by the Italian Government with the acquiescence of the British treasury in such assurances, then, at the request of the Secretary of the Treasury, the British Government will pay to the United States Treasury on account of the principal of obligations of your Government held by the United States Government the aforesaid sum of \$6,500,000.

I am, my dear Mr. Alliata, very truly, yours,

ALBERT RATHBONE.

MR. ENRICO ALLIATA.
*Delegate of the Italian Treasury,
Washington, D. C.*

SECTION 165.

Position of Italy as to Interallied Agreements on Consolidation, Reapportionment, and Reassumption of War Debts as Suggested at Peace Conference.

MARCH 8, 1919.

MY DEAR MR. ALLIATA: I learn that at a meeting of the financial drafting committee appointed by the executive council of 10 at the peace conference the representative of your Government proposed as one of the financial questions affecting peace the reapportionment and consolidation of war debts. While I understand that the drafting committee did not report this question as one to be dealt with in the peace treaty, I understand that it did report to the executive council as a question which had been raised "Interallied agreements as to the consolidation, reapportionment, and reassumption of war debts."

I need not dwell on my surprise at the position taken on behalf of your Government, and I have to state most emphatically that the Treasury, which, as you are aware, is clothed by the Congress with full authority to deal with foreign loans which it has made, will not assent to any discussion at the peace conference or elsewhere of any plan or arrangement for the release, consolidation, or reapportionment of the obligations of foreign Governments held by the United States.

You will appreciate also that the Treasury can not contemplate continuance of advances to any allied Government which is lending its support to any plan which would create uncertainty as to its due repayment of advances made to it by the United States Treasury.

I should be obliged if you would communicate to your Government the Treasury's views as expressed above, and I shall be anxious to receive its reply.

I am, my dear Mr. Alliata,
Very truly, yours,

ALBERT RATHBONE.

MR. ENRICO ALLIATA,
The Italian Embassy, Washington, D. C.

ROYAL ITALIAN EMBASSY,
March 19, 1919.

HON. ALBERT RATHBONE,
*Assistant Secretary of the Treasury,
Washington, D. C.*

MY DEAR MR. RATHBONE: I have the honor to make reference to your esteemed favor of the 8th instant, in which you state to me that the United States Gov-

ernment will not consent to any discussion at the peace conference or elsewhere of any plan of arrangements for the releasing, consolidation, or reapportionment of the obligations of foreign Governments held by the United States.

I have been directed, both by the Italian minister of foreign affairs as well as by the Italian minister of the treasury, to state to you in the most emphatic way that the Italian delegates on the financing drafting committee never had the intention to propose any resolution directed to the purpose of releasing the Italian Government from the financial obligations taken with the United States.

I think it superfluous to state to you that the Royal Italian Government is fully aware of its obligations toward the United States Government and is fully prepared to meet them in the way which will be finally agreed upon.

The proposition made by the Italian delegates on the financing drafting committee was intended only to examine the possibility of settlement of the war debts in relation to the League of Nations and the duties of the new States which will be formed by the Central Empires; but as a consolidation of the internal debts and a possible settlement may in the future be the subject of discussion among the Governments directly interested, the Italian delegates did not insist upon proposing said questions to the financing drafting committee.

I understand that full explanations have been given on this subject to the United States representatives in Paris, and I venture to hope that they have been found satisfactory by the United States Treasury.

I therefore beg of you to accept, my dear Mr. Rathbone, the renewed assurance of my highest consideration.

Yours, very truly,

ENRICO ALLIATA,
Delegate of the Italian Treasury.

MARCH 10, 1919.

DEAR MR. ALLIATA: I have the honor to acknowledge receipt of your letter of the 7th instant inquiring as to the property which the United States is willing to dispose of, and in respect of which the Secretary of the Treasury has authority, under the provisions of the Victory Liberty loan act, to establish credits and make advances to foreign Governments.

I am making inquiries of the various departments of this Government to ascertain just what property is available for sale, and shall be glad to communicate with you further on the subject when this information has been received. In the meantime I suggest that the representatives of your Government get in touch with Mr. Davis, the representative of the United States Treasury in Paris, who has already been asked to ascertain the property in Europe available for sale by the American Expeditionary Forces.

I am, my dear Mr. Alliata,

Very truly, yours,

ALBERT RATHBONE.

MR. ENRICO ALLIATA,

Delegate of the Italian Treasury, Washington, D. C.

MARCH 10, 1919.

DEAR SIR: The receipt is hereby acknowledged of your letter of March 1, addressed to the Secretary of the Treasury, regarding the purchase by the Italian treasury of a further lot of locomotives from the American Locomotive Co.

Under the authority of existing statutes the Secretary of the Treasury is authorized to establish credits and make advances to foreign Governments only for the purpose of the national security and defense and the prosecution of the war, or providing for purchases of property owned directly or indirectly by the United States, or of wheat, the price of which has been or may be guaranteed by the United States. This department is endeavoring to ascertain whether the locomotives required by the Italian Government can be furnished through other departments of the Government; and if not, whether they are required for the prosecution of the war. I can assure you that the action on the subject by the Treasury will be as expeditious as possible.

Very truly, yours,

ALBERT RATHBONE.

ANDREW FLETCHER, Esq.,

President American Locomotive Co., New York City, N. Y.

SECTION 166.

Statement of Italian Outstanding Obligations to Be Disposed of in Dollars.

ROYAL ITALIAN EMBASSY,
Washington, April 14, 1919.

HON. ALBERT RATHBONE,

Assistant Secretary of the Treasury, Washington, D. C.

MY DEAR MR. RATHBONE: Following our verbal understanding, I have the honor to submit to you the figures I have at hand in reference to our outstanding engagements to be disposed of in dollars.

I will submit to you only round figures, and I will try to follow the classification adopted by the interallied council.

First, wheat: I understand that the amount which is still to be paid to the Grain Corporation for cereals already purchased and to be allotted to Italy is about \$50,000,000. I have not an exact figure of our debts for cereals; I know only that there is still to be paid the balance of the purchase price of 100,000,000 bushels at \$2.50 per bushel for which the proportion previously fixed for Italy has been revised and brought to 52.1 per cent. I learned from you that the payment of this balance plus the purchase price of other cereals allotted to Italy is calling for an amount of \$50,000,000.

Second, meats and fats: The purchases already made for meats and fats requested the payment of about \$13,000,000, for which no amounts have been put in escrow because the payments are made on delivery of the merchandise. The exact amount of this purchase is \$12,962,309.22. I understand, however, that a part of the merchandise already purchased and paid for, is to be sold again. This, of course, will have the effect of diminishing our request for payments of food.

Third, sugar: The data which are now in my possession show that the purchases already made for sugar to be delivered to Italy are amounting to \$7,603,548.53.

Fourth, the payments of the outstanding contracts for war commodities not yet covered by bankers' credits are aggregating something more than \$24,000,000, following the data I already had the pleasure of submitting to you.

Fifth, agency expenses: Only as a matter of estimate, I may foresee that our agency expenses for the balance of this month and for the month of May are requesting about \$400,000.

Sixth, freight: Also for the freight I could not give you anything else but an estimate based on the average of the payments already made in the last month. I may foresee that the payment of freight during the balance of this month and for the month of May will request an amount of \$6,000,000.

Seventh, reimbursements to the British Government: I learned from you that the British Government is still requesting a payment of \$17,000,000 for dollar debts to Italy. I already cabled to Italy in order to know if there is any further request from the British Government for dollar reimbursements and I am waiting for an answer.

Eighth, interest: For the interest charge falling due on May 15, I am calculating an amount to be paid to the United States Treasury at that date of \$10,000,000.

Ninth, cotton: I have already had the pleasure of advising you that the cotton bills issued up to March 20 are calling for an aggregate amount of \$20,175,400.

Tenth, claims of the United States War Department: I have already had the pleasure of advising you that the United States War Department is presenting some claims for the payment of \$15,000,000 for the liquidation of the corporations built up in order to provide for the purchase of some commodities requested for the United States Army and the allied armies.

Summarizing the above data, we may figure out with a reasonable approximation the total amount of our outstanding engagements:

First, wheat	\$50,000,000
Second, meats and fats	13,000,000
Third, sugar	7,600,000
Fourth, outstanding contracts for war commodities	24,000,000
Fifth, agency expenses (estimate)	400,000
Sixth, freight (estimate)	6,000,000
Seventh, reimbursement to the British Government	17,000,000

Eighth, interest-----	\$10,000,000
Ninth, cotton-----	20,000,000
Tenth, claims of the United States War Department-----	15,000,000
Total-----	162,000,000

Of course, I do not know if the United States departments have still some other claims against Italy. I think, however, it would be advisable to leave the small bank balances, as well as the amounts which we will obtain from the eventual sale of some materials, to cover the unforeseen expenses which will supersede the round amounts under which my estimate has been calculated.

You are aware of the fact that with the advance requested for to-morrow, the credit granted to Italy will be exhausted. I venture, therefore, to ask of your kindness to consider the possibility of the establishment of a new credit in favor of Italy, confirming to you that for the month of April I do not think I will request of your kindness any other advance, except one of \$10,000,000 on Thursday next, the 24th instant.

I feel sure that you are going to consider my request with your usual friendly feeling, and for that I anticipate to you my best thanks, while I am availing myself of this occasion to renew to you the expression of my highest consideration.

Yours, very truly,

Delegate of the Italian Treasury.
ENRICO ALLIATA,

SECTION 167.

Important Letter of Assistant Secretary, Mr. Rathbone, Giving Terms on Which the Treasury Would Establish New Credits and Make Advances.

APRIL 21, 1919.

DEAR MR. ALLIATA: I have received your letter of the 14th instant, asking the establishment of a further credit in favor of your Government by the Secretary of the Treasury, and have noted your statement of the outstanding commitments of your Government in the United States. I have also discussed with you the new commitments which your Government desires to enter into during the remainder of this month and during the month of May.

I take pleasure in informing you that the Secretary of the Treasury is prepared from time to time to establish further credits in favor of your Government, to be availed of from time to time against obligations of your Government in a corresponding amount, at such times and to such extent as shall be determined by the Secretary of the Treasury, up to the amounts hereafter indicated, for the purposes hereinafter set forth and on the understanding herein expressed.

For all future advances to your Government from the United States Treasury your Government will give its demand obligations, payable in dollars, or, at the option of the holder, in lire at the cable buying rate on the New York market at noon of the day of demand, as determined by the Federal Reserve Bank of New York.

Your Government will, from time to time, at the request of the Secretary of the Treasury, and on such dates as he shall request, deposit lire to the credit of the Treasurer of the United States, or to the credit of such other person or persons as the Secretary of the Treasury shall indicate, with the Bank of Italy, or with such other depositary or depositaries in Italy as the Secretary of the Treasury shall indicate, up to such amount of lire in the aggregate as the Secretary of the Treasury shall determine to be needed by the United States Government, its departments and agencies, or by the American Red Cross, Young Men's Christian Association, or similar organizations, to meet expenditures whether civil or military, for war purposes or for purposes growing out of the war.

For lire so deposited at the request of the Secretary of the Treasury your Government is to receive in payment thereof either, as the Secretary of the Treasury shall elect, (a) dollars credited to your Government at the Federal Reserve Bank of New York, at the cable buying rate for lire on the New York

market at noon of the day of deposit of such lire as fixed by the Federal Reserve Bank of New York, or (b) obligations of your Government then held by the United States at par of principal, either surrendered to representatives of your Government in Washington or New York, or indorsed with appropriate notation showing payment on account of the principal thereof if not fully paid; such surrender or notation, as the case may be, being regarded as the equivalent of due demand of the payment of the principal of the obligations surrendered or of a part of the principal set forth in any such notation as of the day of such deposit of lire. Accrued interest up to the date of such deposit of lire on any such obligations so surrendered, or upon the portion of the principal thereof set forth in any such notation, to be paid by your Government in dollars simultaneously with the surrender of such obligations or the making of such notation thereon, as the case may be, by the deposit of the amount of such interest to the credit of the Treasurer of the United States with the Federal Reserve Bank of New York.

The amounts of the credits which the Secretary of the Treasury is prepared to establish in favor of your Government, as aforesaid (subject to reduction as hereinafter stated), and the purposes for which the same are to be availed of, are as follows:

(a) Sixty-nine million dollars, or such lesser amount as may be sufficient to provide for the outstanding commitments of your Government (other than commitments to the United States War Department), and the expenses and interest payments of your Government in the United States up to June 1, 1919, after applying toward the same the United States bank balances of your Government and the dollars your Government is to receive upon the sale of certain food products to the United States Relief Administration or the United States Grain Corporation now being arranged;

(b) Five million dollars, or such lesser amount as may be sufficient to provide for such purchases of your Government in the United States up to June 1, 1919, as may from time to time be approved by the Treasury;

(c) Sixty-seven million dollars, or such lesser amount as may be sufficient to enable your Government to make payment to the British treasury in dollars of the claims of the British Government against your Government not included in the outstanding commitments of your Government as aforesaid, to such extent as the Secretary of the Treasury shall sanction such payment in dollars being made;

(d) Twenty-two million dollars, or such lesser amount as may be sufficient to provide for commitments of your Government to the United States War Department.

The engagement of the Secretary of the Treasury to establish the aforementioned credits in favor of your Government is designed to take the place of and to supersede any and all existing commitments of the United States Treasury to establish credits in favor of your Government, including the credit of \$10,000,000 referred to in Mr. Davis's letter of March 29, 1919, to Capt. Guido Jung, a form of which letter is inclosed herewith. The amount contemplated to be advanced to your Government under this credit has, I understand, been already advanced by the United States Treasury and has been received by your Government pursuant to the special arrangement set forth in Mr. Davis's letter above referred to.

Your Government may receive dollars from the following sources:

(a) In payment for lire deposited by your Government at the request of the Secretary of the Treasury.

(b) From the sale of supplies in the United States.

(c) In the nature of reimbursement from other allied Governments upon the reallocation of cereals or otherwise.

All dollars received by your Government from any of such sources shall, if the Secretary of the Treasury shall so request, be forthwith upon their receipt paid by the Italian Government to the Secretary of the Treasury, to be by him applied, and as he shall determine, toward the payment of the principal of or interest upon obligations of the Italian Government held by the United States, or, in case the Secretary of the Treasury shall so determine, from time to time such amounts may be retained by the Italian Government, and the Secretary of the Treasury in such event may in his discretion reduce by a corresponding amount his commitment above set forth to establish credits in favor of the Italian Government.

At the election of the Secretary of the Treasury, the Italian Government will accept its obligations held by the United States, or appropriate notation

thereon of payment on account of the principal thereof, at par, in payment of all claims of the Italian Government or any department or agency thereof against the United States Government or any department or agency thereof. If payment of any such claims is to be made in lire, obligations of the Italian Government payable only in dollars, or notation thereon as aforesaid, will be accepted in Washington or New York as the equivalent of lire at the cable buying rate on the New York market at noon on the day of surrender or notation, as the case may be, as determined by the Federal reserve bank of New York. The accrued interest on all obligations or upon the portion of the principal thereof set forth in any such notation accepted in payment of any such claims will be paid by the Italian Government in dollars simultaneously with the surrender of such obligations or the making of such notation thereon, as the case may be, by the deposit of the amount of such accrued interest to the credit of the Treasurer of the United States with the Federal reserve bank of New York.

The Secretary of the Treasury does not feel that he can assure your Government of the establishment of any further credits in favor of your Government beyond the amounts which he is prepared to establish as above set forth. He will, however, consider the establishment of an additional credit in favor of your Government in connection with the program for general relief in Europe now under discussion in Paris. However, under the arrangement set forth, the Secretary of the Treasury will have authority, in the light of circumstances as they may exist, to permit, if he shall so determine, the use of dollars accruing to your Government from any of the sources mentioned to meet dollar requirements of your Government in the United States not provided for by the establishment of the credits hereinbefore referred to. If your Government, after the credits thus assured are exhausted, desires to make application for further credits, any such application will receive the sympathetic consideration of the Treasury. I must, however, point out that such credits, except for the limited purposes set forth in the Victory Liberty loan act, can not be established after the termination of the war, and further that the limit imposed by the Congress on the total credits which the Secretary of the Treasury may establish in favor of certain foreign Governments may make it impossible for the Secretary of the Treasury to establish credits in favor of your Government in addition to those mentioned above, either before or after the termination of the war.

The foregoing does not affect the balance yet unavailed of, the two credits heretofore established by the Secretary of the Treasury in favor of your Government for its purchases in neutral countries in the amount of \$10,000,000 and \$18,000,000, respectively.

The credit for neutral purchases established in favor of your Government as of March 18, 1919, will remain available for use, subject to the provisos and conditions upon which it was established.

The Secretary of the Treasury, if he shall so determine, may withdraw such portion of the balance remaining of the credit for neutral purchases established in favor of your Government during the year 1918 as may not be needed, in his judgment, either to meet future payments by your Government properly chargeable against said special credit which are not covered in effect by the credit which the Secretary of the Treasury is prepared to establish to provide for the existing commitments of your Government, as set forth in your letter of April 14, 1919, or for reimbursement to the British treasury in accord with the engagement in that respect heretofore made by your Government, and within the principles in that respect which have heretofore been communicated by the United States Treasury to your Government and to the British treasury.

I shall be glad to have you confirm the arrangement under which the Secretary of the Treasury is prepared to establish further credits in favor of your Government to the extent, for the purposes, and on the understandings herein set forth.

I am, my dear Mr. Alliata,
Very truly, yours,

ALBERT RATHBONE.

Mr. ENRICO ALLIATA,
Delegate of the Italian Treasury, Washington, D. C.

APRIL 22, 1919.

DEAR MR. ALLIATA: Perhaps I should have mentioned in my letter to you of yesterday, although from our talks there can be no misunderstanding in regard to the matter, that the advances which the Treasury may make to your Government against the credits which the Secretary of the Treasury is prepared to establish in accordance with my letter to you above mentioned, will be made only upon the understanding set forth in my letter to you of March 24, 1919, namely, that your Government has given to the United States Treasury an undertaking that all United States advances to Italy made after March 1, 1919, except advances made after that date to enable the Italian Government to reimburse the British Government for expenditures made by the British Government prior to March 1, 1919, and also the advances made by the United States Treasury to the Italian Government before March 1, 1919, on account of conditional purchases of wheat to the extent that wheat paid for out of such advances is delivered after the 1st of March, 1919, shall be repaid by your Government from the first receipts accruing to Italy in respect of compensation or indemnity from the enemy, *pari passu* with the 30,000,000 pounds, face value, of the Italian Treasury bills which may be acquired by the British Government under the arrangement set forth in my letter to you of March 24, 1919, such arrangement being subject, however, to any general principles which may be laid down by the peace conference.

I trust it may be possible for you to give these assurances on behalf of your Government before asking any further advances from the United States Treasury.

I am, my dear Mr. Alliata,

Very truly, yours,

ALBERT RATHBONE.

MR. ENRICO ALLIATA,

Delegate of the Italian Treasury, Washington, D. C.

SECTION 168.

Credits Established by Treasury in Favor of Italy to Supply Food to Austria.

(For further correspondence on this subject see file on England and file on France under appropriate subdivisions.)

HOTEL DE CRILLON, March 29, 1919.

1. I have received advices to the effect that, at the request of the British, French, and Italian Governments, the United States Treasury Department is prepared to establish credits in favor of each of these Governments to the extent of \$10,000,000 to each, for the payment of food purchased in the United States and used by these respective Governments up until September 1 next, for relief in Austria to prevent the further spread of anarchy.

2. In order to put this arrangement into effect and to secure payment from Austria to the allied Governments for this food supplied to Austria, the allied Governments are to make an agreement substantially along the following lines:

(a) The Austrian Government will formally agree, and at once proceed to place at the disposal of Great Britain, France, and Italy, the State forests, salt mines, and certain other of its assets satisfactory to these countries.

(b) Great Britain, France, and Italy will undertake to supply German Austria with food commodities not to exceed \$30,000,000 in all, which is the estimated amount, at least, necessary to keep that country supplied until the next harvest.

(c) Up to the amount of \$30,000,000, these advances to Austria will be a first charge to be repaid before any reparation payments which the peace treaties may require Austria to make.

3. The above credits are established upon the understanding that the Governments of Great Britain, France, and Italy will apply the proceeds of any funds received by them under this arrangement to the repayment of their obligations incurred to the United States for the purchase in the United States of foodstuffs supplied to Austria.

4. The funds so provided may be applied only for the payment of foodstuffs transported and distributed under the direction of the Supreme Economic

Council, through the office of the Director General of Relief, and the allied commissions operating under his direction.

Very sincerely, yours,

UNITED STATES COMMISSIONER OF FINANCE.

A true copy.

HENRY C. BRECK,
Secretary to Finance Commissioner of United States.

ROYAL ITALIAN EMBASSY,
Washington, August 9, 1919.

HON. ALBERT RATHBONE,
Assistant Secretary of the Treasury,
care of Federal Reserve Bank, New York City.

MY DEAR MR. RATHBONE: With reference to the conversation I had the pleasure of having with you a few days ago, I beg to inclose herewith copy of the cable received by the Wheat Export Co. from the Wheat Commission in London, relating to the reimbursements of the price of food shipped to Germany and Austria, and to be charged against a credit which would have been established for the European relief.

It would appear from that cable that the United States Treasury would establish a credit of \$48,000,000 in equal shares to England, France, and Italy. The share to Italy would be, therefore, \$16,000,000, on account of which the Wheat Export Co. requires me to pay now, with the letters, copy of which I am also inclosing herewith, the value of 92,500 tons of wheat.

I understood from the correspondence previously exchanged on this subject that the United States Treasury would have been prepared to advance to Italy only \$5,000,000. This would not agree neither with the communication of the Wheat Commission in London nor with their request to pay provisionally the value of 92,500 tons of wheat.

I beg leave, therefore, to ask of your kindness to examine this important question and to let me know something definite about the amount of this credit to be established in favor of Italy in connection with the agreement set forth on the other side, in order to take care of the relief of the enemy countries. In the meantime I would be obliged to you if you would let me know if you could advance me the money urgently requested by the Wheat Export Co. If you see your way in advancing the money requested by the Wheat Export Co., I will be glad to receive at least \$5,000,000 on Thursday next, the 14th instant.

I beg of you to accept my thanks for the attention you are going to give to this matter, and I avail myself of this occasion to renew to you the expression of my highest consideration.

Yours, very truly,

ENRICO ALIATA,
Delegate of the Italian Treasury.

For the convenience of your files, I am sending a copy of this letter to your Washington office.

COPY OF CABLE RECEIVED FROM THE WHEAT COMMISSION, LONDON.

JULY 24, 1919.

Loan of \$48,000,000 by United States Treasury to United Kingdom, France, and Italy in equal shares was agreed for purpose of relief supply United States origin to German Austria. Except as far as British share is concerned Blackett should not be called on to assist. Recoupments on account of supply chargeable to French and Italians should be made direct by their representatives. As you have taken account of 37,000 tons flour as wheat bought from Hoover in France according to your 945, replacement due is 210,000 tons of wheat. Value 91,000 tons direct shipment German Austria and special purchases of rye and groceries in our 105 must be paid to you by French representative from his portion \$48,000,000 loan. Value 92,500 tons wheat replaced to Italy must be paid to you by Italian representative out of his portion of loan. Presume French and Italians have received instructions to pay as arranged by them this side.

ROYAL ITALIAN EMBASSY,
Washington, August 9, 1919.

MY DEAR MR. RATHBONE: With reference to the conversation I had the pleasure of having with you a few days ago, I beg to inclose herewith copy of the cable received by the Wheat Export Co. from the Wheat Commission in London, relating to the reimbursements of the price of food shipped to Germany and Austria, and to be charged against a credit which would have been established for the European relief.

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I beg leave, therefore, to ask of your kindness to examine this important question and to let me know something definite about the amount of this credit to be established in favor of Italy in connection with the agreement set forth on the other side, in order to take care of the relief of the enemy countries. In the meantime, I would be obliged to you if you would let me know if you could advance me the money urgently requested by the Wheat Export Co. If you see your way in advancing the money requested by the Wheat Export Co., I will be glad to receive at least \$5,000,000 on Thursday next, the 14th instant.

I beg of you to accept my thanks for the attention you are going to give to this matter, and I avail myself of this occasion to renew to you the expression of my highest consideration.

Yours, very truly,

ENRICO ALLIATA,
Delegate of the Italian Treasury.

For the convenience of your files, I am sending a copy of this letter to your Washington office.

AUGUST 12, 1919.

DEAR MR. RICKARD: I have received your letter of the 8th instant, with copy of your cable to Mr. Hoover of August 6th and copy of his reply of August 7 (Fruit 375).

I am not prepared to agree that the Treasury should advance to Italy on account of the Austrian food relief more than the \$6,000,000, as I understand that the food which Italy sent into Austria on account of its share of Austrian relief was purchased out of the general credits established in favor of Italy by the American Treasury. I will, however, discuss the matter with Mr. Davis at the first available opportunity. In the meantime I wish to call to your attention the fact that in my letter to the representatives of the Italian Government, dated April 21, 1919, assuring Italy of certain credits from the United States Treasury, the following statement was made:

"The engagement of the Secretary of the Treasury to establish the aforementioned credits in favor of your Government is designed to take the place of and to supersede any and all existing commitments of the United States Treasury to establish credits in favor of your Government, including the credit of \$10,000,000 referred to in Mr. Davis's letter of March 29, 1919, to Capt. Guido Jung, a form of which letter is inclosed herewith. The amount contemplated to be advanced to your Government under this credit has, I understand, been already advanced by the United States Treasury and has been received by your Government pursuant to the special arrangement set forth in Mr. Davis's letter above referred to."

Very truly, yours,

ALBERT RATHBONE.

EDGAR RICKARD, Esq.,
Care of American Relief Administration,
115 Broadway, New York City.

S. Doc. 86, 67-2—23

ROYAL ITALIAN EMBASSY,
Washington, August 14, 1919.

HON. ALBERT RATHBONE,
Assistant Secretary of the Treasury,
Care of Federal Reserve Bank, New York City.

MY DEAR MR. RATHBONE: I had the pleasure of receiving to-day your esteemed favor of the 12th instant, with which you proposed to leave in abeyance the matter of the payments to be made to the Grain Corporation for the wheat transferred to Austria.

When I wrote to you my letter dated the 9th instant, I remembered exactly the paragraph of your letter of April 21st, with which you advised me that the Secretary of the Treasury thought that the credit of \$10,000,000 established in favor of Italy in connection with the arrangements perfected over in France for European relief had been already advanced by the United States Treasury. But my request of an advance of \$5,000,000 was based on the statement contained in your esteemed favor of May 21, 1919, with which you were so kind as to write to me as follows: "Confirming our conversation on the subject and to enable the carrying out of arrangements regarding the supply of food to Austria which have been made in Paris, I take pleasure in informing you that the Secretary of the Treasury is prepared to establish in favor of the Italian Government, in addition to the credits referred to in my letter to you of April 21, 1919, and on the understanding therein stated, a special credit of \$5,000,000 or such lesser amount as may be sufficient to cover the cost of food and food products in excess of \$10,000,000 which may, with the approval of the Treasury, be purchased by your Government in the United States and utilized for the relief of Austria."

I agree with you that it might be left in abeyance, at the present time, the discussion of the discrepancies emerging from your statement that \$10,000,000 have been already advanced by the United States Treasury, and the request of the Wheat Export Committee for food payments of \$16,000,000 but, under the pressure of the Wheat Export Committee, which is threatening us with the suspension of the wheat supply unless an early payment will be made, I feel obliged to apply again to your usual kindness, asking you to consider again if it would not be possible for the United States Treasury to advance to the Italian Government, at an early date, at least the \$5,000,000 promised by you with your letter dated May 21, 1919.

Thanking you in advance for the attention you are going to give to this matter, I avail myself of this occasion to renew to you the expression of my highest consideration.

Yours, very truly,

ENRICO ALLIATA,
Delegate of the Italian Treasury.

AMERICAN RELIEF ADMINISTRATION, EUROPEAN CHILDREN'S FUND,
New York City, November 7, 1919.

MR. NORMAN DAVIS.

United States Treasury, Washington, D. C.

MY DEAR DAVIS: Attolico has been in to see me again with regard to the \$10,000,000 on Austrian account. It does seem to me that, unless the Treasury specifically ear-marked some portion of their advances to Italy to be used as being provided for this purpose, Italy has a perfectly good case. The sixteen-million-dollar credit on this account was duly provided for the British and the French and, especially in the latter case, parallel advances were made for other purposes.

Yours, faithfully,

HERBERT HOOVER.

NEW YORK, N. Y.,
February 15, 1920.

MY DEAR MR. DAVIS: I understand that a detailed and most complete account of the foodstuffs sent by Italy to Austria on relief account has now reached Paris.

This account shows that, on the basis of Mr. Hoover's prices, the *f. o. b.* value of the commodities of American origin sent by us to Austria up to June 30 amounted to \$21,737,481.90.

The above entitles Italy (a) to her full third of the \$48,000,000 which have been placed by the United States Treasury at the disposal of England, France, and Italy; (b) to the reimbursement from France and England of the excess over and above 16 millions. While this latter point is, of course, primarily a matter between Italy and France and England, I beg leave to ask you officially for the completion of the \$16,000,000 share due to Italy, of which only \$6,000,000 have been paid up to the present, leaving a balance in our favor of \$10,000,000.

May I be allowed to take this opportunity to remind you most respectfully that Mr. Hoover has personally and most emphatically and responsibly attested to you that if there was one country which, from the very start, showed its willingness to help in the matter of relief that country was Italy. Had it not been for Italy, who advanced most liberally from her own stocks, Vienna would have starved long ago.

It is, therefore, much to be regretted that, this being the case, the full payment of the \$16,000,000 quota should have been so long delayed in the case of Italy while it has long ago been paid over to other countries who up till quite recently were in default as regards their own quota.

Sincerely, yours,

B. ATTOLICO.

HON NORMAN H. DAVIS,

Asst. Secretary, Treasury Department, Washington, D. C.

FEBRUARY 25, 1920.

MY DEAR PROF. ATTOLICO: I have delayed answering your letter of the 15th instant in the hope of receiving confirmation of the f. o. b. value of the commodities of United States origin furnished by your Government to Austria up to June 30. This has, however, not yet been received. The suggestion that the Treasury has delayed in carrying out any engagement incurred toward your Government in connection with the credits of \$48,000,000 established by the Treasury for the relief of Austria is apparently based upon misapprehension. In Mr. Rathbone's letter to Mr. Alliata of April 21, 1919, in which he set forth the credits which the Secretary of the Treasury was prepared to establish in favor of your Government in the amount of \$163,000,000 upon the conditions and understandings mentioned in said letter, he made the following statement:

"The engagement of the Secretary of the Treasury to establish the aforementioned credits in favor of your Government is designed to take the place of and to supersede any and all existing commitments of the United States Treasury to establish credits in favor of your Government, including the credit of \$10,000,000 referred to in Mr. Davis's letter of March 29, 1919, to Capt. Guido Jung, a form of which letter is inclosed herewith. The amount contemplated to be advanced to your Government under this credit has, I understand, been already advanced by the United States Treasury and has been received by your Government pursuant to the special arrangement set forth in Mr. Davis's letter above referred to."

Subsequently, \$6,000,000 additional credit for the purpose of Austrian relief was established in favor of your Government, and advances in a corresponding amount were made. The Treasury has, therefore, long since advanced your Government the \$16,000,000 referred to, as to which it made an engagement. As you know, it has been the policy of the Treasury since last April not to establish additional credits in any substantial amount for purposes for which the Treasury was not in some way committed prior to that time.

From the above explanation of facts you will, I am sure, readily understand that the Treasury can not consider sympathetically or make a definite decision in respect to the \$10,000,000 or any part thereof requested by you upon the basis of a somewhat complicated theory of replacements without a thorough investigation of all the circumstances in relation thereto.

As I also stated to you in our last conversation, the possibility of acceding to your request is also somewhat dependent upon the amount which we will be called upon to advance to your Government for dollar reimbursements to the British Government.

Sincerely, yours,

NORMAN H. DAVIS.

Prof. B. ATTOLICO,
New York, N. Y.

NEW YORK, N. Y.,
April 10, 1920.

N. KELLEY, Esq.,
Treasury Department, Washington, D. C.

MY DEAR MR. KELLEY: I would refer to the conversation which we had re the Austrian relief.

I have not yet heard from the Grain Corporation. I have, however, a reply from Rome, saying that they have already agreed to ship 15,000 tons of flour to Austria from *Venice*, at the rate of 300 tons per day, which quantity can be only moderately improved upon.

We might, perhaps, send some wheat, receiving, however, wheat in replacement, in case the Wheat Corporation should see their way to send some. I understand from the cable that the Austrian delegates concur in the above suggestion.

I am glad that—although in a limited quantity—we have already started sending flour to Austria, which will certainly be very helpful.

Very sincerely, yours,

B. ATTOLICO.

B. ATTOLICO,
April 23.

MY DEAR MR. DAVIS: I have been carefully perusing all the files again and I hope to have found elements for the final solution. The figures which I showed to you were sent me by Grannois, February 16. I inclose them again so that you may remember them. But on February 23 Grannois sent me a new letter with a new memorandum which at page 2 gives the whole story. The figure of twenty-one millions was the *original* amount sent from Rome. After having given the details of such claim, the memorandum follows:

"These figures are substantially those submitted to the financial section of the supreme economic council on the 14th of June, 1919. They have, however, been subject to revision during the meeting, it having been found that there were some duplications of French shipments, which was admitted by the Italian delegate. A revised statement submitted by Mr. Hoover gave the following figures:

Total, \$19,281,131.

Now, then, if from those \$19,000,000 you take off the \$3,000,000 which we received back, we come down to our \$16,000,000. I hope, really, that this will definitely clarify the situation, and if it is so I want to have food for it.

Sincerely,

B. ATTOLICO.

REGIA AMBASCIATA D'ITALIA,
Washington, May 6, 1920.

HON. NORMAN H. DAVIS,
Assistant Secretary of the Treasury,
Washington, D. C.

MY DEAR MR. DAVIS: Referring to my letter of February 15, 1920, and to your letter of April 6, 1920, and also to my letter of April 23, 1920, and to our subsequent conversations, the revised figures as presented by the Director of Relief to the Food and Finance Sections of the Supreme Economic Council at Paris show that f. o. b. value in New York of the food furnished by Italy to Austria under the arrangement mentioned in your letter of March 29, 1919, to Capt. Guido Jung amounted to \$19,281,131. Of the food furnished Austria by my Government under the above-mentioned arrangement \$6,000,000 worth was covered by advances made to my Government by the United States Treasury under the above mentioned arrangement. The remainder was supplied at the urgent request of Mr. Hoover out of stocks necessary to meet Italian requirements and not out of advances received by my Government pursuant to the special arrangement made by you with Capt. Guido Jung. The advance of \$5,000,000 which the United States Treasury made my Government on April 9 was received to cover the replacement of a corresponding amount of the supplies furnished by Italy for Austrian relief for which my Government had not previously received advances under the arrangement made with Capt. Guido Jung. I have the honor to request the United States Treasury to make to my Government a further advance of \$5,000,000 to cover the replacement of a further corresponding amount of such supplies, thus bringing

the total advances made by the United States Treasury under the special arrangement up to the full amount of \$16,000,000.

Yours, very truly,

B. ATTOLICO,

Minister Plenipotentiary and Commissioner General, Etc.

MAY 6, 1920.

MY DEAR PROF. ATTOLICO: Your letter of the 6th instant has been received. In view of the information and assurances which you have given that of the supplies furnished Austria by your Government under the arrangement mentioned in my letter of March 29, 1919, to Capt. Guido Jung, only \$6,000,000 worth were covered by advances made by the Treasury to your Government pursuant to the special arrangement set out in that letter, and that advances to the amount of \$10,000,000 had not been received by your Government pursuant to that arrangement as understood by Mr. Rathbone at the date of his letter of April 21, 1919, to Mr. Alliata, but that at the urgent request of Mr. Hoover supplies were furnished by your Government to Austria under the above-mentioned arrangement out of stocks necessary to meet Italian requirements, I have pleasure in advising you that, in accordance with your request, the Treasury is prepared to make to your Government on Tuesday, May 11, 1920, a further advance of \$5,000,000 against the duly executed obligations of your Government in a corresponding amount. This advance will be charged against the credit of \$44,921,192.23 referred to in my letter of April 2 to the ambassador. Together with the advance of \$5,000,000 made to your Government on April 9, 1920, and the \$6,000,000 previously advanced your Government under the arrangement set out in my letter of March 29, 1919, to Capt. Guido Jung, the advance of \$5,000,000 when made next Tuesday will bring the total advances by the Treasury to your Government under the above-mentioned arrangement to the sum of \$16,000,000.

I am, my dear Prof. Attolico,

Yours, very truly,

NORMAN H. DAVIS.

Prof. B. ATTOLICO,
New York, N. Y.

NEW YORK, N. Y., May 8, 1920.

HON. NORMAN H. DAVIS,
Assistant Secretary, Treasury Department,
Washington, D. C.

DEAR MR. DAVIS: I beg to acknowledge receipt of your letter of May 6, and assure you of my deep appreciation for it.

As a result of that letter, it is understood that with the further payment of an additional \$5,000,000 to be made on next Tuesday the Italian Government will have received the full amount of \$16,000,000 as contemplated under the Paris arrangement for the Austrian relief.

I also want to confirm that, as verbally understood between ourselves, I will see that the Italian Government uses every possible effort to have the inter-allied accounts for Austrian relief brought to finality.

Yours, very truly,

B. ATTOLICO.

SECTION 169.

Correspondence Relating to Postponement of Interest Payments by Italy and the Exchange of Demand Obligations for Long-Time Obligations of the Italian Government.

PARIS, January 5, 1920.

SECRETARY OF STATE, Washington, D. C.

34. January 5, 6 p. m.

R-193, for Davis.

Italian minister of treasury has sent me political statement recently made by him before House of Representatives in which I find statement substantially as follows: "England, by an arrangement made by Italian treasury

minister with chancellor of the exchequer in August, and America also had consented to a postponement of payment of interest." In acknowledging receipt to Italian finance minister of statement above referred to I am calling his attention that no arrangement has been made by Treasury for such extension of interest; that Secretary has authorized negotiations with foreign governments for extension of interest as part of arrangements for exchange of demand obligations and has charged me with duty of these negotiations. Rathbone. January 5, 7 p. m.

WALLACE.

PARIS, *January 5, 1920.*

MY DEAR MR. MINISTER: I wish to thank you for your courteous letter of December 30 inclosing to me a short synopsis of the statement which you lately made at the House of Representatives regarding the financial position of Italy and the budgets for the financial years 1919-20 and 1920-21.

I have read over this statement with a great deal of interest and shall give myself the pleasure of further studying it.

I shall always look back with pleasure on the pleasant relations which I had in Washington with the representatives of your Government, and shall feel gratified, indeed, if I have been able to aid your Government in its financial operations during the war.

I notice in the synopsis inclosed with your letter a statement to the effect that the United States Government had consented to a postponement of the payment of interest on its loans to Italy. While I have no doubt that the translation of the statement in this respect is faulty, I feel bound to call the matter to your attention, as, as far as I am aware, the United States has not agreed to postpone the interest on the obligations which it holds of the various allied Governments. Certainly no such arrangement had been made when I left Washington, and I am sure that if the Secretary of the United States Treasury has made such an arrangement I should have been promptly notified. The Secretary of the Treasury has stated that he was prepared to negotiate with the foreign Governments concerned with the question of the extension of time of the payment of interest during the reconstruction period, or for, say, two or three years, on their obligations purchased by the United States under the authority of the Liberty loan acts. With these negotiations the Secretary of the Treasury has charged me, which negotiations are closely allied to, and indeed form a part of, the arrangements to be made for the exchange of the demand obligations held by the United States Government for obligations having a fixed date of maturity. Before leaving Washington I explained this to Capt. Alliata, the representative of the Italian treasury, but as I left for Europe somewhat unexpectedly there was no opportunity for negotiations with representatives of your Government in Washington on the subject.

Permit me to avail of this opportunity to assure you of my highest respects and to wish you all the compliments of the season.

I am, my dear Mr. Minister,

Very truly, yours,

ALBERT RATHBONE,

Assistant Secretary of the Treasury.

His Excellency SIGNOR SCHANZER,

Il Ministro del Tesoro, Rome, Italy.

APRIL 3, 1920.

MY DEAR MR. MINISTER: I have pleasure in acknowledging receipt of your letter of December 30, 1919, addressed to my predecessor, Secretary Glass, with which you were kind enough to send a synopsis in English of your statement of the 16th of December at the House of Representatives about the financial position of Italy for the years 1919-20 and 1920-21. I have read this with great interest. Please accept my best wishes for the success of the Italian treasury in its efforts to deal with the serious financial problems with which it, like the treasuries of all countries which participated in the war, is confronted. With reference to the statement, which, doubtless owing to the difficulties of translation and of abbreviation into a summary, does not convey the precise sense of the original, that the United States Government has consented to a postponement of the payment of interest on its loans to your Government, I ought to

point out that the United States has not agreed to postpone the interest on the obligations which it holds of various Governments of the Allies, but my predecessor, Secretary Glass, has stated that the Treasury is prepared to negotiate with the Governments concerned the extension of the time of payment of interest during the reconstruction period of, say, two or, in any event, not more than three years on their obligations purchased by the Secretary of the Treasury under the authority of the Liberty loan acts. Such negotiations would form a part of the arrangements to be made for the exchange of the demand obligations held by the United States for obligations having a fixed date of maturity. Mr. Rathbone, who is now in Paris, has been charged with such negotiations on behalf of the Treasury, and doubtless you have already communicated with him on the subject.

With renewed thanks for the synopsis of your statement, I am, my dear Mr. Minister,

Very truly, yours,

D. F. HOUSTON.

Signor SCHANZER,

Minister of the Treasury, Rome, Italy.

JULY 19, 1920.

DEAR MR. DAVIS: Referring to previous conversations, Prof. Attolico has intimated to the Treasury that the Italian Government is prepared to take up through him negotiations with the Treasury for the exchange of the demand obligations of the Italian Government now held by the Treasury for long-time obligations. Prof. Attolico has held a preliminary conference with the Treasury on this subject and has, I understand, transmitted to his Government by cable the views of the Treasury as stated to him at that conference. The Treasury will be glad to learn whether, in the opinion of the Department of State, Prof. Attolico's authority and powers are such that the Secretary of the Treasury is justified in negotiating with Prof. Attolico an arrangement for such exchange of the demand obligations of the Italian Government now held by the Treasury for long-time obligations.

Very truly, yours,

JAMES N. KELLER.

Hon. NORMAN H. DAVIS,

Undersecretary of State, Department of State.

JANUARY 7, 1921.

MY DEAR MR. SECRETARY: You will recall that in June last Prof. Attolico intimated to the Treasury that the Italian Government was prepared to take up through him negotiations with the Treasury for the exchange of the demand obligations of the Italian Government now held by the Treasury for long-time obligations. Prof. Attolico held a preliminary conference with the Treasury on this subject and, I understand, transmitted to his Government by cable the views of the Treasury, as stated to him at that conference. As you know, no representative of the Italian treasury authorized to discuss this matter has been in this country for some months, and negotiations have progressed very little since Prof. Attolico returned to Europe. In connection with the exchange the Secretary of the Treasury has authority to arrange for the postponement of interest payments. The long delay which has occurred is already embarrassing the Treasury, which will find itself compelled to collect back interest and current interest if speedy progress is not made with the funding. Unless arrangements are completed for funding, and in that connection for the deferring of interest, in the present state of opinion here there is likely to develop an unfortunate misunderstanding. I believe it to be highly important that an Italian representative with proper authority proceed to Washington without delay to arrange to carry out the obligation of the Italian Government to convert its demand obligations held by our Treasury into long-time obligations. In the absence of an Italian financial representative authorized to deal directly with the Treasury the Treasury will be glad to learn through such channels of information as the Department of State may deem it desirable to

avail itself of whether the Treasury may expect the early arrival of a properly authorized financial representative of the Italian Government.

Yours, very truly,

D. F. HOUSTON.

THE SECRETARY OF STATE,
Department of State.

JANUARY 15, 1921.

MY DEAR MR. DAVIS: Your letter of the 14th instant has been received, inclosing a copy of a telegram dated the 14th instant dispatched to the embassy at Rome concerning negotiations with the Italian Government for the exchange of its demand obligations held by the Treasury for long-time obligations. The telegram correctly sets forth the views of the Treasury.

Very truly, yours,

D. F. HOUSTON.

HON. NORMAN H. DAVIS,
Acting Secretary of State, Department of State.

Credits authorized by President by Italy.

May 2, 1917-----	\$100,000,000	Nov. 7, 1918-----	\$10,000,000
July 6, 1917-----	60,000,000	Nov. 11, 1918-----	100,000,000
Aug. 15, 1917-----	40,000,000	Nov. 13, 1918-----	10,000,000
Sept. 5, 1917-----	70,000,000	Nov. 27, 1918-----	300,000,000
Oct. 30, 1917-----	230,000,000	Mar. 1, 1919-----	300,000,000
Feb. 13, 1918-----	50,000,000	Apr. 30, 1919-----	5,000,000
May 10, 1918-----	100,000,000		
July 3, 1918-----	10,000,000		1,815,000,000
July 17, 1918-----	100,000,000	Credits withdrawn	
Aug. 26, 1918-----	100,000,000	Mar. 1, 1919-----	125,000,000
Aug. 28, 1918-----	10,000,000		
Sept. 3, 1918-----	10,000,000	Net authorized	
Oct. 3, 1918-----	10,000,000	credits-----	1,690,000,000
Oct. 16, 1918-----	200,000,000		

SERBIA

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SECTION 170.

Serbia.

A summary of the loans made to Serbia shows that up to November 15, 1920, credits had been established and cash advanced to Serbia to the extent of \$26,780,465.56; that up to November 15, 1920, the interest due from Serbia on these loans amounted to \$1,998,000.73.

Up to the date of the armistice, November 11, 1918, there had been in all credits amounting to \$12,000,000 established for Serbia. On this credit established approximately \$10,205,000 was advanced prior to November 11, 1918, the date of the armistice. There remained at the time of the armistice in unexpended balance of the credits established prior to the armistice on the date of the armistice of \$1,794,000. Since the date of the armistice credits have been established for Serbia which are approximately \$14,780,000, and cash has been advanced to Serbia approximating \$16,575,000. The last credit established for Serbia was February 21, 1919. However, on April 9, 1919, we took Serbia's obligations for \$268,000 for interest due at that time. This appears as an additional credit to Serbia on that date. The last cash advance made Serbia appears on May 15, 1919, and amounts to \$61,857.29. This is an interest payment.

All of the above loans were made under and by virtue of the authority of the four Liberty loan acts, which provided for loans to foreign Governments then engaged in war with enemies of the United States for the purpose of the prosecution of the war.

In addition to these loans, the Treasury Department now holds the obligations of Serbia—now known as the Kingdom of the Serbs, Croats, and Slovenes—in a total amount of \$24,978,020.99 for surplus war materials sold by the War Department. These obligations are dated from June 30, 1919, to April 29, 1920, being in various denominations.

Summing up the total of the loans made to Serbia under the Liberty bond acts and of the obligations held from Serbia on the sale of surplus war munitions and the interest due from Serbia on November 15, 1920, we find that Serbia now owes the United States \$53,756,000.

The letters attached show that there were practically no outstanding commitments or obligations made by this Government to take care of purchases to be made by the Serbs at some future date after the date of the armistice. The Serbs drew their cash advances almost immediately after the credits were established. They usually ask for the credit for some specific purpose, and the cash was advanced immediately upon the establishment of the credit.

The correspondence shows that most of the money advanced to Serbia prior to the armistice was used for Red Cross work, and practically all of the money advanced to the Serbs after the armistice was used for relief work and the feeding of civilian population.

The correspondence shows that on two different occasions a controversy arose between the State Department and the Treasury Department as to whether obligations signed by representatives of Serbia in this country were legal and binding internationally. This dispute was occasioned by the fact that the Serbs had been evicted from their country by the Austrians and their Parliaments had been dissolved. The first dispute arose on September 12, 1918. It was then decided by the State and Treasury Departments that the Serbian representative did have legal authority internationally to sign such obligations.

A dispute again arose when the Kingdom of the Serbs, Croats, and Slovenes was organized, but again the departments agreed that there was legal authority for the signing of the loan.

SECTION 171.

September 4, 1918, Apportionment of Loans Before the Armistice—Running Through to February 4, 1919, After the Armistice.

SEPTEMBER 4, 1918.

FOR DODGE,
American Special Agent, Corfu (Greece).

The following is from letter from Treasury dated August 28:

"Of the \$12,000,000 credit established in favor of Serbia, it has been understood that \$8,000,000 were for expenditure by the Serbian Government and that \$4,000,000 were to be turned over by the Serbian Government to the American Red Cross for expenditure by it. Of the \$8,000,000 above mentioned, \$7,000,000 have been advanced and accounts have been received through Mr. Dodge showing the expenditure of \$4,000,000, less a small balance of 216,434.33 francs. As to the remaining \$3,000,000 advanced, it would seem that there has been sufficient time for the receipt of an account of the expenditure of the \$2,000,000 for the months of April, May, and June, or at least of the \$1,000,000 probably expended during the first part of that period."

Please transmit accounts referred to as soon as possible.

LANSING.

SECTION 172.

Authority of the Serbian Representative to Make Binding Loans for His Government.

DEPARTMENT OF STATE,
Washington, September 12, 1918.

MY DEAR MR. LEFFINGWELL: Referring to your letter of July 19 in respect to advances by the United States Government to the Serbian Government and to previous correspondence between our departments on this subject, I desire to state that an examination of the replies of the Serbian Government to the inquiries made in the department's circular telegram of April 13 last and a perusal of the laws confirm the fact, indicated in my letter of May 31, that, so far as this department is advised, there is no law authorizing the Serbian minister in the United States to enter into long-time obligations in respect to loans by the United States to Serbia.

It appears further that in respect to the authority of the Serbian minister to sign short-time obligations under the law of 1915 there is considerable doubt regarding the validity of such obligations, in view of the fact that the law of 1915 is open to the objection applicable to all war legislation passed by the Serbian Parliament during the occupation of that country by the enemy, namely, that the present Parliament has not been constitutionally formed since it was dissolved at the beginning of the war.

In view of the legal difficulties, which it is unlikely will be cleared up during the war, the question of making further advances to the Serbian Government

by the United States becomes one of policy. It appears that up to July 3 advances had been made to the Serbian Government against its demand obligations aggregating \$6,200,000, and that since that date advances of several millions of dollars additional have been made.

On account of the importance of the matter, I have presented the question of policy involved to the President and have been directed by him to state that in the interest of maintaining the Serbian Government in its present straits and of continuing the relief work among the needy families of soldiers killed in the war he believes that the advances should be continued to be made at the same rate as heretofore and upon the signature of the customary obligations given therefor.

Referring to my letter of May 31, and to your letter of June 20, in respect to the limit of the amount which might be borrowed by the Serbian Government under the law of 1915 on demand obligations, and in respect to the authorization of the council of ministers of such obligations, I inclose a copy of a telegram from Mr. Dodge, American agent at Corfu, giving the answer of the Serbian Government on these points.

I am, my dear Mr. Leffingwell,

Very truly, yours,

ROBERT LANSING.

SEPTEMBER 13, 1918.

DEAR MR. SECRETARY: Your letter of the 12th instant is received in which you state that so far as the Department of State is advised there is no law authorizing the Serbian Minister in the United States to enter into long-time obligations in respect to loans by the United States to Serbia, and that in respect to the authority of the Serbian Minister to sign short-time obligations under the law of 1915 there is considerable doubt regarding the validity of such obligations in view of the fact that the law of 1915 is open to the objection applicable to all war legislation passed by the Serbian Parliament during the occupation of that country by the enemy, namely, that the present parliament has not been constitutionally formed since it was dissolved at the beginning of the war.

I shall be glad to learn whether, in your opinion, the action of the Serbian Government in entering into short or long-time obligations in respect to advances made by the United States would have the effect internationally of obligating in honor the Government of Serbia to repay such funds and to have its extraordinary action in this respect ratified and affirmed by appropriate legislation as soon as the Parliament of Serbia can be regularly reassembled. This, you will recall, was what you advised this department in regard to the advances of our Government to Belgium.

I am, my dear Mr. Secretary,

Cordially, yours,

R. C. LEFFINGWELL, *Acting Secretary.*

The SECRETARY OF STATE.

SEPTEMBER 13, 1918.

DEAR MR. PRESIDENT: The Secretary of State has advised me as follows: "Referring to your letter of July 19 in respect to advances by the United States Government to the Serbian Government and to previous correspondence between our departments on this subject, I desire to state that an examination of the replies of the Serbian Government to the inquiries made in the department's circular telegram of April 13 last and a perusal of the laws confirm the fact, indicated in my letter of May 31, that so far as this department is advised there is no law authorizing the Serbian minister in the United States to enter into long-time obligations in respect to loans by the United States to Serbia.

"It appears further that in respect to the authority of the Serbian minister to sign short-time obligations under the law of 1915, there is considerable doubt regarding the validity of such obligations, in view of the fact that the law of 1915 is open to the objection applicable to all war legislation passed by the Serbian Parliament during the occupation of that country by the enemy, namely, that the present parliament has not been constitutionally formed since it was dissolved at the beginning of the war."

I understand from the Secretary of State that he has presented to you the question of policy involved, and that it is your desire that I continue to make

advances to the Serbian Government within the limits of the credits in its favor heretofore or hereafter established with your approval, so that it may be maintained in its present straits and may continue its relief work.

The Secretary is heartily in accord with this view, and if I have correctly stated your wishes, will you be good enough to return this letter with your approval noted thereon in order that the records of this department may be complete?

Cordially, yours,

(Signed)

R. C. LEFFINGWELL,
Acting Secretary.

The PRESIDENT,
The White House.

The WHITE HOUSE,
September, 1918.

Approved.

SECTION 173.

October 1, 1918, Immediate Advance of \$200,000 Asked for Relief of Serbian Prisoners.

OCTOBER 1, 1918.

MY DEAR MR. SIMITCH: I have the honor to acknowledge the receipt of your letter of the 1st instant asking an advance to your Government of \$200,000 to be turned over by you to the American Red Cross for supplies for the Serbian prisoners of war in enemy countries. I take pleasure in informing you that the Secretary of the Treasury is prepared to advance to your Government tomorrow, October 2, the sum of \$200,000 against its duly executed obligation to be used for the purposes above mentioned.

In connection with the applications of your Government for further advances from the United States Treasury for payments to the American Red Cross, I shall be glad to have you advise me of the unexpended balance remaining with the American Red Cross from previous payments made to it by your Government out of United States advances.

I am, my dear Mr. Simitch,
Yours, very truly,

ALBERT RATHBONE.

Mr. Y. SIMITCH,
Serbian Charge d'Affaires, the Serbian Legation, Washington, D. C.

LONDON, October 16, 1918.

SECRETARY OF STATE.
Washington.

Important, 2847, October 16, 5 p. m.

Rathbone from Crosby by Davis 711. British Treasury think rapidly changing conditions may necessitate early consideration of policy to be pursued in respect to the relief and reconstruction especially for Belgium and Serbia, and suggested that matter be presented to you with view of initiating exchange of views between the two treasuries as in case of Belgium. British Treasury think it will be necessary almost immediately to furnish relief to civil population as Serbia is reoccupied, and that for the present supplies must necessarily come from the army stocks at Salonica until some more permanent arrangement and understanding can be had. Their impression is that French would gladly join in any relief to Serbia, and they suggest that England, France, and the United States assume Serbian relief in equal shares and wish to know if this will be acceptable to you, and, if so, if we prefer to advance one-third of expenditures to cover purchases from most convenient sources of supply, or to confine ourselves to advances for specific American commodities. If such relief is undertaken, their impression is that it would be possible to discontinue a portion of present advances now being made for relief but would require only moderate increase in amount. British Treasury thinks it will be necessary for some time to furnish relief for Serbians and suggests it be done through

joint cooperation and supervision of Serbian Relief Commission, a British organization, and the American Red Cross.

They further state that for Belgian relief should for the present be handled, even after reoccupation, by Commission for Relief in Belgium. They also state that foreign office shares opinion that relief and reconstruction should be handled entirely by separate organizations. As to reconstruction, they think that this will require (?) consideration depending upon developments, that if indemnities are obtained with which to restore Belgium and Serbia, it would be advisable to allow Germans to undertake reconstruction unless it be proved that Belgians would prefer to supervise their own reconstruction work, and could probably do so better than anyone else; but that for Serbia, it will be necessary that reconstruction should be undertaken under American, British, and possibly French joint supervision. I merely transmit this for your information and for such views as you may care to express, but think it will be necessary to state what our attitude will be regarding immediate relief which may be required.

LAUGHLIN.

CORFU, November 1, 1918.

SECRETARY OF STATE,
Washington.

November 1, 3 p. m.

Minister of finance requests establishment of a new credit for \$3,000,000 in currency, to be expended during the present quarter *old style* for relief; one million by the American Red Cross and two millions by Serbian Government with my cooperation. According to the stipulations prepared, these two millions will be expended for substantially the same purposes as the last credit. See the statement in my dispatch one hundred one, *reference* twenty-seven, and my telegram of October 17, 11 a. m., although in view of changing conditions further modifications may be necessary. Minister of finance requests advance as soon as possible, \$1,000,000 of this new credit, stating that balance remaining from *none* last advance is now about fourteen hundred thousand dollars, and that need of relief is now greater than before.

DODGE.

SECTION 174.

November 4, 1918, Outline of Plan for Relief in Future—Treasury Department Recognizes the Coming of an Armistice or Peace.

TREASURY DEPARTMENT,
Washington, November 4, 1918.

Memorandum in respect to Serbian relief (see Crosby cables 711 and 724) :

1. The suggestions hereinafter set forth are in respect to immediate Serbian relief and not to reconstruction.
2. At present we are advancing \$1,000,000 monthly to Serbia for relief purposes, two-thirds of which is administered through the Serbian Government, acting in cooperation with the American diplomatic representative at Corfu, and one-third for purchases here through the American Red Cross, which are delivered to the Serbian Red Cross or Government representative at Berne, Switzerland. The relief thus furnished has been for Serbian prisoners of war in Austria and families of soldiers and interned civilians in Austria and a small portion of Serbia proper.
3. The agencies heretofore used have, so far as we know, satisfactorily administered the relief undertaken, but the British treasury now presents the necessity of supplying relief to the civilian population in that portion of Serbia which is being reoccupied by the allied armies, which can only be furnished at first from the army stocks at Saloniki. It has been suggested that Great Britain, France, and the United States share equally in the cost of such Serbian relief. If this is done, the relief will be more comprehensive than in the past, and it is suggested that if this Government should decide to assist in Serbian relief immediately after the signing of an armistice, then in the future it should be administered as follows:

(a) As a temporary arrangement, subject to change after notice, it is recommended that the cost of Serbian relief be equally divided between the British, French, and American Governments, and that the present advances of the United States should be counted as our share or a part of our share of the contribution, and that the United States advances to the Serbian Government be made on the understanding that they be used in the manner specified.

(b) The British, French, and American Governments should agree with the Serbian Government on the approximate amount of relief required and upon the agencies through which it is to be administered.

(c) The supplies should be obtained from the most advantageous source, but so far as purchases are made in the United States it is considered advisable to continue the practice of making such purchases through the auspices of the American Red Cross.

The British treasury has suggested the advisability of having relief administered through the American Red Cross and the Serbian relief commission, which latter organization has rendered services satisfactory to the British and French Governments. There appears to be no objection to such a procedure; provided, however, that the plan adopted should be with the approval of the lending Governments.

N. H. D.

SECTION 175.

November 8, 1918, \$400,000 Advance to Settle With American Red Cross.

WASHINGTON, November 8, 1918.

MY DEAR MR. RATHBONE: I have the honor to inform you that the American Red Cross has requested the Serbian Legation to deposit the sum of four hundred thousand dollars (\$400,000) with that organization as soon as possible to cover the expenditures for supplies for the Serbian prisoners of war for the third quarter of this year.

I beg that you will arrange to place at my disposal the above-mentioned amount, which will be immediately transferred to the American Red Cross for the purpose explained.

Please accept, my dear Mr. Rathbone, the renewed assurance of my highest esteem.

Yours, very truly,

Y. SIMITCH,
Serbian Chargé d'Affaires.

MR. ALBERT RATHBONE,
Assistant Secretary of the Treasury.

NOVEMBER 9, 1918.

MY DEAR MR. SIMITCH: I have the honor to acknowledge the receipt of your letter of the 8th instant, asking an advance to your Government of \$400,000 to be turned over by you to the American Red Cross for supplies for the Serbian prisoners of war. I take pleasure in informing you that the Secretary of the Treasury is prepared to advance to your Government on Monday, November 11, the sum of \$400,000 against its duly executed obligations to be used for the purpose above mentioned.

In connection with the applications of your Government for further advances from the United States Treasury for payments to the American Red Cross, I shall be glad to have you advise me of the unexpended balance remaining with the American Red Cross from previous payments made to it by your Government out of United States advances.

I am, my dear Mr. Simitch,

Yours, very truly,

ALBERT RATHBONE.

MR. Y. SIMITCH,
Serbian Chargé d'Affaires, the Serbian Legation,
Washington, D. C.

LONDON, November 9, 1918.

SECRETARY OF STATE,
Washington, D. C.:

Urgent.

3604, November 9, 5 p. m.

McAdoo from Cravath. 752. Further referring to my 724 and Crosby's 644. Sir Worthington Evans, whom British Government has placed in charge of organization measures for relief of civilian population in reconquered territory, asked for a conference to-day regarding cooperation between Allies and United States regarding relief, not only in Serbia but in other friendly conquered territory, such as Jugo-Slav and Czecho-Slav countries, Poland, Palestine, Armenia, and Syria. To most or all of those countries very considerable amounts of food and supplies will soon have to be furnished to prevent serious suffering and enable establishment of permanent Governments. Evans proposes that the whole effort be placed in charge of a central commission comprising American, British, and French members, with possibly an Italian member, to deal with relief in the territory in which Italy is specially interested. He expresses hope that the United States Government will share expenditures and participate in organization equally with the British Government and that French Government will also join on same basis in reconquered territory occupied by the allied armies. Temporary relief being afforded through army, but desirable that military relief should be superseded by civilian relief as soon as practicable. British and American Red Cross are affording partial relief in certain districts, and it is proposed that their work should be coordinated with that to be organized by proposed commission. It is assumed that relief in the reconquered portions of France will soon be turned over to French Government and in reconquered portions of Belgium to Belgian Government and that such inter-allied machinery will be required in either of those countries. I explained to Evans we could not enter into the discussion of the proposed arrangements until the basic question of the extent, if any, to which the United States would join in proposed relief measure had been settled. It is desirable that we should receive instructions in this regard as soon as practicable. It seems clear that for the sake of economy and efficiency the relief measures in regions in question should be carried on by some centralized organization, which we should join in case it is to be our policy to share in the work. I am sending copy of this cable to Crosby at Paris, with a suggestion that he submit it to Col. House, so that he may cable to Washington his views on the subject.

Since foregoing cable was prepared Cotton has informed me that he has just received cable from Hoover that he is soon coming over as the President's special representative to deal with the very problems above outlined. Hoover's presence will be most helpful, but Cotton and I both feel that in view of urgency of needs it is desirable, if possible, to have some intimation of our Government's general attitude toward these problems before Hoover's arrival.

LAUGHLIN.

SECTION 176.

November 15, 1918, Advance of \$209,000 to Cover Purchases by American Red Cross.

NOVEMBER 15, 1918.

DEAR SIR: Referring to Mr. Kelley's conversation with you over the telephone to-day, the Treasury to-day advanced to the Serbian Government for a purpose approved by the Treasury the sum of \$209,697.70, against the credit of \$1,395,000 heretofore established in favor of the Serbian Government, in order to cover the purchases to be made for the benefit of that Government by the American Red Cross. This advance was made upon the understanding that the Serbian Government will pay to the American Red Cross the amount of any commitment made in reliance upon such part of the above-mentioned credit as covered the advance to-day made to the Serbian Government.

Yours, very truly,

ALBERT RATHBONE.

Mr. FRANKLIN ABBOTT,
American Red Cross, Washington, D. C.

S. Doc. 86, 67-2—24

AMERICAN LEGATION TO SERBIA,
Corfu, November 3, 1918.

Dispatch No. 124.

The SECRETARY OF STATE,
Washington.

SIR: Referring to my telegram of November 1, 3 p. m., informing you of a request received from the minister of finance for the establishment of a fifth credit of \$3,000,000, and the advance therefrom as soon as possible of \$1,000,000 for expenditure by the Serbian Government with my cooperation, I have the honor to inclose to you herewith a copy of a statement prepared by the minister of finance with my cooperation showing the proposed expenditure of the \$2,000,000 of this fifth advance, to be paid in cash to the Serbian Government.

Referring to my dispatch, No. 101, of July 27 inclosing a similar statement for the expenditure of the fourth advance, the following especial changes will be noted:

Remittance to the Serbian section of the prisoners of war bureau at Berne of all funds formerly sent to the information bureau of the Serbian Red Cross at Geneva. I am informed that ever since a sum of 200,000 francs monthly has been sent from our advances to the Serbian section at Berne it has been endeavored to persuade M. de Blonay, the volunteer director of this section, to accept the supervision of a Serbian official of the ministry of finance, such supervision being required under the Serbian law when public moneys are expended. M. de Blonay refused and, as the Serbian Government insisted, finally resigned. I am informed that the section is now carried on as before, but with a Serbian official of the finance ministry in charge, who acts in cooperation with our Red Cross representatives at Berne. Partly on this account and partly to simply shipments, all the former activities of the Geneva bureau in sending funds and foodstuffs to prisoners have been suppressed in favor of the Berne section.

Owing to the reconquest of the whole of Serbia, the amount for war invalid pensions has been restored to 1,000,000 francs monthly, which will now be paid, according to the provisions of Serbian law, to those entitled by the decisions of the civil courts by the departmental and cantonal financial officers.

The credit of 250,000 francs for poor families has been joined to that of 300,000 francs for the prisoners and internes in Bulgaria and that of 50,000 for those in Turkey, making a total of 600,000 francs monthly to be distributed by the minister of the interior among the former prisoners in Bulgaria, now returned, and the needy population. I advised the department of this proposed change in my telegram of October 17, 11 p. m. I am informed that the method of distribution of this sum will be by committees which have been established for the purpose by the minister of the interior in each department. These committees consist of the prefect of the department, representing the central Government, the mayor of the chief city of the Department, representing the people, and the president of the civil court of the Department, representing an independent authority, as judges are appointed for life. These committees will decide on all applications for relief, the actual payment of relief being made by the departmental offices of the finance ministry. Such is the system for the present; it may be modified later. This matter is of considerable importance, since, with the approaching return of all the prisoners from Austria-Hungary and perhaps from Germany, all need of our advances outside Serbia will cease and practically a very large proportion of our advances will be expended for the local population through these committees.

In my conference with the minister of finance as to the distribution of this sum of 600,000 francs monthly, he has informed me that the ministry of finance will exercise a control over this expenditure under the provisions of the law on public accounts, article 5, of which I inclose a copy in a French translation which has just been published. Nevertheless the finance minister has stated that he is prepared to allow me to supervise personally or through such other persons as I might desire this expenditure. He has expressed the opinion that there is no reason to fear injustice or political favoritism in this distribution, as the opposition newspapers will now soon appear in Serbia with entire freedom and public opinion will also be fully awake. I have thanked Mr. Protitch for this offer and have informed him that, owing to the importance of this question, I would refer it to the department's decision.

The above are practically the only changes from the statement in my dispatch No. 101 of July 27th. In view of the recent armistice with Austria-Hungary and the return of the prisoners there, the amounts in the statement for these

prisoners and the Spanish ambassador at Vienna will almost certainly not be needed, and may be turned over to the departmental committees above described. In fact, no funds have been sent to Austria since October 1. I may here mention that from the reports I hear from all sources the needs of the returning prisoners and of the Serbian population can not be overestimated, as the condition of all is one of entire destitution. The Serbian Government's own resources are strained to the utmost, as its purely governmental expenses have necessarily increased very largely since the recovery of its territory.

Referring to your telegram of October 8, 6 p. m., regarding the Treasury Department's desire to receive the final accounts of advances at earliest possible moment and every six weeks, as suggested by me, I shall be able to send the final account for the \$2,000,000 of the fourth advance next week. After this final accounts will be sent every six weeks covering the expenditure of \$1,000,000 each, as desired. The finance ministry regrets the delays hitherto, and explains that they have been unavoidable and caused by the difficulties of communication between the ministry at Corfu, the banks in Paris, and the distributing agencies in Berne, Geneva, and elsewhere.

I have the honor to be, sir,

Your obedient servant,

H. PERCIVAL DODGE,
Special Agent and Chargé d'Affaires.

SECTION 177.

December 16, 1918, \$15,000,000 Credit Proposed and Asked for by Mr. Hoover for Serbian Relief.

PARIS, December 16, 1918.

SECRETARY OF STATE,
Washington:

No. 257, December 16, midnight.

For Secretary of Treasury. Hoover reports that to meet urgent requirements for relief to Serbia, including that portion Yugoslavia under the Serbian Government would require 30,000 to 40,000 tons of food per month until next harvest, but that internal transportation will probably not permit the execution of this whole program. In the meantime, however, in order to meet emergency and to start operations, he recommends that Treasury, upon request of Serbian Government, establish a credit for \$15,000,000, to be paid through the Serbian minister directly to the Grain Corporation. Hoover's idea is that \$10,000,000 of this would be required for working capital, and \$5,000,000 as the value of the first month's food delivered, which food is already arriving at Adriatic ports at the risk of Grain Corporation or Food Administration.

In addition to above, he recommends the establishment of credit for \$5,000,000 monthly for four months, making a total altogether of \$35,000,000. At present it is impossible to be more precise. This entire amount may not be required, but will only be used under the direction of Hoover, who will direct and supervise distribution. He recommends that the Treasury Department have a representative over here, probably in Serbia, to collaborate with his representatives. Agreement has not yet been reached with allied Governments as to the general plan for food relief in Europe, but this situation seems extremely pressing and of great importance in order to save life and maintain stability in military situation. Whatever is done will be upon the understanding that any arrangement which may be later arrived at with the allied Governments will be retroactive, so far as any expenses or advances made by us are concerned, and upon the arrangements which may be made will depend, more or less, the use of the subsequent credits above referred to. I have submitted this cable to the President, who strongly approves, and who has handed me the following communication addressed to you:

PARIS, December 16, 1918.

The SECRETARY OF THE TREASURY.

DEAR MR. SECRETARY: Mr. Hoover informs me that situation in Serbia and Yugoslavia is such that food supplies should be sent in there immediately, in order to save life and maintain stability in the military situation, and Mr. Davis has shown me his proposed cable to you explaining the situation and suggesting the establishment of a credit of \$35,000,000 in favor of the Serbian Government

proportionally used for relief of Serbians and Jugo-Slavs under Serbian Government, provided the Serbian Government makes application for such credit and agrees to turn over the funds to the Food Administration or the Grain Corporation for the purchase, delivery, and distribution of the supplies in question. If you, therefore, desire to establish this credit and to make advances thereunder as above indicated, you may consider this as my full approval. Cordially, yours,
Woodrow Wilson,

EDWARD HOUSE.

SECTION 178.

December 21, 1918, Position of Treasury on Foreign Commitments.

DECEMBER 19, 1918.

AMERICAN EMBASSY, *Paris*.

For Crosby from Rathbone. Treasury 655.

Embassy's 257, December 16, midnight, otherwise unnumbered. Please inform Davis as follows: On request of Serbian Government United States prepared to establish credit in its favor in the amount of \$15,000,000 to be advanced from time to time as required for purchase of food in United States and on informing Rickard and Serbian representative charge accordingly. Treasury is prepared if and to the extent found necessary and on like request to establish further credits of \$5,000,000 per month January to April, inclusive, for same purpose unless peace previously declared. Have no doubt we can arrange for payments through the Serbian representatives to the Grain Corporation much in the way that Belgian relief advances are handled. Understand that is what Hoover desires. You will understand first that our authority to establish credits ceases on the termination of the war, and second that advances after termination of war can be made only from credits previously established to take care of commitments necessarily made so as to insure regular and orderly supply of food needed for the purpose of prosecuting the war. It does not seem to us that a Treasury representative in Serbia will be needed. The information necessary to warrant the Treasury in making advances may be communicated to it from time to time by the Food Administration which will no doubt be kept fully informed of facts by its representatives in Europe.

ALBERT RATHBONE,
Assistant Secretary of Treasury.

DECEMBER 21, 1918.

AMERICAN EMBASSY, *Paris*.

Crosby for Davis from Rathbone. Treasury 662.

Embassy's 6351, December 18, noon. Your 689.

First. Will not at this time establish credit in favor of Serbia for food for more than \$15,000,000 and then only if Serbian Government so requires. See our 655.

Second. Have had no reply to our 587 regarding credit for Serbian relief.

Third. Treasury does not wish to hamper needlessly methods for relief in allied countries which exigencies of situation may make it necessary to resort to. Nevertheless Treasury can not approve advances to Serbia to finance food which is actually furnished Italy. Is it not possible that the cost of food should be carried by Grain Corporation until its ultimate destination determined. The plan of dollar reimbursement used during war can not well be utilized now as it might result in dollar balances in favor of a country when peace is declared which it might be difficult to have applied to payment of obligations theretofore given by that country. We have no authority to accept Italian obligations in exchange for Serbian obligations once the latter have been given.

Fourth. Regard it as unnecessary to send Treasury representatives to Serbia or to Vienna. Think it would be wise for Hoover to add to his organization such financial experts as may be needed for Serbia and Vienna but they must not be representatives of the Treasury.

Fifth. Treasury can only make loans from credits established in favor of allied Governments for their war purposes and authority to establish credits ceases with peace. Feel it is of great importance that in case other plans are suggested for dealing with situations which may arise beyond the possibility of Treasury aid under the bond act that the question of how the same is to be

financed should be specifically raised by you. The adoption of any plan for relief should be postponed until adequate finance therefor is definitely arranged. The Treasury is greatly concerned if this course is not followed. There must be no opportunity given to claim that Treasury acquiesced in any plan for which sufficient finance has not first been provided. It will not be enough to point out that loans can not be made under the bond act but specific objection should always be made to expenditures or commitments unless finance therefor has been provided.

ALBERT RATHBONE,
Assistant Secretary of the Treasury.

JANUARY 3, 1919.

AMERICAN EMBASSY, *Paris*:

For Crosby and Davis, from Rathbone. Treasury 680.

First. Dodge has wired State Department as follows: "From Belgrade via wireless. Urgent. December 17, 9 p. m. Minister of finance urgently requests that the new credit mentioned my telegram of November 1, 3 p. m., may be advanced, stating that surplus remaining from last advance has been exhausted in making payments in accordance with statement inclosed in my dispatch 124, November 3. Minister of finance also states that in time he will request the Government of the United States and the allied Governments to increase their present advances proportionately to the requirements of the new Jugo-Slav State. Distressing condition of large portion of population renders it extremely desirable to continue for the present pecuniary relief detailed in the statement above mentioned; all relief provided therein for prisoners to be distributed to needy in Serbia. Much less food supplies from abroad required for Jugo-Slavia, including Serbia, than anticipated. Nevertheless, while there are considerable supply in positions of the country, others are in greatest want, and the destruction of railways and roads makes transportation to those portions very difficult, if not practically impossible. I accordingly desire to invite attention to great urgency of giving Serbia Government such assistance as it requests, as stated in my telegram of December, for rapid railway reconstruction, this task being beyond its unaided powers. Dodge, *Chargé d'affaires*."

Second. In view of calls upon Treasury for advances for food purchases for relief, in our judgment additional relief to Serbia to the extent needed should be provided by other allied Governments. We still expect to make advances to provide for the commitments of the American Red Cross for Serbian relief.

Third. Suggest you confer with Hoover and cable your views and recommendations.

ALBERT RATHBONE,
Assistant Secretary of the Treasury.

SECTION 179.

January 16, 1919, \$15,000,000 Credit to Be Established.

JANUARY 16, 1919.

AMERICAN MISSION, *Paris*:

For Davis, from Rathbone. Treasury No. 713. Ammission cable No. 204, undated, and Ammission cable No. 233, January 10, 6 p. m., received. Also Crosby's cables 922, 923, 924, and 929. New credits established, as follows: January 8, \$3,250,000 to Belgium for supplies. January 13, \$10,000,000 to Czechoslovaks. As requested in Crosby's 682 from London, I repeat my 655, as follows: "Embassy's 257, December 16, midnight, otherwise unnumbered. Please inform Davis as follows: On request of Serbian Government, United States prepared to establish credit in its favor in the amount of \$15,000,000, to be advanced from time to time as required for purchase of food in United States, and am informing Rickard and Serbian representative accordingly. Treasury is prepared if and to the extent found necessary and on like request to establish further credits of \$5,000,000 per month, January to April, inclusive, for same purpose unless peace previously declared. Have no doubt we can arrange for payments through the Serbian representatives to the Grain Corporation much in the way that Belgian relief advances are handled. Under-

stand that is what Hoover desires. You will understand, first, that our authority to establish credit ceases on the termination of the war; and, second, that advances after termination of war can be made only from credits previously established to take care of commitments necessarily made so as to insure regular and orderly supply of food needed for the purpose of prosecuting the war. It does not seem to us that a Treasury representative in Serbia will be needed. The information necessary to warrant the Treasury in making advances may be communicated to it from time to time by the Food Administration, which will no doubt be kept fully informed of facts by its representatives in Europe."

ALBERT RATHBONE,
Assistant Secretary of the Treasury.

SECTION 180.

February 4, 1919, Credits Established to Date, \$12,000,000.

Memorandum for Mr. Kelley.

FEBRUARY 4, 1919.

Serbia.

Established credits to date-----		\$12,000,000.00
Cash advances:		
Aug. 3, 1917-----	\$1,000,000.00	
Sept. 11, 1917-----	500,000.00	
Oct. 25, 1917-----	1,500,000.00	
Jan. 3, 1918-----	200,000.00	
Jan. 11, 1918-----	1,000,000.00	
Apr. 25, 1918-----	1,000,000.00	
May 28, 1918-----	1,000,000.00	
June 26, 1918-----	1,405,000.00	
July 18, 1918-----	200,000.00	
July 29, 1918-----	1,000,000.00	
Aug. 20, 1918-----	200,000.00	
Oct. 2, 1918-----	1,200,000.00	
Nov. 11, 1918-----	400,000.00	
Nov. 15, 1918-----	209,697.70	
		10,814,697.70
Unexpended credit balance-----		1,185,302.30

FEBRUARY 4, 1919.

MY DEAR MR. MINISTER: In accordance with your request of this morning, I have pleasure in advising you that the credits established by the Treasury in favor of your Government to date—

Amount to -----		\$12,000,000.00
Against these credits advances have been made to your Government upon its demand obligations given on the dates and for the amounts set out below:		
Aug. 3, 1917-----	\$1,000,000.00	
Sept. 11, 1917-----	500,000.00	
Oct. 25, 1917-----	1,500,000.00	
Jan. 3, 1918-----	200,000.00	
Jan. 11, 1918-----	1,000,000.00	
Apr. 25, 1918-----	1,000,000.00	
May 28, 1918-----	1,000,000.00	
June 26, 1918-----	1,405,000.00	
July 18, 1918-----	200,000.00	
July 29, 1918-----	1,000,000.00	
Aug. 20, 1918-----	200,000.00	
Oct. 2, 1918-----	1,200,000.00	
Nov. 11, 1918-----	400,000.00	
Nov. 15, 1918-----	209,697.70	
		10,814,687.70

Leaving an unexpended balance of the credits amounting to-----		1,185,302.30
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I understand that commitments have been made by the American Red Cross on behalf of your Government to the full extent of the unexpended credit. Interest on the above-mentioned obligations has been paid by your Government up to November 15, 1918.

I am, my dear Mr. Minister,
Yours, very truly,

ALBERT RATHBONE.

Mr. SLAVKO Y. GROUITCH,
*Envoy Extraordinary and Minister Plenipotentiary,
the Serbian Legation, Washington, D C.*

FEBRUARY 5, 1919.

AMERICAN MISSION,
Paris.

For Davis from Glass. Treasury 772.

First. State Department advises that Serbian minister is clothed with same authority as his predecessors to sign obligations but calls attention to considerable doubt existing regarding validity of obligations signed by Serbian minister.

Second. You will recall that during period of active fighting to carry out President's policy and notwithstanding advices from State Department as to informality of authorization to sign obligations Treasury continued advances to Serbia at rate of something under \$1,000,000 a month. Situation now entirely different. Advances to Serbia now that war is won in much greater amount than previously loaned is not within statute unless Serbia can give obligations State Department is willing to accept as valid and binding internationally. We deprecate any attitude on part of our Government tending to throw doubt on validity of obligations which have been received and earnestly trust that with information at hand State Department is in position to settle this question once and for all by taking position that obligations signed by Serbian minister given to obtain funds to purchase foodstuffs in United States will be regarded by State Department as valid and binding internationally and will have its sanction.

Third. Understand State Department, recognizing that Treasury could probably not regard as sufficient its advices referred to in first, has already cabled Secretary Lansing asking whether he is prepared to give opinion similar to that given by him in Rumanian case. Suggest you confer with Lansing on subject in endeavor to have him send at earliest possible date appropriate advices to State Department. Treasury anxious to cooperate in supply of foodstuffs needed to feed population of allied countries and to prevent anarchy, but feels it essential that for advances which it makes it should receive valid obligations as is contemplated by the bond act.

Fourth. Regarding Rumania, as we have already advised you, Treasury in position to make \$5,000,000 advance, but hear informally that Rumanian representatives here refuse to make application for or to receive loan until he is in receipt of instructions from his Government on subject.

CARTER GLASS,
Secretary of the Treasury.

*Summary Statement of account of Serbian Legation with American Red Cross,
showing receipts and disbursements since June 30, 1918, to Dec. 31, 1918.*

Receipts-----	\$1, 000, 945. 18
Add credits in United States Treasury-----	\$1, 395, 000. 00
Less interest-----	209, 697. 70
	<u>1, 185, 302. 30</u>
Total-----	2, 186, 247. 48
Balance not covered by credit in United States Treasury-----	181, 876. 48
Total-----	<u>2, 368, 123. 96</u>
Disbursements-----	1, 574, 875. 02
Unfilled commitments-----	793, 248. 94
Total-----	<u>2, 368, 123. 96</u>

SECTION 181.

**Serbia Now to Be Known as the Kingdom of the Serbs, Croats, and Slovenes,
from February 11, 1919.**

DEPARTMENT OF STATE,
Washington, February 11, 1919.

The SECRETARY OF THE TREASURY.

SIR: I have the honor to acknowledge the receipt of your communication of February 6, 1919, regarding the authority of the Serbian minister to sign obligations on behalf of his Government.

You also refer to a copy of a letter addressed by Mr. Grouitch to the Secretary of State dated January 21, 1919, and call my attention to the fact that the letter is headed "Legation of the Kingdom of the Serbs, Croats, and Slovenes," and inquire as to whether Mr. Grouitch has been recognized by this department as the representative of the Royal Serbian Government or as the representative of the Kingdom of the Serbs, Croats, and Slovenes.

In reply I have the honor to inform you that this Government has formerly recognized the Kingdom of the Serbs, Croats, and Slovenes, and I inclose for your information a copy of a note which was handed yesterday to Mr. Slavko Y. Grouitch, conveying the welcome of the Government of the United States to the union of the Serbian, Croatian, and Slovene Provinces within the boundaries of the former Austro-Hungarian Monarchy to Serbia.

I have the honor to be, sir,

Your obedient servant,

For the Acting Secretary of State:

WILLIAM PHILLIPS,
Assistant Secretary.

FEBRUARY 10, 1919.

SIR: I have the honor to acknowledge the receipt of an undated note from the Serbian chargé d'affaires, stating that in accordance with a decision of the central committee of the National Council of Zagreb, representing the State of all the Serbia, Croatian, and Slovene Provinces within the boundaries of the former Austro-Hungarian Monarchy, the Serbian crown prince has proclaimed the union of all the Serbian, Croatian, and Slovene Provinces of the former Dualist Monarchy with the Kingdom of Serbia in a single State, all under the title of "Kingdom of the Serbs, Croats, and Slovenes," under the rule of His Majesty King Peter and the regency of the Crown Prince Alexander.

The department further notes the statement contained in the note that in accordance with the decision of a body proclaiming itself the Great National Assembly of the Kingdom of Montenegro, His Majesty King Nikola I and his dynasty has been deposed from the throne of that country, and had decreed the union of Montenegro with the Kingdom of the Serbs, Croats, and Slovenes, and that this decision had been accepted by His Royal Highness the Crown Prince of Serbia.

The department further notes the statement that the legation of Serbia in the United States will hereafter be known as the legation of the Kingdom of the Serbs, Croatsians, and Slovenes.

In reply I have the honor to inform you that the Government of the United States welcomes the union of the Serbian, Croatian, and Slovene Provinces within the boundaries of the former Austro-Hungarian Monarchy to Serbia and recognizes the Serbian Legation as the Legation of the Kingdom of the Serbs, Croatsians, and Slovenes.

In taking this action, however, the United States Government recognizes that the final settlement of territorial frontiers must be left to the peace conference for determination according to the desires of the peoples concerned.

Accept, sir, the renewed assurances of my highest consideration.

FRANK L. POLK,
Acting Secretary of State.

MR. SLAVKO Y. GROUITCH,
Minister of Kingdom of the Serbs, Croats, and Slovenes.

SECTION 182.

February 12, 1919, Question of Authority of Treasury to Make Advances to the New Kingdom.

FEBRUARY 12, 1919.

DEAR MR. PHILLIPS: I have the honor to acknowledge the receipt of your letter of the 11th instant addressed to the Secretary of the Treasury regarding the Kingdom of the Serbs, Croates, and Slovenes, and inclosing copy of a note dated February 10 from the Acting Secretary of State addressed to Mr. Slavko Y. Grouitch.

In the act authorizing the Secretary of the Treasury to make loans to foreign governments it is prescribed that such loans may be made to foreign governments then engaged in war with the enemies of the United States. I shall be obliged if you will be good enough to advise this department as to whether the Kingdom of the Serbs, Croates, and Slovenes is a foreign government now engaged in war with the enemies of the United States. I assume that any obligations given for any advances made by the Secretary of the Treasury to the foreign government above mentioned should specify the borrower as the Government of the Kingdom of the Serbs, Croates, and Slovenes.

Will you be good enough to advise me whether this understanding is correct?

Very truly, yours,

ALBERT RATHBONE.

Hon. WILLIAM PHILLIPS,
Assistant Secretary, Department of State.

DEPARTMENT OF STATE,
Washington, February 15, 1919.

The SECRETARY OF THE TREASURY.

SIR: I have the honor to acknowledge the receipt of your letter of February 6, inquiring whether Mr. Grouitch has authority to sign obligations on behalf of the Serbian Government, and whether Mr. Grouitch has been recognized by the Department of State as the representative of the Royal Serbian Government or whether he has been recognized as representing a government embracing not only Serbia but Montenegro and the Jugo-Slav territory of the former Austro-Hungarian Empire.

In reply I have the honor to inform you that the attitude of the United States relative to these matters is indicated in the following quotation from a note from the department to the Serbian Legation, February 10, 1919:

"The Government of the United States welcomes the union of the Serbian, Croatian, and Slovene Provinces within the boundaries of the former Austro-Hungarian Monarchy of Serbia and recognizes the Serbian Legation as the legation of the Kingdom of the Serbs, Croations, and Slovenes. In taking this action, however, the United States Government recognizes that the final settlement of territorial frontiers must be left to the peace conference for determination according to the desires of the peoples concerned."

I have the honor to be, sir,

Your obedient servant,

FRANK L. POLK,
Acting Secretary of State.

DEPARTMENT OF STATE,
Washington, February 17, 1919.

The SECRETARY OF THE TREASURY.
(Attention of Mr. Rathbone.)

SIR: Referring to this department's letter to you of February 5, 1919, regarding the powers of Slavko Grouitch as minister of Serbia to sign loan obligations on behalf of his Government for advances made by the Government of the United States to Serbia, I have the honor to inform you that the department has taken up the question of Mr. Grouitch's powers with Secretary Lansing at Paris and is now in receipt of a telegram from him on this subject, a paraphrase of which is inclosed for your information. It will be observed that Secretary Lansing, referring to his previous telegram quoting the powers conferred upon Mr. Grouitch by the Serbian Government, states that the critical need of the Serbian population and the necessity of completing the loan to

Serbia has been presented to him by Mr. Hoover, and that there can be no doubt that engagements entered upon by Mr. Grouitch, under instructions of his Government, are and will be valid and binding upon Serbia internationally.

I trust that this opinion of the Secretary of State will meet the wishes of your department as to the validity of the obligations signed by Mr. Grouitch in the name of the Government of the Kingdom of Serbia in connection with a loan of \$15,000,000 to that country.

According to the department's records the Government of Serbia is at war, Austria having declared war on Serbia on July 28, 1914, and Serbia having declared war on Germany on August 6, 1914.

I have the honor to be, sir,

Your obedient servant,

FRANK L. POLK,
Acting Secretary of State.

[Paraphrase of telegram received from Paris, Feb. 13, 1919.]

There has been presented to the Secretary the most critical need of the Serbian population and the necessity of the completion of their loan. Without doubt engagements entered upon by Serbian minister under instructions of his Government are and will be valid and binding internationally upon Serbia. It is suggested that the Treasury be given a statement to this effect without going into particulars or discussing questions in regard to Serbian Parliament or law. A cable authorizing Serbian minister to sign has already been transmitted.

FEBRUARY 17, 1919.

DEAR MR. POLK: The situation in regard to the loans to Serbia still seems to be somewhat confused notwithstanding Mr. Phillips's letter, undated (SO 872.51-151), addressed to me, his letter to me of February 11, and your letters to me of February 15 and 17. Mr. Rathbone's letter to Mr. Phillips of February 12 has not been directly replied to, although letters subsequently received from the Department of State seem to have disposed of certain of the questions therein raised.

I understand that some time ago, as the result of a number of conferences between representatives of the two departments, it was agreed that the question of the authority of the various countries would be taken up and discussed with a view of having the Department of State advise that obligations executed in the name of a designated government by a designated person would, in the opinion of the Department of State, be valid and binding internationally and have the sanction of the Department of State. This formula so agreed to has been used by the Department of State in advising the Treasury in regard to the authority of substantially all of the foreign countries to which the Treasury has made advances. In order to clear up the Serbian question and put this department in a position where it can make advances to Serbia, which it is said are urgently needed for food and relief, I shall be obliged if you will be good enough to inform me whether in the opinion of the Department of State obligations given in the name of the Government of the Kingdom of Serbia and executed by Mr. Slavko Grouitch will be regarded by the Department of State as valid and binding internationally and have its sanction.

I understand that the Department of State has advised the Treasury Department that the Government of the Kingdom of Serbia is at war with the enemies of the United States, and I shall be obliged if you will confirm my understanding in this respect.

I am, my dear Mr. Polk,

Very truly, yours,

CARTER GLASS.

Hon. FRANK L. POLK,
Acting Secretary of State.

Referring to your letter of February — and supplementing our letter of February 17, the obligations should be given in the name of the Government of the Kingdom of Serbia and signed in behalf of the Government by Mr. Grouitch.

Obligations so signed will be internationally valid and binding and have the sanction of this department. The Government of the Kingdom of Serbia is at war with enemies of the United States, according to this department's record.

DEPARTMENT OF STATE,
Washington, February 18, 1919.

The SECRETARY OF THE TREASURY.

SIR: I have the honor to acknowledge receipt of Mr. Rathbone's letter to Mr. Phillips of February 12 and your letter of February 17, regarding obligations given by the minister of Serbia for advances made by the Treasury Department to his Government.

Mr. Rathbone asks to be advised whether any obligations given for advances made by the Secretary of the Treasury to the Kingdom of Serbia should, in view of the department's note of February 10, to Mr. Grouitch, specify the borrower as the Government of the Kingdom of the Serbs, Croats, and Slovenes.

In reply you are informed that, as the powers of Mr. Slavko Grouitch, as minister of Serbia, to sign loan obligations of the Serbian Government were issued in the name of the Kingdom of Serbia, and as the Government of the Kingdom of Serbia is at war with the enemies of the United States, it is believed that any obligations signed by Mr. Grouitch, by authority of his present powers, should be in the name of the Government of the Kingdom of Serbia rather than in the name of the Government of the Kingdom of the Serbs, Croats, and Slovenes.

I may add that the department has telegraphed to Secretary Lansing regarding the union with Serbia of the Serbian, Croatian, and Slovene Provinces of the former Austro-Hungarian monarchy, with a view to determining whether the changes which have occurred are such as to render desirable or necessary the issuance by the Kingdom of the Serbs, Croats, and Slovenes to Mr. Grouitch of additional powers to contract loans with the Government of the United States and to sign obligations therefor in the name of the Kingdom of the Serbs, Croats, and Slovenes. I shall promptly inform you of the views of Secretary Lansing when they are received.

As to the omission from this department's letter of February 17, on this subject, of the usual formula that "obligations executed in the name of a designated Government by a designated person would, in the opinion of the Department of State, be valid and binding internationally and have the sanction of the Department of State," I beg to say that the department's letter of February 17, followed exactly the authorization given in Secretary Lansing's telegram of February 13 (a paraphrase of which was sent to the Treasury Department). As the statement of the Secretary is to be taken as the statement of the department, and as for all practical purposes the statement of the Secretary is equivalent to the formula agreed up, this department's view is that the Secretary of State's telegram should be regarded as a sufficient basis upon which to proceed with advances to Serbia, so far as the validity and binding character internationally of the obligations therefor and the sanction of the Secretary of State thereof are concerned, and that further advances to Serbia should not be withheld by the Treasury Department on account of Secretary Lansing's not using the formula heretofore used by the Department of State in its loan correspondence. If, however, you desire me to telegraph to the Secretary of State to make the statement in his telegram of February 13 in the language of the formula, I shall be glad to do so immediately upon the receipt of your request.

With respect to your understanding that the Government of the Kingdom of Serbia is at war with the enemies of the United States, I am glad to be able to confirm the correctness of your understanding on this point.

I have the honor to be, sir,
Your obedient servant,

FRANK L. POLK,
Acting Secretary of State.

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., February 19, 1919.

MR. ALBERT RATHBONE,
Treasury Department, Washington, D. C.

DEAR MR. RATHBONE: We have received numerous cables from Mr. Hoover and from the allied ministers at Belgrade, indicating the extreme shortage of food in Serbia.

In Mr. Hoover's cable of December 23, 1918, he states that "while we may be able to arrange for some foreign exchange and possibly secure gold from Germany, the liberated areas of Poland, Rumania, and Serbia and other localities must be found credit beyond this. * * * In addition to the credits which the Secretary of the Treasury will and can set up for the allied forces and Belgium and Serbia for food purchases, we should have an appropriation of minimum \$100,000,000 * * * with which to take care of outside areas above."

On January 7, 1919, Mr. Hoover cabled that in Serbia "town bread ration down to 3 ounces daily in the north, which is not accessible from Salonica. In the south, where accessible, British are furnishing food to civil population. We are trying to get food in from Adriatic."

Mr. Hoover cabled on January 24: "Unless we ship in February, there is no hope of keeping the liberated peoples alive in March."

In Mr. Hoover's cable of February 13, 1919, he states: "Please see Woolsey and Rathbone and impress upon them vital character of Serbian loan and importance of putting it through. This will be the last loan for food purposes, but \$100,000,000 was estimate made for relief needs, on assumption that Serbian loan, then already approved by President, would be made. We now desire transfer to Serbs supplies worth approximately \$5,000,000, including flour, pork products, and condensed milk, and you should obtain this amount from Serbian representatives when loan made."

In view of these cables, showing the urgency of the situation in Serbia, and also indicating that Mr. Hoover has immediately available at Adriatic ports a large quantity of foodstuffs which can be shipped to Serbia, the Food Administration urgently requests that the Treasury Department do everything possible to expedite the granting of credits to the Serbian Government to pay for the food supplies now available to Serbia at Adriatic ports.

I am,

Yours, faithfully,

UNITED STATES FOOD ADMINISTRATION.
By J. A. MITCHELL,

FEBRUARY 19, 1919.

DEAR MR. MINISTER: I have the honor to acknowledge the receipt of your letter of February 6 asking for an advance from the United States Treasury of the unexpended balance of the credit previously established in favor of the Government of the Kingdom of Serbia in the amount of \$1,185,302.30, and I take pleasure in informing you that this department is prepared to advance said amount on the 21st instant against the duly executed obligation of the Government of the Kingdom of Serbia and on the understanding that said amount is to be turned over to the American Red Cross to be applied toward the settlement of its account with the Serbian Government.

Referring to your verbal request for the establishment of an additional credit in favor of the Government of the Kingdom of Serbia in the amount of \$15,000,000 and to your communication addressed to the Department of State in regard to the establishment of said credit, I have the honor to inform you that the Secretary of the Treasury has established in favor of the Government of the Kingdom of Serbia an additional credit of \$15,000,000, to be availed of against the duly executed obligations of the Government of the Kingdom of Serbia at such times and in such amounts and for such purposes as the Secretary of the Treasury may from time to time agree.

SECTION 183.

Fifteen Million Dollars Credit for Food and Relief Made to Serbia to Be Turned Over to the United States Food Administration—\$5,000,000 Immediately Available.

I understand that the Government of the Kingdom of Serbia desires an advance out of this credit of \$5,000,000 for the purpose of making payment to the United States Food Administration, or some agency thereof, for certain foodstuffs, including flour, pork products, and condensed milk, which is urgently needed for use as a military purpose and in order to prevent anarchy.

I take pleasure in advising you that the Treasury is prepared to advance said sum of \$5,000,000 against the duly executed obligation of the Government of the Kingdom of Serbia on the 23d instant, on the understanding that said sum will be paid over to the United States Food Administration, or one of its agencies, in payment for the food above referred to.

Will you be good enough to advise me to-morrow whether it will be convenient for you to call here on Friday, the 21st instant, and at what hour, for the purpose of executing the necessary obligations and arranging to receive the proceeds of the loan?

I am, my dear Mr. Minister,

Very truly, yours,

ALBERT RATHBONE.

Mr. SLAVKO Y. GROUITCH,
*Envoy Extraordinary and Minister Plenipotentiary,
The Serbian Legation,
2011 Wyoming Avenue NW., Washington, D. C.*

SECTION 184.

March 14, 1919, Second \$5,000,000 Advance on the \$15,000,000 Credit, Making Total of \$10,000,000 Advanced and \$5,000,000 Unexpended.

MARCH 14, 1919.

MY DEAR MR. MINISTER: In reply to your letter of to-day requesting a new advance to your Government of \$5,000,000 to cover foodstuffs for delivery to Serbia already on the way or in ports, I have the honor to advise you that in accordance with your request an advance of \$5,000,000 has this day been made to your Government against its duly executed obligation. This advance has been charged against the unexpended balance of \$10,000,000 remaining of credits heretofore established in favor of your Government, reducing such balance to \$5,000,000.

I am, my dear Mr. Minister,

Very truly, yours,

ALBERT RATHBONE,

Mr. SLAVKO Y. GROUITCH,
*Minister of the Kingdom of Serbia,
The Serbian Legation,
2011 Wyoming Avenue, Washington, D. C.*

[Paraphrase of a cablegram from the American Mission at Paris, France, dated Mar. 18, 1919, at 10 p. m.; received Mar. 19 at 2.20 a. m.. No. 1221.]

The following is No. D-151 for Rathbone: Reference is made to your Nos. 862 and 871.

1. Secretary Lansing has given me to understand that the United States has only recognized the Kingdom of Serbs, Croats, and Slovenes, hereinafter termed Greater Serbia, as a de facto Government, and that it has not yet been recognized by the other nations. We think under the circumstances that the advances for the purchase of our materials for the army should be made to *proceed* Government of Serbia, and that this Government should make arrangements of its own with the other territories which are to be incorporated in Greater Serbia.

2. It is not possible to make recommendation relative to the advance of \$40,000,000 to Serbia for the purpose above stated until we can obtain from the army and from the representatives of Serbia here a statement as to the surplus available supplies required, together with confirmation of the relative need of Serbia and the impossibility of making sale for cash. It is expected that this information will be obtained shortly, and the political question involved will then be taken up with the President or the peace mission, as well as the questions raised in the seventh paragraph of your No. 862. The liquidation board of the army is becoming organized, and am holding a conference with them to-day for the purpose of discussing the entire matter.

3. A resolution has been passed by the supreme economic council to the effect that relief and reconstruction credits to Poland, Rumania, Czechoslovakia,

Jugoslavia, Serbia, Baltic States, and Montenegro be made a first charge against any receipts on account of reparation or indemnity. The associated Governments have approved this general principle; but, of course, it will be necessary to make specific arrangements with the respective countries to which advances are made.

4. There have been practically no advances made for reconstruction, with the exception of the case of the £9,000,000 credit by the British in Belgium's favor. Therefore the majority of the advances being made at the present time are for purposes of relief, and most of this is being done by the United States. It is the expectation of the British to establish immediately a credit of £500,000 in Rumania's favor for the purchase of railway materials, and a like amount at a later date. The treasury of Great Britain has established a credit of £12,500,000 sterling for purposes of reconstruction and relief, which, with the exception of Belgium, is to be employed principally for advances to those countries to which advances can not be made by us.

5. I am indirectly advised that the French are making an effort to obtain perpetual concession for the operation of Rumanian oil wells in consideration of the establishment of a credit in Rumania's favor. It is my understanding that the Rumanians would like to be given assistance in withstanding this political pressure, and I shall, if you have no objection and with the approval of the peace mission, inform the prime minister of Rumania here that the Treasury of the United States would offer objection to any concessions or security being given by Rumania to any allied Government which might put such Government in a different or more favorable position as to guaranty than America.

It is my opinion, under the circumstances, that it is also advisable for us now to make arrangements with Serbia, Rumania, and possibly Czechoslovakia that all advances which have been or may be made to them since the first of the year for the purchase of foodstuffs in America for purposes of relief shall constitute a first claim on funds received for reparation. Similar advances made by the allied Governments will not be excluded by this from the same guaranty, on account of the fact that through the action taken by the supreme economic council all loans of this character would rank *pari passu*. Should you prefer, I shall be greatly pleased to take up this matter with the prime ministers, on your behalf, of those three respective countries who are here in Paris.

7. France and Italy have made [apparent omission] Italy no loans for such purposes to those three Governments. Not much has been advanced by England, but you will be given the exact amount in a short time.

DAVIS, *Am. Mission.*

SECTION 184-A.

March 22, 1919, Recommendation of No Loan to Serbia.

ASSISTANT SECRETARY OF THE TREASURY,
March 22, 1919.

Memorandum for Mr. Rathbone:

In view of Davis's No. 151, it seems to me that no loans whatever should be made to the Kingdom of Serbs, Croats, and Slovenes.

R. I.

SECTION 185.

April 1, 1919, Statement of Account.

APRIL 1, 1919.

DEAR MR. MINISTER: Referring to our conversation of yesterday and to my letter to you of February 1, 1919, regarding the payment of interest on the demand obligations of your Government held by the United States, the Treasury will be glad to have payment of interest made on April 15 next on such of said obligations as bear date on or before February 21, 1919, and will ask that payment of interest be made on May 15, 1919, on such other obligations of your Government as may be then held by the United States. The total obligations of your Government held March 31, 1919, by the United States aggregate \$22,000,000. Those that bear date on or before February 21, 1919, aggregate \$17,000,000.

I inclose herewith a statement prepared under the direction of the Treasurer of the United States setting forth the dates and principal amounts of such obligations dated on or before February 21, 1919, and showing \$268,608.27 as the interest due April 15, 1919, thereon. You will observe that interest has been computed at the rate of 5 per cent from November 15, 1918, to April 15, 1919, on such of said obligations as bear date on or before November 15, 1918, and from the respective dates of such of said obligations as bear date after November 15, 1918, to April 15, 1919.

Please make payment of the interest due on April 15, 1919, in the aforesaid amount by check payable to the order of "Assistant Treasurer of the United States, New York, for credit general account of Treasurer of United States," and deliver the same to the Assistant Treasurer of the United States at the Sub-treasury in New York on April 15, 1919.

In due course, and before May 15, 1919, a further statement will be sent you showing the amount of interest to be paid on that date on the obligations of your Government then held by the United States other than those set forth in the statement inclosed herewith.

I am, my dear Mr. Minister, very truly, yours,

ALBERT RATHBONE.

Mr. SLAVKO Y. GROUITCH,
*Envoy Extraordinary and Minister
 Plenipotentiary for Serbia,
 The Serbian Legation, Washington, D. C.*

Interest at 5 per cent on obligations of the Royal Serbian Government.

[Nov. 15, 1918, to Apr. 15, 1919, 365 days to the year.]

Date.	Amount.	Number of days.	Interest.
1917.			
Aug. 3.....	\$1,000,000.00	.....	.....
Sept. 11.....	500,000.00	.....	.....
Oct. 25.....	500,000.00	.....	.....
Do.....	1,000,000.00	.....	.....
1918.			
Jan. 3.....	200,000.00	.....	.....
Jan. 11.....	1,000,000.00	.....	.....
Apr. 25.....	1,000,000.00	.....	.....
May 28.....	1,000,000.00	.....	.....
June 26.....	1,405,000.00	.....	.....
July 18.....	200,000.00	.....	.....
July 30.....	1,000,000.00	.....	.....
Aug. 20.....	200,000.00	.....	.....
Oct. 2.....	200,000.00	.....	.....
Do.....	1,000,000.00	.....	.....
Nov. 11.....	400,000.00	.....	.....
Nov. 15.....	209,697.70	.....	.....
	10,814,697.70	151	\$223,701.28
1919.			
Feb. 21.....	1,185,302.30	53	8,605.62
Do.....	5,000,000.00	53	36,301.37
Total.....	17,000,000.00	.....	268,608.27

SECTION 186.

April 8, 1919, Limitations of Authority of Treasury to Make Advances and Credits.

[Not by wireless.]

TREASURY DEPARTMENT, April 8, 1918.

AM. MISSION, Paris:

(For Davis from Rathbone. Treasury 955.)

From conference with Rickard it is evident that Hoover does not fully understand Treasury's limitations in establishing credits for Rumania, Serbia, and Czecho-Slovaks. Hoover cables Rickard Food 594 that he has always under-

stood Treasury was prepared if necessity shown to continue loans until next harvest. You will recall in our various cables to you that we have said we were prepared to establish credits in favor of these countries for food supplies if necessities were shown until peace. Please impress upon Hoover that after peace is declared we have no authority to establish credits for food other than guaranteed wheat, and further that we have not authority to establish credits in advance of time when it is necessary to purchase the commodities. We are prepared until peace and subject to limitations of our appropriation to establish credits from month to month. Credits which we are establishing early in April will be for fourth installment for these countries for use during May. The first part of May, if peace has not then been declared, we are prepared to establish the fifth installment for use in June. Not authorized under law to establish credits for these purposes further in advance than as indicated above. Please make this plain to Hoover.

ALBERT RATHBONE,
Assistant Secretary of Treasury.

APRIL 14, 1919.

DEAR MR. ABBOTT: I have received your letter of the 12th instant and note that you are as yet unable to give a closer estimate as to the claims of the American Red Cross against the Serbian Government.

You will recall that the Treasury, after the termination of the war, has no authority to establish credits in favor of the Serbian Government to take care of such indebtedness, and I trust it will be possible very shortly for you to furnish this department with information on the subject.

Very truly, yours,

ALBERT RATHBONE.

Mr. FRANKLIN ABBOTT,
*Director Bureau of Prisoners' Relief,
The American Red Cross, Washington, D. C.*

SECTION 187.

Advance of \$4,450,000 Made on \$15,000,000 Credit.

APRIL 14, 1919.

DEAR MR. MINISTER: I have the honor to acknowledge the receipt of your letter of the 14th instant, asking an advance from the United States Treasury out of the unexpended balance of credits previously established in favor of your Government, of the sum of \$4,450,000, and the crediting of said amount to the account of the American Relief Administration with the Irving National Bank, of New York.

I take pleasure in informing you that this department is prepared to advance to your Government the sum of \$4,450,000 on the 15th instant, against its duly executed obligation in a corresponding amount, on the understanding that said sum will be by your Government turned over to the American Relief Administration to defray the cost of food and food products supplied to Serbia through said administration.

I am, my dear Mr. Minister,
Very truly, yours,

ALBERT RATHBONE.

Mr. SLAVKO GROUITCH,
*Envoy Extraordinary and Minister Plenipotentiary for Serbia,
Washington, D. C.*

SECTION 188.

April 14, 1919, Credit of \$268,608.27 Made to Make Payment of Interest Due on April 15, 1919.

APRIL 14, 1919.

DEAR MR. MINISTER: I have received your letter of the 14th instant, asking the establishment of a further credit in favor of your Government in the sum of \$268,608.27, and an advance of a corresponding amount to enable your Gov-

ernment to pay the interest due April 15 on its obligations held by the United States.

I understand, from the talk I have had with you on the subject, that you have not been informed by your Government of any provision which it has made for supplying you with the dollars needed to make payment on April 15 of said amount of interest. In the circumstances the Secretary of the Treasury has established in favor of your Government a further credit in the amount of \$268,608.27, to be availed of on April 15 against the duly executed obligation of your Government in a corresponding amount and to be used for the payment of the interest due on that date on obligations of your Government held by the United States.

As explained in my talk to you last week, this arrangement is intended to be a temporary one, and I understand that when you receive further instructions from your Government in regard to this interest you will again take the matter up with this department, with a view to the final disposition of the same.

I am, my dear Mr. Minister,

Very truly, yours,

ALBERT RATHBONE.

MR. SLAVKO GROUITCH,

*Envoy Extraordinary and Minister Plenipotentiary for Serbia,
The Serbian Legation, Washington, D. C.*

LÉGATION DU ROYAUME DES SERBES, CROATES, ET SLOVÈNES,

APRIL 14, 1919.

MY DEAR MR. RATHBONE: I beg to acknowledge the receipt of your letter of April 1, regarding the payment of interest on the demand obligation of my Government held by the United States.

I have not failed to inform my Government that the Treasury wishes to have payment of interest made on April 15 next on such of said obligations as bear date on or before February 21, 1919, and will ask that payment of interest be made on May 15, 1919, on such other obligations of my Government as may be then held by the United States. I have also informed my Government that, according to the statement which was inclosed in your letter and which has been prepared under the direction of the Treasurer of the United States, setting forth the dates and principal amounts of such obligations dated on or before February 21, 1919, the sum due April 15, 1919, as interest amounts to \$268,608.27.

Referring to our verbal agreement, I beg to solicit, on behalf of my Government, a special advance of \$268,608.27 against the duly executed obligation of my Government in that amount and on the understanding that said amount is to be turned over to you on April 15 for the payment of the above-mentioned interest.

I beg to remain,

Yours, sincerely,

S. Y. GROUITCH, *Minister.*

HON. ALBERT RATHBONE,

Assistant Secretary of the Treasury, Washington, D. C.

APRIL 24, 1919.

DEAR MR. POLK: Since the receipt of your letters of February 17 and 18, 1919, addressed to the Secretary of the Treasury he has established credits in favor of the Government of the Kingdom of Serbia and has made advances therefrom against obligations executed in the name of said Government by Mr. Grouitch up to nearly \$15,000,000. I shall be obliged if you will inform me whether the Serbian minister has authority from his Government to arrange for the establishment of further credits by the Secretary of the Treasury and to sign obligations for advances made therefrom in addition to the \$15,000,000 mentioned in your letter of February 17. I am not clear from your letter whether his authority to arrange for new loans from the Treasury, over and above credits previously established in favor of that Government, was limited to \$15,000,000.

I am informed by the American Relief Administration that it contemplates furnishing food and food products to the Government of Serbia aggregating some \$10,000,000 in cost, and that in order to carry out such program it is necessary that further credits be immediately established in favor of the Government

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of the Kingdom of Serbia and advances made from time to time therefrom, commencing almost immediately. The Serbian Government has other payments to meet in this country and it is not unlikely that the Treasury will be asked to establish credits and make advances to cover the same. In view of the urgency of the matter, I trust it may be possible to have this matter disposed of at an early date.

I am, my dear Mr. Polk,

Very truly, yours,

ALBERT RATHBONE.

HON. FRANK L. POLK,

Acting Secretary of State.

SECTION 189.

April 14, 1919, Memorandum of Serbian Account.

APRIL 24, 1919.

Memorandum for Serbian file:

Cash advances to Serbia to—

Apr. 22-----	\$26, 718, 608. 27
Feb. 18-----	10, 814, 697. 70

15, 903, 910. 57

Red Cross advances, old credit----- \$1, 185, 302. 30

New credit and advance for interest----- 268, 608. 27

1, 453, 910. 57

14, 450, 000. 00

APRIL 25, 1919.

DEAR MR. MINISTER: Referring to my letter of April 1, 1919, regarding the payment of interest on the demand obligations of your Government held by the United States, I inclose herewith a statement prepared under the direction of the Treasurer of the United States setting forth the dates and principal amounts of such obligations dated after February 21, 1919, held by the United States at the close of April 24, 1919, showing \$61,857.29 as the interest due May 15, 1919, thereon, computed at the rate of 5 per cent per annum from the respective dates of said obligations to May 15, 1919. A supplemental statement will be sent you on or before May 14, showing the interest which will become due May 15, 1919, upon any additional obligation of the Government of Serbia acquired by the United States between April 24 and May 14, 1919. Please make payment of the interest due May 15, 1919, by check payable to the order of the "Assistant Treasurer of the United States, New York, for credit General Account of Treasurer of the United States," and deliver the same to the Assistant Treasurer of the United States at the Subtreasury in New York on May 15, 1919.

I am, dear Mr. Minister,

Yours, very truly,

ALBERT RATHBONE.

MR. SLAVKO Y. GROUITCH,

The Serbian Legation,

1339 Connecticut Avenue, Washington, D. C.

Interest at 5 per cent on obligations of the Royal Serbian Government.

[May 15, 1919, 365 days to the year.]

Date.	Amount.	Number of days.	Interest.
1919.			
Mar. 14-----	\$5, 000, 000. 00	62	\$42, 465. 75
Apr. 15-----	4, 450, 000. 00	30	18, 237. 67
Do-----	268, 608. 27	30	1, 103. 87
Total-----	9, 718, 608. 27	-----	61, 857. 29

[Ammission, Paris. Not by wireless. Charge to Treasury Department.]

APRIL 26, 1919.

For DAVIS from Rathbone. (Treasury 1006.)

Supplementing our 961, Serbian minister has not authority to borrow from Treasury in excess of credits previously established and has asked his Government for instructions. Until State Department informed of any additional authority fourth and fifth credits for food purchases for May and June can not be arranged. Relief administration informed of situation. Suggest you advise Hoover. Treasury not anxious to advance Serbia for food, but willing to do so within limit previously mentioned if food absolutely necessary and Serbia desires to borrow for purpose.

ALBERT RATHBONE,
Assistant Secretary of the Treasury.

LEGATION OF THE KINGDOM OF THE SERBS, CROATS, AND SLOVENES,

MAY 12, 1919.

MY DEAR MR. RATHBONE: I beg to acknowledge the receipt of your letter of April 25 regarding the payment of interest due May 15, 1919, on the demand obligations of my Government dated after February 21, 1919, and held by the United States at the close of April 24, 1919. As no additional obligation has been signed nor will be signed between April 24 and May 14, 1919, the amount of interest due on May 15, 1919, remains, as stated in your letter of April 15, i. e., \$61,857.29.

I beg to solicit on behalf of my Government an advance in the above-mentioned amount of \$61,857.29, out of the unexpended balance of the credit of \$15,000,000, against the duly executed obligation of my Government in that amount and on the understanding that said amount is to be turned over to you on May 15 for payment of the above-mentioned interest.

I beg to remain,

Yours, sincerely,

S. Y. GROUITCH, *Minister.*

HON. ALBERT RATHBONE,
Assistant Secretary of the Treasury,
Washington, D. C.

SECTION 190.

May 12, 1919, Credit of \$61,857.29 Made to Meet Interest Due on May 15, 1921.

MAY 12, 1919.

MY DEAR MR. MINISTER: I have received your letter of the 12th instant asking an advance of \$61,857.29 to enable your Government to pay the interest due May 15 on its obligations held by the United States. I understand from the talk I have had with you on the subject that you have not been informed by your Government of any provisions which it has made for supplying you with the dollars needed to make payment on May 15 of said amount of interest. In the circumstances the Treasury is prepared to advance to your Government on May 15 the sum of \$61,857.29 against the duly executed obligation of your Government in the corresponding amount, such sum to be used for the payment of the interest due on that date on obligations of your Government held by the United States. As heretofore explained, this arrangement is intended to be a temporary one, and I understand that when you receive further instructions from your Government in regard to this interest you will again take the matter up with this department with a view to a final disposition of the same.

I am, my dear Mr. Minister,

Very truly, yours,

ALBERT RATHBONE.

MR. SLAVKO Y. GROUITCH,
Envoy Extraordinary and Minister Plenipotentiary,
The Serbian Legation,
1339 Connecticut Avenue NW., Washington, D. C.

SECTION 191.

July 8, 1919, Statement of Account to Date.

JULY 8, 1919.

DEAR MR. MINISTER: I have your letter of the 7th instant in which you inquire concerning the balance of the credits established in favor of your Government in the sum of \$488,142.71 that was withdrawn July 1, 1919, and I take pleasure in submitting to you the following statement:

Credits established:		Advances from established credits:	
June 2, 1917-----	\$3,000,000.00	Aug. 3, 1917-----	\$1,000,000.00
Dec. 21, 1917-----	1,000,000.00	Sept. 11, 1917-----	500,000.00
Jan. 10, 1918-----	2,000,000.00	Oct. 25, 1917-----	1,500,000.00
May 14, 1918-----	3,000,000.00	Jan. 3, 1918-----	200,000.00
July 29, 1918-----	3,000,000.00	Jan. 11, 1918-----	1,000,000.00
Feb. 21, 1919-----	15,000,000.00	Apr. 25, 1918-----	1,000,000.00
Apr. 14, 1919-----	268,608.27	May 28, 1918-----	1,000,000.00
	27,268,608.27	June 26, 1918-----	1,405,000.00
Credits withdrawn----	488,142.71	July 18, 1918-----	200,000.00
		July 29, 1918-----	1,000,000.00
		Aug. 20, 1918-----	200,000.00
		Oct. 2, 1918-----	1,200,000.00
		Nov. 11, 1918-----	400,000.00
		Nov. 15, 1918-----	209,697.70
		Feb. 21, 1919-----	6,185,302.30
		Mar. 14, 1919-----	5,000,000.00
		Apr. 15, 1919-----	4,718,608.27
		May 15, 1919-----	61,857.29
Total-----	26,780,465.56	Total-----	26,780,465.56

I am, my dear Mr. Minister,
Yours, very truly,

ALBERT RATHBONE.

MR. SLAVKO Y. GROUITCH,
*Envoy Extraordinary and Minister Plenipotentiary,
The Legation of the Kingdom of the Serbs, Croats, and Slovenes,
Washington, D. C.*

SECTION 192.

December 22, 1919, British State That They Have No Security at All for
Advances Made to Serbia.

BRITISH DELEGATION, REPARATION COMMISSION,
26 RUE DE BASSANO, PARIS, December 22, 1919.

DEAR MR. RATHBONE: You will remember speaking to me on the 15th instant about the Serbian obligations which we were demanding. I have heard from the Treasury, and, as I suspected, you have been rather misled by our allies. There is no question at present of getting long-term obligations from Serbia; all that we are proposing is that she should now, for the first time, deposit short-term obligations. So far we have had no security at all for the advances made to her.

Believe me,
Yours, sincerely,

ANDREW MCFADYEN.

