

when occasion arises and its conditions are met. On August 7, 1922, the Reparation Commission released from reparation claims for a period of 20 years certain revenues of the Austrian Government in order that they might be used as security for a new Austrian bank of issue. In this connection the United States Government informed the Austrian Government that it was prepared, within the limits of the resolution of April 6, 1922, to suspend its priority in respect to Austrian assets and revenues to the extent necessary for this purpose.

WORLD WAR FOREIGN DEBT COMMISSION.

The World War Foreign Debt Commission was created by the act of February 9, 1922, entitled "An act to create a commission authorized under certain conditions to refund or convert obligations of foreign Governments held by the United States of America, and for other purposes," the text of which is as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That a World War Foreign Debt Commission is hereby created consisting of five members, one of whom shall be the Secretary of the Treasury, who shall serve as chairman, and four of whom shall be appointed by the President, by and with the advice and consent of the Senate.

SEC. 2. That, subject to the approval of the President, the commission created by section 1 is hereby authorized to refund or convert, and to extend the time of payment of the principal or the interest, or both, of any obligation of any foreign Government now held by the United States of America, or any obligation of any foreign Government hereafter received by the United States of America (including obligations held by the United States Grain Corporation, the War Department, the Navy Department, or the American Relief Administration), arising out of the World War, into bonds or other obligations of such foreign Government in substitution for the bonds or other obligations of such Government now or hereafter held by the United States of America, in such form and of such terms, conditions, date or dates of maturity, and rate or rates of interest, and with such security, if any, as shall be deemed for the best interests of the United States of America: *Provided*, That nothing contained in this act shall be construed to authorize or empower the commission to extend the time of maturity of any such bonds or other obligations due the United States of America by any foreign Government beyond June 15, 1947, or to fix the rate of interest at less than 4½ per centum per annum: *Provided further*, That when the bond or other obligation of any such Government has been refunded or converted as herein provided, the authority of the commission over such refunded or converted bond or other obligation shall cease.

SEC. 3. That this act shall not be construed to authorize the exchange of bonds or other obligations of any foreign Government for those of any other foreign Government, or cancellation of any part of such indebtedness except through payment thereof.

SEC. 4. That the authority granted by this act shall cease and determine at the end of three years from the date of the passage of this act.

SEC. 5. That the annual report of this commission shall be included in the annual report of the Secretary of the Treasury on the state of the finances, but said commission shall immediately transmit to the Congress copies of any refunding agreements

entered into, with the approval of the President, by each foreign Government upon the completion of the authority granted under this act.

Approved, February 9, 1922.

The act provides that the Secretary of the Treasury shall be one of the members of the commission and serve as its chairman. As the other four members of the commission, the President appointed on February 21, 1922, Charles E. Hughes, Secretary of State; Herbert C. Hoover, Secretary of Commerce; Reed Smoot, United States Senator; and Theodore E. Burton, Member of the House of Representatives. On February 28, 1922, the Senate confirmed the appointments of Secretary Hughes and Secretary Hoover, and on April 11, 1922, confirmed the appointments of Senator Smoot and Congressman Burton.

The organization and first meeting of the commission was held on April 18, 1922. Eliot Wadsworth, Assistant Secretary of the Treasury, was appointed secretary of the commission, and the following resolution was adopted:

Resolved, That the Secretary of State be requested to inform each of the Governments whose obligations, arising out of the World War, are held by the United States, including obligations held by the United States Grain Corporation, the War Department, the Navy Department, or the American Relief Administration, of the organization of the World War Foreign Debt Commission pursuant to the act of Congress approved February 9, 1922, and that the commission desires to receive any proposals or representations which the said Government may wish to make for the settlement or refunding of its obligations under the provisions of the act.

In accordance with this resolution the Secretary of State instructed the diplomatic representatives of this Government at the capitals of each of the foreign Governments indebted to the United States, with the exception of Armenia, Austria, Cuba, Greece, Liberia, Nicaragua, and Russia, to communicate to the respective Governments to which they were accredited the text of the resolution and of the act. This action was not taken in respect to the Governments above named for the following reasons:

Armenia, Greece, and Russia: In none of these countries is there a Government recognized by the United States.

Austria: Congress passed on April 6, 1922, a joint resolution giving the Secretary of the Treasury special authority to deal with the Austrian debt.

Cuba: Interest and installments of principal are being regularly paid and no refunding is required.

Liberia: An act authorizing a new loan, from the proceeds of which the existing loan will be repaid in full, has already been passed by the House of Representatives pursuant to request of the Department of State, and is now pending before the Senate.

Nicaragua: This debt is regarded as already in funded form.

In response to the invitation of this Government the following countries have designated representatives to negotiate with the commission: Belgium, Czechoslovakia, Finland, France, Great Britain, Hungary, Poland, Rumania, and Serbia.

The commission held further meetings on June 1 and 30, July 27, August 10, and September 29, 1922.

In July, 1922, the French Government sent a special mission, headed by Mr. Jean V. Parmentier, director of the movement of funds of the French treasury, to the United States to discuss with the commission the French debt to this Government. Mr. Parmentier, upon his arrival, placed in the hands of the commission certain data relating to the financial and economic situation of France. He explained to the commission the position of his Government in respect to the funding of its debt to the United States, stating that he had been designated by the French Government to afford the commission complete information as to the financial condition of his Government, but that the latter did not consider it possible at the present time to enter into any definite engagements for a funding or settlement of its debt. He further stated that it was his Government's desire to postpone for an indefinite period consideration of this matter, until the financial situation of France should become more clear, particularly as to reparation receipts from Germany. The commission's position on the subject was explained to Mr. Parmentier, and especially its desire that a funding of the French debt should take place in the near future. On August 17, 1922, Mr. Parmentier informed the chairman of the commission that he had been keeping his Government informed of the progress made in the negotiations and that he had received a cable instructing him to return for a full discussion with his Government of the situation as it had developed. The chairman replied that in his view it could only be beneficial if Mr. Parmentier should in person discuss with his Government the negotiations which had taken place between him and the commission. Mr. Parmentier returned to France shortly after this conference.

Announcement was made by the Government of Great Britain on July 17, 1922, that a special delegation would proceed to the United States early in September to negotiate terms for the funding of the British debt to the United States. The British Embassy in Washington subsequently reported that the delegation would sail on October 18 for New York, headed by Sir Robert Horne, Chancellor of the Exchequer, who would be accompanied by Mr. Montagu Collet Norman, Governor of the Bank of England, as second delegate. With the recent change of government in England, however, the departure of a delegation has been postponed pending the holding of the elections in that country.

Great Britain has paid \$100,000,000 as interest on her obligations to the United States during the current fiscal year, \$50,000,000 on October 16, 1922, and \$50,000,000 on November 15, 1922, in addition to the payments under the special agreement as to silver advances.

The Italian Government has stated that it is prepared to send a special commission to this country to negotiate with the commission.

The Rumanian Government has sent a special delegation to the United States to negotiate with the commission.

The commission has had discussions of a preliminary nature with a few of the other debtor governments, but no definite funding agreements have yet been entered into.

Statistical information has been and is being compiled and analyzed with a view to ascertaining the financial and economic conditions of the various debtor nations. The commission is hopeful that after the British debt to the United States has been refunded, which is expected to take place shortly, substantial progress will be made in concluding refunding arrangements with the other debtor nations.

BUREAU OF INTERNAL REVENUE.¹

Internal-revenue collections for the fiscal year ended June 30, 1922, aggregated \$3,197,451,083, compared with \$4,595,357,061.95 for the fiscal year ended June 30, 1921, a decrease of \$1,397,905,978.95, or about 30 per cent. This decrease in collections is due principally to a decrease of \$1,141,219,208.90 in receipts from income and profits taxes, which aggregated \$2,086,918,464.85 for the fiscal year 1922, as compared with \$3,228,137,673.75 for the fiscal year 1921.

The collections made during the first six months of the fiscal year 1922 included the third and fourth installments of income and profits taxes on incomes of the calendar year 1920, returns for which were made under the provisions of the revenue act of 1918. The collections made during the last six months of the fiscal year included the first and second installments of income and profits taxes on incomes of the calendar year 1921, returns for which were made under the provisions of the revenue act of 1921. The provisions of these two acts with respect to the computation of net income and the credits which may be applied against income in computing the tax are substantially different. There was, in addition, a considerable shrinkage of income in 1921 as compared with 1920.

¹ The figures concerning internal-revenue receipts as here given differ from figures carried in other Treasury statements showing the financial condition of the Government, because the former represent collections by internal-revenue officers throughout the country, including deposits by postmasters of amounts received from sale of internal-revenue documentary stamps, while the latter represent the deposits of these collections in the Treasury or depositories during the fiscal year concerned, the differences being due to the fact that some of the collections in the latter part of the fiscal year can not be deposited, or are not reported to the Treasury as deposited, until after June 30th, thus carrying them into the following fiscal year as recorded in the statements showing the condition of the Treasury. (See Department Circular No. 176, par. 25.)

WORLD WAR FOREIGN DEBT COMMISSION.

The membership and powers of the World War Foreign Debt Commission as originally defined in the act of Congress approved February 9, 1922, have been amended by the act of Congress approved February 28, 1923. (Copies of both acts of Congress as approved are attached as Exhibits 42 and 44 on pages 256 and 261.)

The present members of the commission are:

Andrew W. Mellon, Secretary of the Treasury, Chairman.

Charles E. Hughes, Secretary of State.

Herbert Hoover, Secretary of Commerce.

Reed Smoot, United States Senator.

Theodore E. Burton, Member of the House of Representatives.

Charles R. Crisp, Member of the House of Representatives.

Richard Olney, formerly Member of the House of Representatives.

Eliot Wadsworth, Assistant Secretary of the Treasury, Secretary.

Since November 15, 1922, the commission has held meetings on November 20 and 22, 1922, and on January 6, 8, 9, 10, 11, 12, 14, 16, and 18, February 1, 2, and 3, March 9 and 10, April 16, May 5 and 21, and October 20, 1923.

The following countries have designated representatives to negotiate with the commission: Belgium, Czechoslovakia, Finland, France, Great Britain, Hungary, Latvia, Poland, Rumania, and Yugoslavia.

Debt settlement with Great Britain.

The Right Hon. Stanley Baldwin, Chancellor of the Exchequer, and Mr. Montagu C. Norman, Governor of the Bank of England, representatives appointed by the Government of Great Britain to negotiate with the commission, appeared before the commission on January 8, 1923, for the purpose of considering the funding of the indebtedness of Great Britain to the United States. They placed in the hands of the commission data relating to the financial and economic condition of Great Britain. It became manifest at the outset that it would not be possible to effect an agreement for funding within the limits of the act of Congress approved February 9, 1922, and the commission, therefore, considered the practicability of a settlement on some other basis. Further meetings between the commission and the British representatives were held on January 10, 11, 12, 14, 16, and 18, 1923, at which time, no agreement having been reached, discussions were adjourned in order to permit the British representatives to return to England for consultation.

On February 1, 1923, the British Ambassador at Washington appeared before the commission and stated that he had been instructed by his Government to notify the commission that the British

Government had accepted in principle, on January 31, 1923, terms which the commission had indicated to the British representatives it would feel justified in recommending to the President for presentation to Congress. These terms were formulated at a second meeting with the British Ambassador at Washington on February 2, 1923.

On February 3, 1923, the commission made its report to the President, setting forth the terms agreed upon and recommending for submission to Congress a settlement with the British Government upon these terms. On February 7, 1923, the President addressed the Congress, recommending for its approval the proposed settlement. (Copy of the address of the President, which embodies the report of the commission, is attached as Exhibit 43, p. 257.) Settlement on the terms agreed upon was authorized by Congress by act approved February 28, 1923, already referred to. (See Exhibit 44, p. 261.)

Informal discussions were thereafter held between representatives of the British Government and of the commission, with reference to the form of agreement to be executed. The formal proposal by the British Government for the funding of its debt to the United States, embodying in detail the terms of the agreement, signed in its behalf on June 18, 1923, by the British Ambassador at Washington, was received by the Treasury on June 19, 1923. Upon receipt of the proposal there was delivered to the British Embassy at Washington the formal acceptance of the proposal by the United States, signed in its behalf by the Secretary of the Treasury as Chairman of the World War Foreign Debt Commission, and approved by the President. There were also similarly delivered at this time, by authority of the commission, two letters addressed to the British Ambassador at Washington, both dated June 19, 1923, signed by the Secretary of the Treasury as Chairman of the World War Foreign Debt Commission, and approved by the President. Bonds of the United Kingdom, in the aggregate principal amount of \$4,600,000,000, issued pursuant to the terms of the proposal and acceptance, were received by the Treasury on July 5, 1923. The Treasury thereupon canceled and surrendered to the British Government, through the British Embassy at Washington, demand obligations of Great Britain in the principal amount of \$4,074,818,358.44, in accordance with the provisions of the proposal and acceptance. (A copy of the proposal and acceptance as executed on June 18 and 19, 1923, respectively, together with the form of bond actually executed and delivered on July 5, 1923, is attached as Exhibit 45, p. 262. Copies of the two letters addressed to the British Ambassador at Washington, dated June 19, 1923, are attached as Exhibits 46 and 47, pp. 270 and 271.)

Debt settlement with Finland.

Mr. Axel Leonard Åström, Minister of Finland at Washington and representative appointed by the Government of Finland to negotiate with the commission, appeared before the commission on March 10, 1923, and stated that he had been instructed by his Government to inform the commission of its desire to refund its indebtedness to the United States and to place in the hands of the commission full information regarding the financial and economic condition of Finland. As a result of this meeting and conferences with the officers of the commission an agreement was reached, subject to the approval of the Parliament of Finland and to that of the President and Congress of the United States, in terms substantially similar to that reached with Great Britain. The Minister of Finland thereupon submitted the terms agreed upon to his Government, and thereafter, by letter dated April 12, 1923, advised the commission in substance that on April 10, 1923, the Parliament of Finland had passed a bill authorizing the final settlement of the indebtedness of Finland to the United States, with the result that he was able, on behalf of Finland, to execute a formal agreement embodying the terms agreed upon with the commission. A formal agreement was accordingly executed on May 1, 1923; being signed in behalf of Finland by the Minister of Finland at Washington and in behalf of the United States by the Secretary of the Treasury as Chairman of the World War Foreign Debt Commission. The agreement, with the report of the commission recommending for submission to Congress a settlement with the Government of Finland upon the terms indicated, was forwarded to the President on May 3, 1923, and received his approval on that date. Congress not being in session, the final consummation of the agreement awaits its action.

Progress of negotiations with other debtor nations.

Belgium.—Baron de Cartier, Belgian Ambassador at Washington and representative appointed by the Government of Belgium to negotiate with the commission, has stated that he hoped to lay before the commission proposals for the consolidation of the debt of Belgium. He has had some informal discussion with representatives of the commission in regard to the status of the indebtedness, but no proposals or representations with reference to its refunding have yet been received.

Cuba.—The Government of Cuba has repaid in full its indebtedness to the United States evidenced by obligations representing cash advances under the Liberty bond acts aggregating \$10,000,000. (See p. 30. *Repayments on account of principal.*)

Czechoslovakia.—Dr. František Chvalkovský, Minister of Czechoslovakia at Washington, Dr. Eugène Lippansky, counselor to the

Ministry of Finance, Capt. Stanislas Křenek, of the Ministry of National Defense, and Mr. Francois Pisecky, Director of the Corn Office and Expert Collaborator, representatives appointed by the Government of Czechoslovakia, arrived in Washington in May, 1923, and called at the office of the commission. They stated that they had been instructed by their Government to establish the total amount of the indebtedness of Czechoslovakia to the United States; to adjust the accounts of the Ministries of Finance, Food, and National Defense of their Government, so that the central administration of Czechoslovakia might be able to coordinate its accounts with those of the Government of the United States; and, under certain conditions, to enter into negotiations for a general settlement of the indebtedness determined to be due. The representatives of Czechoslovakia have reconciled the figures of their Government with those of the American Relief Administration and the United States Grain Corporation, but have not yet brought about an agreement between their figures and those of the War Department and the United States Shipping Board. The representatives of Czechoslovakia left the United States in July, with the understanding that they would continue their efforts to adjust all differences, and would return to the United States in the autumn to continue the negotiations.

Esthonia.—The Government of Esthonia has indicated that it hopes to appoint in a short time its representative to negotiate with the commission.

France.—An account of certain preliminary discussions held in July, 1922, with Mr. Jean Parmentier, Director of the Movement of Funds of the French Treasury and representative appointed by the Government of France to negotiate with the commission, appears in the previous report of the commission on page 26 of the annual report of the Secretary of the Treasury for the fiscal year ended, June 30, 1922. Mr. Parmentier returned to France in August, 1922, for a full discussion with his Government of the situation as it had developed here. No proposals or representations have been received since his departure.

Hungary.—Count László Széchenyi, Hungarian minister at Washington and representative appointed by the Government of Hungary to negotiate with the commission, advised the Department of State on June 7, 1923, that his Government would shortly propose a plan for the refunding of its obligations to the United States.

Italy.—The Government of Italy stated in July, 1922, that it was prepared to send representatives to this country to negotiate with the commission, but as yet has not informed the commission of the designation of representatives nor made further proposals or representations in the matter.

Latvia.—The Latvian Minister for Foreign Affairs and the Latvian Minister of Finance were authorized on August 16, 1923, to enter

into negotiations with this Government with a view to arranging for a settlement of the indebtedness of Latvia to the United States. The Latvian Government expressed a desire that the negotiations be conducted at Riga. This Government has replied that under existing legislation the commission as at present composed will be unable to negotiate in Europe, and has suggested negotiations at Washington.

Lithuania.—No representatives have been appointed to negotiate with the commission. No proposals or representations have been received.

Poland.—Mr. Hipolit Gliwic, Counselor of the Legation of Poland at Washington and representative appointed by the Government of Poland to negotiate with the commission, has advised the commission that he has succeeded in reconciling the figures of his Government with those of the American Relief Administration and the United States Grain Corporation, that he is hopeful of bringing about an agreement between his figures and those of the War Department and the Navy Department at an early date, and that his Government hopes to be able to open negotiations for a general refunding of the indebtedness determined to be due in the near future.

Roumania.—Mr. Eftimie Antonesco, Counselor at the Supreme Court at Bucharest and professor of the Commercial Academy of Bucharest, and Mr. Constantin Antoniadu, Counselor at the Court of Appeal at Bucharest and president of the Paris Commission in charge of the consolidation of Roumanian treasury bonds, representatives appointed by the Government of Roumania to negotiate with the commission, appeared before the commission on November 22, 1922. They stated at this meeting and at conferences with the officers of the commission that they had been charged by their Government to consider and verify with the commission the exact amount of the indebtedness of Roumania to the United States. This was substantially accomplished. They also placed in the hands of the commission certain information regarding the financial and economic condition of Roumania, and explained to the commission the difficulty which their Government found in determining at that time the exact date when it might become possible to begin payment of interest on its indebtedness. They stated that they had been authorized to discuss any suggestions which might be made by the commission, with a view to refunding this indebtedness, but that they possessed no authority to enter into any binding agreement on behalf of their Government for such a refunding. They filed with the commission a statement to the effect that it was the intention of their Government to meet the indebtedness as soon as it should become possible to do so, and requested that the negotiations might be suspended and that their visit might be regarded as a preliminary one, further negotiations to be undertaken at a later date. In reply the commission

defined its position and authority and expressed its desire for an early refunding of the Roumanian indebtedness. The Roumanian representatives left the United States shortly after this meeting.

Yugoslavia.—The Government of Yugoslavia has stated that it is to send a mission to Washington for the purpose of presenting to the commission the point of view of that Government regarding the question of the adjustment of its war debts to the United States.

The commission has conducted no negotiations with regard to the indebtedness of Armenia, Austria, Greece, Liberia, Nicaragua, and Russia for the following reasons:

Armenia, Greece, and Russia.—In none of these countries is there a Government recognized by the United States.

Austria.—Repayment of this indebtedness, both principal and interest, has been postponed until June 1, 1943, by the Secretary of the Treasury, acting in behalf of the United States under special authority conferred by joint resolution passed by Congress and approved by the President on April 6, 1922. (See p. 33.)

Liberia.—This indebtedness has also been the subject of special legislation under consideration during the past session of Congress. (See p. 25 of the Annual Report of the Secretary of the Treasury for the fiscal year ended June 30, 1922.)

Nicaragua.—This indebtedness is regarded as already in funded form.

Statistical information has been and is being compiled and analyzed with a view to following the financial and economic conditions of all debtor nations.

The commission is continuing to perform its duties as defined in the applicable statute, and hopes to reach an adjustment with all nations indebted to this Government at the earliest possible date.

For a detailed statement of the obligations of foreign governments held by the United States, together with interest accrued and remaining unpaid thereon as of the last interest period prior to or ending with November 15, 1923, see Exhibit 41, page 255.

OBLIGATIONS OF FOREIGN GOVERNMENTS.

The obligations of various foreign governments held by the Treasury on November 15, 1923, aggregated \$10,578,509,342.13, principal amount, and may be classified as follows:

(1) \$5,242,468,566.82 representing cash advances made by the Secretary of the Treasury, with the approval of the President, under the Liberty bond acts.

(2) \$595,088,009.27 received from the Secretary of War and the Secretary of the Navy on account of sales of surplus war material under the act of July 9, 1918.

WORLD WAR FOREIGN DEBT COMMISSION

The present members of the World War Foreign Debt Commission are:

Andrew W. Mellon, Secretary of the Treasury, chairman.

Charles E. Hughes, Secretary of State.

Herbert C. Hoover, Secretary of Commerce.

Reed Smoot, United States Senator.

Theodore E. Burton, Member of the House of Representatives.

Charles R. Crisp, Member of the House of Representatives.

Richard Olney, formerly Member of the House of Representatives.

Edward N. Hurley, formerly chairman of the United States Shipping Board.

Eliot Wadsworth, Assistant Secretary of the Treasury, secretary.

A copy of the act of Congress approved February 9, 1922, creating the commission and defining its powers, appears in the Annual Report of the Secretary of the Treasury for the fiscal year ended June 30, 1923, as Exhibit 42, page 256.

A copy of the act of Congress approved February 28, 1923, which authorized the settlement of the indebtedness of Great Britain and increased the membership of the commission from five to eight appears as Exhibit 44, page 261 of the same report.

At the time of the creation of the commission the United States held obligations of foreign governments representing indebtedness incurred in connection with the World War or arising out of conditions resulting therefrom, aggregating in principal amount approximately \$10,102,000,000. The commission has negotiated agreements for the funding of the principal of such indebtedness (including the indebtedness of Lithuania and Poland, respectively, referred to below), amounting to \$4,249,434,720.64, or more than 42 per cent of the total indebtedness to the United States at that time.

A statement of the obligations of foreign governments, together with interest accrued and remaining unpaid thereon as of the last interest period prior to or ending with November 15, 1924, is attached as Exhibit 38, page 230.

There is set forth below a detailed report of the activities of the commission since the last annual report.

Debt settlement with Finland

Settlement of the indebtedness of Finland to the United States on the terms embodied in the agreement executed May 1, 1923, signed on behalf of Finland by the minister of Finland at Washington and on behalf of the United States by the Secretary of the Treasury as chairman of the World War Foreign Debt Commission, with the approval of the President, was approved by act of Congress of March 12, 1924.

Bonds of Finland in the aggregate principal amount of \$9,000,000, issued pursuant to the terms of the agreement, were received by the Treasury on March 22, 1924. The Treasury thereupon, in accordance with the terms of the agreement, canceled and surrendered to Finland through the legation of Finland at Washington obligations of Finland in the principal amount of \$8,281,926.17.

Negotiations leading up to the execution of the agreement are described in the last report of the commission embodied in the Annual Report of the Secretary of the Treasury for the fiscal year ended June 30, 1923, page 26.

Copies of the agreement as executed on May 1, 1923, together with the form of bond actually executed and delivered on March 22, 1924; of the report of the commission dated May 2, 1923; of the letter of the President to Congress dated January 16, 1924; and of the act of Congress approving the settlement are attached as Exhibits 41, 42, 43, 44, pages 233 to 241.

Debt settlement with Hungary

Count László Széchényi, minister of Hungary at Washington and representative appointed by the Government of Hungary to negotiate with the commission, presented to the commission on April 7, 1924, the desire of his Government to refund its indebtedness to the United States evidenced by one of a series of obligations designated as "Relief Series C of 1920." Frequent conferences resulted between representatives of the commission and the minister, at which the minister emphasized the fact that his Government was in serious financial difficulties; that a reconstruction loan had become imperative in order to enable his Government to rehabilitate its finances, and that the success of this loan made it essential that the lien enjoyed by the series of obligations designated as "Relief Series C of 1920" be subordinated to that of the loan. After full consideration of the problems involved, an agreement was reached, subject to the approval of the President and of the Congress of the United States, which was substantially the same as that previously reached with Finland. The agreement, however, provided that the bonds to be issued pursuant to its terms should be secured in the same manner and to the same extent as the obligations designated as "Relief Series C of 1920," subject to release of such security, in whole or in part, if and when all other creditor nations holding obligations of Hungary of the designated series should release to a similar extent the security enjoyed by such obligations, by the Secretary of the Treasury of the United States on such terms and conditions as he might deem necessary or appropriate, so that the United States could cooperate in any program whereby Hungary might be able to finance its immediate needs by the flotation of a loan for reconstruction purposes.

The arrangement contemplated was similar to that previously made with respect to the relief obligation of the Government of Austria held by the Treasury, designated as "Relief Series B of 1920" by authority of joint resolution of Congress approved April 6, 1922. See Annual Report of the Secretary of the Treasury for the fiscal year ended June 30, 1922, page 23.

A formal agreement was executed on April 25, 1924, signed on behalf of Hungary by the minister of Hungary at Washington and on behalf of the United States by the Secretary of the Treasury as chairman of the World War Foreign Debt Commission. The agreement, together with the report of the commission recommending for submission to Congress a settlement with Hungary upon the terms embodied in the agreement, was forwarded to the President on April 25, 1924, and received his approval on that date. On the same day the agreement was transmitted to Congress by the President with the recommendation that settlement of the indebtedness on the terms agreed upon be approved. The settlement was approved by act of Congress of May 23, 1924.

Advices received thereafter by the Treasury through the Department of State indicated that the Reparation Commission by unanimous vote on May 20, 1924, had agreed that the bonds to be issued pursuant to the terms of the agreement should have the same priority, in respect to the assets and revenues of Hungary, as that enjoyed by the obligations designated as "Relief Series C of 1920." Such advices further indicated that substantially all other creditor nations holding obligations so designated, namely, Denmark, France, Great Britain, Holland, Norway, Sweden, and Switzerland, had agreed that the lien enjoyed by their respective obligations upon the assets and revenues of Hungary should be subordinated to that of the reconstruction loan of \$50,000,000 contemplated under the plan approved by the Reparation Commission under date of February 21, 1924.

Accordingly, on May 29, 1924, the Treasury accepted bonds of Hungary, issued pursuant to the terms of the agreement, in the aggregate principal amount of \$1,939,000, canceling and surrendering to Hungary, through the legation of Hungary at Washington, the obligation of Hungary designated as "Relief Series C of 1920," in the principal amount of \$1,685,835.61. On the same day, acting under the authority conferred by the act of Congress above referred to, the Secretary of the Treasury, on behalf of the United States, consented to subordinate the lien of the bonds so received upon the assets and revenues of Hungary to that of the above-described reconstruction loan, without prejudice, however, to the priority over costs of reparation to which the bonds are entitled.

Copies of the agreement as executed on April 25, 1924, together with the form of bond actually executed and delivered on May 29,

1924; of the report of the commission dated April 25, 1924; of the letter of the President to Congress dated April 25, 1924; and of the act of Congress, approving the settlement are attached as Exhibits 45, 46, 47, 48, pages 241 to 251.

Debt settlement with Lithuania

Mr. Kazys Bizauskas, minister of Lithuania at Washington, and representative appointed by the Government of Lithuania to negotiate with the commission, called at the office of the commission on May 16, 1924, and stated that he had been instructed by his Government to inform the commission of its desire to refund its indebtedness to the United States. As a result of conferences with the officers of the commission, an agreement was reached, subject to the approval of the Seimas of Lithuania and of the President and Congress of the United States, which was substantially the same as that previously reached with Finland. The formal agreement was executed on September 22, 1924, signed on behalf of Lithuania by the minister of Lithuania at Washington and on behalf of the United States by the Secretary of the Treasury as chairman of the World War Foreign Debt Commission. The agreement, together with the report of the commission recommending for submission to Congress a settlement with Lithuania upon the terms embodied in the agreement, was forwarded to the President on September 22, 1924, and received his approval on that date. Neither the Seimas of Lithuania nor the Congress of the United States being in session, the settlement has not yet been finally approved.

Debt settlement with Poland

Dr. Władysław Wróblewski, minister of Poland at Washington and representative appointed by the Government of Poland to negotiate with the commission, appeared before the commission on June 23, 1924, and stated that he had been instructed by his Government to inform the commission of its desire to refund its indebtedness to the United States. He pointed out, however, that the entire territory of Poland had been overrun during the World War; that about one-half of its territory had again been overrun during the Soviet war in 1921; that a large amount of German and Austrian currency of greatly depreciated value was still in circulation in Poland; that the Polish mark had not been stabilized until January, 1924; that the new currency of Poland, the zloty, secured by gold or real values and controlled by a bank of issue independent of the Government, had been provided for only as of April 30, 1924; that until very recently Poland had no adequate taxation system and no trained fiscal administration for 80 per cent of its territory; and that Poland had only

just succeeded in balancing its budget. As a result of this meeting and conferences with the officers of the commission, an agreement was reached, subject to the approval of the President and the Congress of the United States and of the President and Council of Ministers of Poland, which was substantially the same as that previously reached with Great Britain, except for a provision under which Poland shall have the option to liquidate amounts due under the agreement prior to 1930, in part by certain semiannual payments aggregating \$10,000,000, and the balance in bonds of Poland similar in terms to those originally issued. The formal agreement embodying the terms agreed upon was executed on November 14, 1924, being signed on behalf of Poland by the minister of Poland at Washington and on behalf of the United States by the Secretary of the Treasury as chairman of the World War Foreign Debt Commission. The agreement, together with the report of the commission recommending for submission to Congress a settlement with Poland upon the terms embodied in the agreement, was forwarded to the President on November 14, 1924, and received his approval on that date. Congress not being in session, the settlement has not yet been finally approved.

Other debtor nations

Armenia.—There is no government recognized by the United States.

Austria.—The time of payment of principal and interest of the Austrian obligation held by this Government was extended until June 1, 1943, and the lien of the obligation subordinated pursuant to special authority conferred by joint resolution of Congress approved April 6, 1922. See annual report of the Secretary of the Treasury for the fiscal year ended June 30, 1923, page 33.

Belgium.—No proposals or representations with reference to refunding have been received since the publication of the last annual report.

Czechoslovakia.—The representatives appointed by the Government of Czechoslovakia left the United States in July, 1923, with the understanding that they would continue their efforts to adjust all differences between their accounts and those of the United States and would return to the United States in order to continue negotiations. On April 9, 1924, the commission was advised that the minister of Czechoslovakia at Washington had been authorized by his Government to proceed with negotiations, and on June 5, 1924, that during the minister's absence the counselor of the legation at Washington would act in his stead. No proposals or representations with reference to refunding have as yet been received.

Esthonia.—Mr. Antonius Piip, minister of Esthonia at Washington and representative appointed by the Government of Esthonia to negotiate with the commission, called at the office of the commission on January 9, 1924, and stated that he had been instructed by his Government to inform the commission of its desire to refund its indebtedness to the United States. The minister placed in the hands of the commission information regarding the financial and economic conditions in Esthonia and has had a number of conferences with the officers of the commission. No agreement has as yet been reached.

France.—No proposals or representations with reference to refunding have been received since the publication of the last annual report.

Greece.—No proposals or representations with reference to refunding have been received since the publication of the last annual report.

Italy.—No proposals or representations with reference to refunding have been received since the publication of the last annual report.

Latvia.—On May 6, 1924, the commission was advised that the question of the foreign indebtedness of Latvia was under consideration by the Latvian cabinet. No proposals or representations with reference to refunding have as yet been received.

Liberia.—No proposals or representations with reference to refunding have been received since the publication of the last annual report.

Nicaragua.—This indebtedness has not been refunded. Payments are being made from time to time on account of the obligations held by the United States.

Rumania.—No proposals or representations with reference to refunding have been received since the publication of the last annual report.

Russia.—There is no government recognized by the United States.

Yugoslavia.—Dr. George Diouritch, a member of the delegation of the Kingdom of the Serbs, Croats, and Slovenes to the Reparation Commission; Dr. Milorad Nedelkovitch, professor at the University of Subotitsa; and Mr. M. I. Pupin, professor at Columbia University and honorary consul general at New York, representatives appointed by the Government of the Kingdom of the Serbs, Croats, and Slovenes, appeared before the commission on April 7, 1924. They stated that their Government intended to present to the commission a plan for the refunding of its indebtedness to the United States, but that due to the economic and financial conditions existing in their country it did not feel that it could do so at present. They placed in the hands of the commission certain information regarding such conditions and stated that their purpose in coming to this country had been twofold, namely, to supply the commission with full information as to such conditions and to demonstrate the progress which their Government had made during the past five years. They expressed with confidence the view that as a result of this progress their Government, at a future date, would be able to

present plans for refunding its indebtedness, not only to this country but also that to Great Britain and France, the latter amounting in the aggregate to about twenty times that to the United States. In reply the commission defined its position and authority and expressed its strong desire for a refunding of the indebtedness to the United States at the earliest possible moment. It also took the position that if a formal proposal were not presently to be submitted, the United States should be assured that, prior to the refunding or discharge of its indebtedness to the United States, no steps would be taken by the Government of the Serbs, Croats, and Slovenes, with respect to any other indebtedness of that Government which would result in placing the United States in a less favorable position as a creditor than that which it then occupied. The representatives of the Serbs, Croats, and Slovenes responded that in their opinion the United States could consider that it already had the desired assurance and that no step was contemplated by their Government which would affect the United States in the manner suggested. The representatives of the Serbs, Croats, and Slovenes left the United States shortly after this meeting.

OBLIGATIONS OF FOREIGN GOVERNMENTS

The obligations of foreign governments held by the Treasury on November 15, 1924, aggregated \$10,559,929,727.59, in principal amount, and may be classified as follows:

(1) \$5,242,247,155.14 representing cash advances made by the Secretary of the Treasury, with the approval of the President, under the Liberty bond acts (\$9,598,236,575.45 originally held).

(2) \$595,052,397.27 received from the Secretary of War and the Secretary of the Navy on account of sales of surplus war material under the act of July 9, 1918 (\$595,141,368.43 originally held).

(3) \$75,812,037.38 received from the American Relief Administration on account of relief supplies furnished under the act of February 25, 1919 (\$84,093,963.55 originally held).

(4) \$55,172,966.88 received from the United States Grain Corporation on account of sales of flour for relief purposes under the act of March 30, 1920 (\$56,858,802.49 originally held).

(5) \$3,736,628.42 received from the United States Shipping Board on account of services rendered to the Government of Poland.

(6) \$4,587,908,542.50 received from the Governments of Finland, Great Britain, and Hungary under the terms of the respective funding agreements concluded pursuant to the act of Congress approved February 9, 1922, as amended by act of Congress approved February 28, 1923 (\$4,610,939,000 originally held). See statement regarding the World War Foreign Debt Commission embodied in the annual reports of the Secretary of the Treasury for the fiscal years ended June 30, 1923 and 1924, pages 24 and 47, respectively.