

A copy of the agreement concluded May 10, 1929, copy of the act of Congress of February 14, 1929, copy of the press release of May 10, 1929, issued by the Secretary of the Treasury at the time of the signing of the agreement, and a copy of the schedule of payments to be made by Greece on account of the new loan, will be found as Exhibits 22, 23, 24, and 25, on pages 305, 306, 308, and 318 of this report.

### *Yugoslavia*

The Government of the Serbs, Croats, and Slovenes (Yugoslavia), delivered to the Treasury on December 1, 1928, the new obligations in exchange for the old obligations held by the United States, as provided for in the funding agreement of May 3, 1926. Copy of the press statement of the Secretary of the Treasury will be found as Exhibit 26, page 318.

### RECEIPTS FROM GERMANY AND THE YOUNG PLAN

Under the terms of the agreement providing for the distribution of the Dawes annuities, signed at Paris on January 14, 1925, the United States is entitled to receive annually from Germany in discharge of her treaty obligations, certain payments on account of the reimbursement of the costs of the United States army of occupation and the awards of the Mixed Claims Commission established in pursuance of the agreement of August 10, 1922, between the United States and Germany. The United States has received each year out of the Dawes annuities up to August 31, 1929, the amounts stipulated under the Paris agreement of January 14, 1925, for these two accounts.

The Dawes plan under which Germany has made reparation payments since 1924 was the result of recommendations made in 1924 by a committee of experts, headed by Gen. Charles G. Dawes. This committee was invited by the Reparation Commission, in its decision of November 30, 1923, to consider the means of balancing the budget and the measures to be taken to stabilize the currency of Germany as well as determine what reparation payments might be made by Germany in the immediate future. While it was not within the jurisdiction of this committee to consider the definitive fixation of Germany's reparation liabilities, it presented a plan of settlement which was intended to operate for a sufficient time to restore confidence and which would eventually lead to a final and comprehensive agreement. As confidence has now been restored and Germany has been reestablished on a relatively high level of economic activity, the time seems favorable for the definite settlement of the reparation question. Such a settlement is desirable not only for the benefit to Germany but also because of the element of uncertainty existing in the affairs of all other countries concerned in repara-

rations. Decisive steps were taken in the direction of final settlement by representatives of the Governments of Germany, Belgium, France, Great Britain, Italy, and Japan in the agreement reached at Geneva on September 16, 1928, for the appointment of a committee of financial experts to be intrusted with the task of drawing up proposals for a complete and final settlement of the reparation problem. The committee, consisting of representatives from the countries mentioned above and two citizens of the United States, were appointed during January, 1929. The first regular meeting of the committee was held in Paris on February 11, 1929, at which Mr. Owen D. Young, an American citizen, was elected as its chairman. After protracted negotiations the committee finally reached an agreement on June 7, 1929.

The plan, commonly referred to as the Young plan, presented by this committee, provides among other things that Germany shall pay an average annuity, exclusive of the annual sum required to meet the services of the German external loan of 1924, of 1,988,800,000 reichsmarks (\$473,732,160) over 37 years, which on a 5½ per cent basis has a present value of about 31,172,000,000 reichsmarks, and varying annuities for 22 additional years. The committee also recommended a division of the annuities among the several creditor governments, in accordance with which the United States will receive on account of its claims for army costs and mixed claims an average annuity of 66,100,000 reichsmarks for 37 years and 40,800,000 reichsmarks for 15 years thereafter.

The committee did not in its report name the sums to be allocated to army costs account and to mixed claims account. The Treasury Department recommends, however, that of the sums to be received 40,800,000 reichsmarks be allocated to the satisfaction of mixed claims, and that the balance be allocated to the satisfaction of the United States Government claims on account of army costs. The reduced amounts to be received under the Young plan as compared with the Dawes plan involve, except in the case of a 10 per cent reduction of army costs claims explained below, a postponement rather than a diminution of the total sums to be paid. The ultimate liquidation of both accounts will necessarily be postponed, but since the claims in the one account are those of individuals to whom the time element is necessarily very important, and in the other the claims of the Government to which the time element is of no great consequence, it is felt that the former should have some preference.

The Young plan is intended to provide a schedule of payments that when made will completely discharge Germany's treaty obligations. In so far as the United States are concerned, the plan involves some modification of treaty obligations. It will be necessary, therefore, for the Congress of the United States to authorize the executive

branch of the Government to enter into an agreement with the German Government providing that the payments above described when completed will discharge Germany's obligations to our Government arising on mixed claims and army costs accounts. The Treasury Department recommends that such authority be granted, for no one will question the desirability of a complete and final settlement of all war obligations still outstanding, and the proposed settlement demands but unimportant concessions on the part of our Government and of those of our citizens who have claims against Germany.

*Army costs*

Under the Paris agreement of January 14, 1925, the United States received out of each Dawes annuity, beginning September 1, 1926, the sum of 55,000,000 reichsmarks as reimbursement of the costs of the American army of occupation. During the fifth annuity year ended August 31, 1929, the United States received on this account the 55,000,000 reichsmarks stipulated in the Paris agreement, or the equivalent of \$13,044,569.72, making a total received to August 31, 1929, out of the Dawes annuities of 165,000,000 reichsmarks or \$39,203,725.89. The army cost account as of September 1, 1929, stood as follows:

Total Army cost charges (gross), including expenses of Inter-  
allied Rhineland High Commission (American department) .. \$292, 663, 435. 79  
Credits to Germany:

Armistice funds (cash requisition on German Government) .....	\$37, 509, 605. 97	
Provost fines .....	159, 033. 64	
Abandoned enemy war material .....	5, 240, 759. 29	
Armistice trucks .....	1, 532, 088. 34	
Spare parts for armistice trucks .....	355, 546. 73	
Coal acquired by Army of occupation...	756. 33	
		44, 797, 790. 30
		247, 865, 645. 49

Payments received:

Under the Army cost agreement of May 25, 1923, which was superseded by agreement of Jan. 14, 1925 .....	14, 725, 154. 40	
Under Paris agreement of Jan. 14, 1925 ..	39, 203 725. 89	
		53, 928, 880. 29

Balance due as of Sept. 1, 1929 .....

193, 936, 765. 20

Beginning September 1, 1929, the United States will receive, under the Young plan if it is inaugurated, an average annuity of 25,300,000 reichsmarks for 37 years, in full liquidation of our Army costs. In this connection, the Young plan contemplates a reduction of 10 per cent in the total amount of the Army costs originally due the United

States. It is understood that France and Great Britain will make a similar sacrifice. If Congress authorizes the acceptance of the reduction of 10 per cent of our total Army costs, the amount due will be reduced by about \$29,266,000. The annuities proposed under the Young plan will liquidate the balance due, after deducting the 10 per cent, over the 37-year period and allow interest on all deferred payments at a rate of about 3½ per cent. The deferred payments represent the difference between the 55,000,000 gold marks received under the Paris agreement and the annuities proposed under the Young plan. The annuities proposed for Army costs are as follows:

Year	In millions of reichsmarks	Year	In millions of reichsmarks
1 (comprises 7 months, Sept. 1, 1929, to Mar. 31, 1930).....	25.1	11-12.....	18.6
2.....	25.5	13-20.....	25.3
3-4.....	25.3	21-37.....	35.3
5-8.....	18.6		
9-10.....	16.4	Average.....	25.3

#### Mixed claims

The Paris agreement of January 14, 1925, made provision for the United States to receive on account of the awards of the Mixed Claims Commission, United States and Germany, 2¼ per cent of that part of each Dawes annuity available for distribution as reparations, not to exceed, however, in any one year the sum of 45,000,000 gold marks. During the fifth annuity year ended August 31, 1929, the United States received for this account the sum of 45,150,573.84 gold marks or \$10,719,030.38, which includes a small amount received in September, 1928, for account of the fourth annuity. The total receipts from Germany for account of mixed claims amounted up to the close of the fifth annuity year to 133,950,289.49 gold marks or \$31,831,472.03. The following statement shows as of August 31, 1929, the estimated liability of the German Government on account of the awards of the Mixed Claims Commission. It is not possible to furnish at this time an accurate statement of this account for the reason that the commission has not yet completed its work. This statement is based on the best information available at this time, but should not be construed to indicate the total amount of awards to be rendered by the commission.

Principal of awards certified to Treasury for payment.....	\$113,295,478.68	
Interest up to Aug. 31, 1929.....	59,407,605.03	
		\$172,703,083.71
Estimated principal amount of awards yet to be entered and certified.....	32,000,000.00	
Estimated interest up to Aug. 31, 1929....	21,000,000.00	
		53,000,000.00

Awards to United States Government.....	\$42, 034, 794. 41	
Interest up to Aug. 31, 1929.....	22, 900, 000. 00	\$64, 934, 794. 41
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		290, 637, 878. 12
Received from Germany up to Aug. 31, 1929..	31, 831, 472. 03	
Earnings and profits on investments.....	2, 149, 692. 70	
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		33, 981, 164. 73
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Estimated balance due as of Sept. 1, 1929.....		256, 656, 713. 39

If the acceptance of the annuities proposed under the Young plan is authorized by Congress, the United States will receive for account of mixed claims beginning September 1, 1929, an annuity of 40,800,000 reichsmarks for a period of 52 years. The Mixed Claims Commission has not completed its work and no accurate statement can therefore be made as to the exact total amount of nor the number of years required to pay off the various classes of claims under the settlement of war claims act of 1928. On the basis of the best information obtainable at this time, it has been estimated, however, that it will require the entire 52 years with annuities of 40,800,000 reichsmarks to pay all claims; about 35 years to pay all the private claims awarded to American citizens, including the return of the unallocated interest fund belonging to the German claimants; and about 17 additional years to liquidate the claims allowed the Government of the United States. On the basis of the 45,000,000 gold marks received under the Paris agreement, it was estimated that it would have required 30 years to pay off private claims and 14 additional years for Government claims.

#### CREDIT CONDITIONS

Toward the end of the calendar year 1927 the Federal reserve system began to exert its influence in the direction of firmer money market conditions. This policy was adopted primarily because of continued growth in the volume of member bank credit at a time when credit requirements of industry and trade were not expanding and when the demand for credit from the security market was increasing. In pursuance of the system's firm money policy, a large outflow of gold to foreign countries during the first half of 1928 was permitted to have its full effect on member bank reserves, and in addition the reserve banks sold several hundreds of millions of securities. By the middle of 1928, the beginning of the fiscal year ended June 30, 1929, the country's stock of monetary gold had declined by about \$500,000,000 from the level of the preceding June, and reserve bank holdings of securities had been reduced by about \$170,000,000. This outflow of gold and the sale of securities by the reserve banks tended to deplete member bank reserve balances, and led to increased borrowing at the reserve banks to restore these balances to the level required