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CHANGES IN THE ORDER OF PRIORITIES OF PAYMENTS OUT OF THE GERMAN SPECIAL DEPOSIT ACCOUNT, AND TRANSFER OF FUNDS FROM THE ALIEN PROPERTY TRUST FUND (WORLD WAR I)

JULY 22 (legislative day, JULY 16), 1947.—Ordered to be printed

Mr. MILLIKIN, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 4043]

The Committee on Finance, to whom was referred the bill (H. R. 4043) to change the order of priority for payment out of the German special deposit account, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

By virtue of this action, the Committee on Finance adopts the Report of the Committee on Interstate and Foreign Commerce of the House of Representatives, which follows.

GENERAL STATEMENT

The purpose of the bill, as amended, and reported by the committee, is (1) to change the order of the remaining unpaid priorities under section 4 (c) of the Settlement of War Claims Act of 1928 so as to place American claims arising out of World War I ahead of German claims, and (2) to make available for distribution to American claimants German assets seized during World War I and still held in the alien property trust fund.

Section 4 of the Settlement of War Claims Act of 1928 created in the Treasury a German special deposit account, whose funds were to be used both for the satisfaction of the awards of the Mixed Claims Commission in favor of Americans, and for the payment of German claims. It provided that payments from the German special deposit account should be made in accordance with a series of 12 specified priorities. Under those priorities certain awards were paid in full and others in installments as funds became available. For example, awards on account of death and personal injuries and all awards of \$100,000 or less were paid in full, whereas, awards in excess of \$100,000 for property losses were paid in installments to the extent of the available funds (substantial portions of these awards remain unpaid). The Treasury Department has to date completed payments to American and German nationals under the first seven priorities.

2 PAYMENTS OUT OF GERMAN SPECIAL DEPOSIT ACCOUNT

Because of the failure of Germany to make payments for deposit into the German special deposit account in accordance with the debt-funding agreement of 1930, the present balance of that account (about \$200,000) is insufficient to make it administratively practicable, in view of the large number of claims, to make further payments. An even more significant consequence of Germany's default was the enactment of the Harrison resolution (June 27, 1934), postponing further payments to Germans under the 1928 act so long as Germany remains in default. Since the next priority (number 8) is in favor of Germans, further payments to American are likewise blocked.

The reported bill would change the order of the remaining priorities to place accrued interest payable to American award holders first in priority, unpaid principal due American award holders next, awards in favor of the United States third, and all German claims last.

Besides changing the order of priority for the payment of claims out of the German special deposit account, the bill (sec. 1) provides for building up the balance of that account by transferring certain funds from the alien property trust fund, which is administered by the Office of Alien Property in the Department of Justice. At present the alien property trust fund includes approximately \$8,000,000 of seized World War I property, German in origin, which would be returnable to its former German owners or paid on German claims under the 1928 act but for the bar of the Harrison resolution. Like the funds in the German special deposit account, this sum has remained frozen for years as a result of Germany's continued default. About \$2,000,000 of the \$8,000,000 is already transferable, under existing law, to the German special deposit account at the request of the Secretary of the Treasury. The remaining \$6,000,000 is made available for transfer by this bill. Upon transfer, the funds now available, together with the funds to be made available by this bill, will be sufficient to satisfy about 8 percent of the total unpaid balance of principal and interest due to American claimants to whom awards have been made by the Mixed Claims Commission.

Your committee wishes to emphasize the fact that if the Government of Germany, the property of whose nationals was returned under the Settlement of War Claims Act, had met its obligations under the debt-funding agreement of 1930, all awards of the Mixed Claims Commission to American nationals would long since have been satisfied in full.

SECTIONAL ANALYSIS OF THE BILL, AS AMENDED

SECTION 1

The first section of the bill would amend section 4 (b) of the Settlement of War Claims Act of 1928 by adding a new paragraph directing the deposit in the German special deposit account of money now held in the alien property trust fund, other than property with respect to which the restrictions imposed by the so-called Harrison resolution of June 27, 1934, have been removed by the President. By Executive Order 6981 of March 2, 1935, as amended by Executive Order 7111, July 22, 1935, the President removed the restrictions of that resolution to the extent necessary to permit returns to non-German claimants. Under the bill non-German property would remain available for return to its former owners in cases where return is now permitted by law. It is believed that this exception will affect less than \$2,000,000 of the total of some \$10,000,000 of property in the alien property trust fund. The German property in the alien property trust fund is approximately \$8,000,000. Of this, \$6,000,000 will be available for transfer under the first section of the bill, while the remainder (about \$2,000,000) is already subject to deposit in the German special deposit account under existing law on demand of the Secretary of the Treasury.

The new paragraph further provides for certification by the Attorney General to the Secretary of the Treasury of the amounts to be so deposited in the German special deposit account. This provision was inserted merely as a matter of administrative convenience, since the accounts relating to this money are in possession of the Office of Alien Property in the Department of Justice.

SECTION 2

Section 2 of the bill would revise the order of the priorities established by paragraphs (8) through (12) of section 4 (c) of the Settlement of War Claims Act of 1928, and would redesignate paragraph (13) as paragraph (14). Under the bill the order of priority in payment out of the German special deposit account would

become as follows (references are to paragraphs of section 4 (c), as amended by the bill):

Paragraph (8) of section 4 (c) provides for the payment of accrued interest in respect of awards of the Mixed Claims Commission to American nationals and, after such interest has been paid in full, to pay the balance of the principal amounts of such awards. There is the proviso, however, that for the limited purpose of computing further interest, the unpaid principal shall be considered as having been reduced by the amounts of any interest payments made after the enactment of the bill. Like the present act, the reported bill calls for the payment of accrued interest before unpaid principal.

Paragraph (9) of section 4 (c) provides for the payment of awards of the Mixed Claims Commission to the United States on its own behalf on account of its claims against Germany arising out of World War I.

Paragraphs (10), (11), (12), and (13) of section 4 (c) place at the end of the list of priorities the partially unpaid awards to German nationals which were entered by the War Claims Arbitrator and the claims for the return of the former German property temporarily withheld.

DIFFERENCES BETWEEN THE BILL AS INTRODUCED AND AS REPORTED TO THE HOUSE

As introduced, the bill provides in its first section that all money held in the alien property trust fund whose payment is restricted under the Harrison resolution of June 27 1934, should be transferred to the German special deposit account, without regard to the partial lifting of restrictions of that resolution by the President in Executive Order 6981 (Mar. 2, 1925), as amended by Executive Order 7111 (July 22, 1935). The reported bill leaves undisturbed Presidential modifications of the restrictions of the Harrison resolution made prior to the enactment of the bill. It also provides that the Attorney General is to certify the amounts available for transfer.

Section 2 of the bill, as introduced, arranges the priorities for paying claims in this order: Interest on awards to American nationals, interest on awards to German nationals, the property temporarily withheld from Germans, the principal of awards to Germans, the principal of awards to American nationals, interest on the German property temporarily withheld, the unallocated interest fund (German), and awards to the United States Government in its own behalf (the balance to go to the United States Treasury). The reported bill moves all awards to American nationals and those to the United States in its own behalf to the head of the list (without otherwise affecting the order of priority) and adds the proviso that for the limited purpose of computing further interest on unpaid principal of awards to American nationals, payments on interest shall be treated as if they had reduced the principal.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SETTLEMENT OF WAR CLAIMS ACT OF 1928

"SEC. 4. * * *

"(b) The Secretary of the Treasury is authorized and directed to deposit in such special deposit account—

"(1) All sums invested or transferred by the Alien Property Custodian, under the provisions of section 25 of the Trading with the Enemy Act, as amended;

"(2) The amounts appropriated under the authority of section 3 (relating to claims of German nationals); [and]

"(3) All money (including the proceeds of any property, rights, or benefits which may be sold or otherwise disposed of, upon such terms as he may prescribe) received, whether before or after the enactment of this Act, by the United States in respect of claims of the United States against Germany on account of the awards of the Mixed Claims Commission[.]; and

"(4) *All money held in the Alien Property Trust Fund whose payment is restricted under the joint resolution entitled 'Joint resolution to amend the Settlement of War Claims Act of 1928, as amended', approved June 27, 1934.*

* * * *

"(c) * * *
 "[8] To pay accrued interest upon the participating certificates evidencing the amounts invested by the Alien Property Custodian under subsection (a) of section 25 of the Trading with the Enemy Act, as amended (relating to the investment of 20 per centum of German property temporarily withheld);

"[9] To pay the accrued interest payable under subsection (c) of section 2 (in respect of awards of the Mixed Claims Commission) and subsection (h) of section 3 (in respect of awards to German nationals);

"[10] To make such payments as are necessary (A) to repay the amounts invested by the Alien Property Custodian under subsection (a) of section 25 of the Trading with the Enemy Act, as amended (relating to the investment of 20 per centum of German property temporarily withheld), (B) to pay amounts equal to the difference between the aggregate payments (in respect of claims of German nationals) authorized by subsections (g) and (h) of section 3 and the amounts previously paid in respect thereof, and (C) to pay amounts equal to the difference between the aggregate payments (in respect of awards of the Mixed Claims Commission) authorized by subsections (b) and (c) of section 2, and the amounts previously paid in respect thereof. If funds available are not sufficient to make the total payments authorized by this paragraph, the amount of payments made from time to time shall be apportioned among the payments authorized under clauses (A), (B), and (C) according to the aggregate amount remaining unpaid under each clause;]

"(8) To pay (A) the accrued interest payable under subsection (c) of section 2 (in respect of awards of the Mixed Claims Commission) and (B) after such interest has been paid in full, the accrued interest payable under subsection (h) of section 3 (in respect of awards to German nationals);

"(9) To make such payments as are necessary (A) to repay the amounts invested by the Alien Property Custodian under subsection (a) of section 25 of the Trading With the Enemy Act, as amended (relating to the investment of 20 per centum of German property temporarily withheld), (B) to pay amounts equal to the difference between the aggregate payments (in respect of claims of German nationals) authorized by subsections (g) and (h) of section 3 and the amounts previously paid in respect thereof, and (C) to pay amounts equal to the difference between the aggregate payments (in respect of awards of the Mixed Claims Commission) authorized by subsections (b) and (c) of section 2, and the amounts previously paid in respect thereof. If funds available are not sufficient to make the total payments authorized by this paragraph, the amount of payments made from time to time shall be apportioned among the payments authorized under clauses (A), (B), and (C) according to the aggregate amount remaining unpaid under each clause;

"(10) To pay accrued interest upon the participating certificates evidencing the amounts invested by the Alien Property Custodian under subsection (a) of section 25 of the Trading With the Enemy Act, as amended (relating to the investment of 20 per centum of German property temporarily withheld);"