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SENATE

{ REPORT
No. 17

FOREIGN DEBT MORATORIUM

DECEMBER 19, 1931.—Ordered to be printed

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

REPORT

[To accompany H. J. Res. 147]

The Committee on Finance, to whom was referred the joint resolution (H. J. Res. 147) to authorize the postponement of amounts payable to the United States from foreign governments during the fiscal year 1932, and their repayment over a 10-year period beginning July 1, 1933, having had the same under consideration, report it back to the Senate without amendment and recommend that the resolution do pass.

Following is a copy of the House report, which is appended hereto and made a part of this report.

[House Report No. 9, Seventy-second Congress, first session]

The Committee on Ways and Means, to whom was referred the joint resolution (H. J. Res. 147) to authorize the postponement of amounts payable to the United States from foreign governments during the fiscal year 1932, and their repayment over a 10-year period beginning July 1, 1933, having had the same under consideration, report it back to the House without amendment and recommend that the resolution do pass.

Your committee was very desirous of obtaining all information available as to the economic situation in Germany and Europe and the necessity for the moratorium. With that end in view, it was announced that public hearings would be had. The chairman, through the press and otherwise, invited any interested parties to appear and testify before the committee. The Treasury Department was represented at the hearing by Hon. Ogden L. Mills, the Undersecretary of the Treasury, and the State Department in the person of the Secretary of State, Hon. Henry L. Stimson. Both these witnesses made full statements as to the economic conditions in Europe, and they were interrogated by the committee.

The London protocol, the agreement entered into by the interested nations agreeing to the terms of the moratorium, was before the com-

mittee and is a part of the record, as is the agreement between France and the United States, known as the Franco-American agreement. Three of the Members of the House of Representatives appeared before the committee. From time to time it was suggested to the committee that either the Treasury Department or the State Department had information that was very material to the issues involved in this bill and that such information had been withheld from the committee. Your committee, without exception, took the necessary steps to obtain such information if it existed. With this end in view, the Undersecretary of the Treasury was several times invited again before the committee and interrogated about these matters and the same was true as to the Secretary of State. In each instance the committee found nothing to substantiate these statements.

Some of the witnesses appearing before the committee opposing the bill laid particular stress on a newspaper article to the effect that some of the nations indebted to the United States had deposited the necessary funds with their fiscal agents in the United States to pay the amounts due on December 15. Your committee diligently sought to ascertain whether or not this was true. The correspondent who wrote the article was invited to appear before the committee, which he cheerfully did, but claimed his privilege and did not advise the committee from whom he obtained the information, the basis of the article above referred to. Your committee then ascertained from the Treasury Department that it understood that J. P. Morgan & Co. was the fiscal agent of some of the countries involved. Therefore the committee requested a representative from that firm to appear before the committee. Mr. Henry P. Davison, of the firm of J. P. Morgan & Co., appeared and advised the committee that his firm represented as fiscal agents in the United States Great Britain and France. Mr. Davison positively stated to the committee that these governments had not deposited any funds to pay their installments due the United States on December 15, nor had they communicated with them on the subject. The Under Secretary of the Treasury stated that the payments made to the United States by these three countries in 1929 and 1930 were made for Great Britain and France by Morgan & Co. through the Federal reserve bank in New York.

With greatest respect, your committee is of the opinion that this is an extraneous matter and has no bearing on the case whatever.

On the last day of the hearing, in the forenoon, after hearing two witnesses, no one else appeared. The chairman then stated that he had given ample notice through the press and through the members of the hearings and that opportunity would be given to anyone to appear. After stating this, the chairman then announced to the public that he would be glad to hear anyone present. Having no response, the committee went into executive session.

It seems highly significant to your committee that, despite the widespread publicity of this matter since the President's announcement of June 20, 1931, no individual or representative of any group appeared or sought an opportunity to be heard in opposition to the resolution with the exception of the three Members of the House above referred to, who were given a full hearing.

Objections have been made to the word "reparations" as it appears in the resolution on the ground that it links the United States to the whole reparations question. This term is merely intended as a de-

scription of one of the class of debts which must be postponed by the recipient countries in order for such countries as are indebted to the United States to participate under the President's proposal of June 20. This resolution in no way whatever links the United States with the payment of German reparations to the Allies nor does it in any way make the payment due the United States by the Allies dependent upon receiving reparations from Germany. In fact, if the terms of the resolution were changed in this respect, the United States would be put in the position of postponing a debt due it from a country without such country being obligated to postpone what in many cases is the most important item of the amounts due such foreign countries, namely, the reparation payments. The committee is firmly of the opinion that nothing in the resolution can in any manner be construed as indicating a policy of debt cancellation or reduction, or as committing the United States or Congress to such a policy. In view, however, of repeated statements by opponents of the resolution, the committee feels it desirable to set the matter at rest by the insertion of section 5.

The testimony given before the committee indicated that adverse economic developments in Europe had, by the beginning of 1931, placed the national economies of certain countries, particularly of central Europe, under severe strain. By June it was evident that events were rapidly shaping toward major crises the repercussions of which would seriously affect economic conditions throughout the world and which could not but react adversely upon conditions in this country.

It had become apparent early in the year that economic conditions in Germany were deteriorating at a fairly rapid pace. In Austria the disclosure of the unsound condition of the country's largest credit institution precipitated a crisis in that country in the latter part of May which necessitated the extending of outside financial assistance and became so serious as to accentuate increasing apprehension regarding the economic and budgetary situation of Germany.

It became evident by the 1st of June that a slow run had begun upon German banks, in fact upon the central institution, the Reichsbank. Subsequently this run assumed major proportions. Between the end of May and June 20, the outflow of funds from Germany resulted in a reduction of 1,000,000,000 reichsmarks, or approximately \$250,000,000, in the Reichsbank holdings of gold and foreign exchange. This represented approximately two-fifths of the bank's total reserves. On Friday, June 19, and Saturday, June 20, the withdrawals were so heavy that the reserves of the Reichsbank reached the legal minimum and it was obvious that unless some action was taken at once to change public sentiment and check the withdrawal of funds from Germany the Reichsbank would be obliged to suspend its reserve requirements and in all probability go off the gold basis with consequences most serious not only in Germany but throughout the world.

To meet the impending crisis and to avoid the inevitable adverse effects of the impending catastrophe upon conditions in the United States as well as in Europe, the President proposed, subject to confirmation by Congress, the postponement during one year from July 1, 1931, to June 30, 1932, of all payments on intergovernmental debts, reparations, and relief debts, both principal and interest. This proposal was made in the belief, which subsequent events seem to justify,

that timely action should contribute to relieve the pressure of adverse forces operating in foreign countries and should assist in the reestablishment of confidence. The announcement of the proposal on June 20 resulted in the immediate termination of withdrawals of funds from Germany and increased prices of commodities and securities in world markets. Although these benefits were not entirely retained, the impending catastrophe was averted.

The resolution under consideration authorizes the Secretary of the Treasury, with the approval of the President, to conclude agreements with our debtor governments which have accepted the President's proposal of June 20, 1931, and have made or have given satisfactory assurances of their willingness and readiness to make with each of their debtor governments an agreement on substantially similar terms as the agreements proposed to be made with our debtors.

Section 2 of the resolution authorizes the amounts postponed to be repaid over a period of 10 years beginning July 1, 1933, with interest at the rate of 4 per cent per annum. In July, 1931, the principal creditor governments met in London for the purpose of putting into effect the President's proposal, at which conference it was agreed that the amounts postponed should be repaid on the same conditions as specified in the resolution except that the interest rate was 3 per cent. In view of the fact that conditions have changed since that meeting in July and that the obligations of the United States Government are now selling on the market at a rate to yield about 4 per cent, it is felt that a 4 per cent rate is justified.

The agreements to be made under this resolution should, so far as possible, be subject to the same terms and conditions as the payments to be made under the original debt funding agreements, except that there is to be no right of further postponement in respect of the payments in question, and except that payments should be made in cash. There may be a possible exception to the right of postponement in the case of Austria. It will be recalled that Austria has relief debts owing to nine different creditor governments. The conditions under which this indebtedness was created make it necessary that the postponed payments be subject to uniform terms and conditions of repayment for all creditors. Under the agreements now existing, the trustees of the League of Nations' reconstruction loan have the right to object in any year to the payments being made during that year. Depending upon the action to be taken by all the creditor governments, it may be necessary to continue this right of postponement. In the case of Greece, part of its indebtedness is serviced through the International Financial Commission and it is advisable, if possible, to continue this arrangement with respect to the postponed payments on account of this indebtedness.

The provisions of section 4 are necessarily broad in order to cover the cases of Austria and Greece, but the committee has the pledge of the Treasury that exceptions to the terms of existing agreements will be confined to the above-mentioned points.

A copy of the President's statement of June 20, 1931, and a statement showing the amounts due the United States from foreign governments during the fiscal year 1932, which are affected by the President's proposal, follow:

The American Government proposes the postponement during one year of all payments on intergovernmental debts, reparations and relief debts, both principal and interest, of course, not including obligations of governments held by private

parties. Subject to confirmation by Congress, the American Government will postpone all payments upon the debts of foreign governments to the American Government payable during the fiscal year beginning July 1, next, conditional on a like postponement for one year of all payments on intergovernmental debts owing the important creditor powers.

This course of action has been approved by the following Senators: Henry F. Ashurst, Hiram Bingham, William E. Borah, James F. Byrnes, Arthur Capper, Simeon D. Fees, Duncan U. Fletcher, Carter Glass, William J. Harris, Pat Harrison, Cordell Hull, William H. King, Dwight W. Morrow, George H. Moses, David A. Reed, Claude A. Swanson, Arthur Vandenberg, Robert F. Wagner, David I. Walsh, Thomas J. Walsh, James E. Watson; and by the following Representatives: Isaac Bacharach, Joseph W. Byrns, Carl R. Chindbloom, Frank Crowther, James W. Collier, Charles R. Crisp, Thomas H. Cullen, George P. Darrow, Harry A. Estep, Willis C. Hawley, Carl E. Mapes, J. C. McLaughlin, Earl C. Michener, C. William Ramseyer, Bertrand H. Snell, John Q. Tilson, Allen T. Treadway and Will R. Wood. It has been approved by Ambassador Charles G. Dawes and by Mr. Owen D. Young.

The purpose of this action is to give the forthcoming year to the economic recovery of the world and to help free the recuperative forces already in motion in the United States from retarding influences from abroad.

The world-wide depression has affected the countries of Europe more severely than our own. Some of these countries are feeling to a serious extent the drain of this depression on national economy. The fabric of intergovernmental debts, supportable in normal times, weighs heavily in the midst of this depression.

From a variety of causes arising out of the depression such as the fall in the price of foreign commodities and the lack of confidence in economic and political stability abroad there is an abnormal movement of gold into the United States which is lowering the credit stability of many foreign countries. These and the other difficulties abroad diminish buying power for our exports and in a measure are the cause of our continued unemployment and continued lower prices to our farmers.

Wise and timely action should contribute to relieve the pressure of these adverse forces in foreign countries and should assist in the reestablishment of confidence, thus forwarding political peace and economic stability in the world.

Authority of the President to deal with this problem is limited as this action must be supported by the Congress. It has been assured the cordial support of leading members of both parties in the Senate and the House. The essence of this proposition is to give time to permit debtor governments to recover their national prosperity. I am suggesting to the American people that they be wise creditors in their own interest and be good neighbors.

I wish to take this occasion also to frankly state my views upon our relations to German reparations and the debts owed to us by the allied governments of Europe. Our Government has not been a party to, or exerted any voice in determination of reparation obligations. We purposely did not participate in either general reparations or the division of colonies or property. The repayment of debts due to us from the Allies for the advance for war and reconstruction were settled upon a basis not contingent upon German reparations or related thereto. Therefore, reparations is necessarily wholly a European problem with which we have no relation.

I do not approve in any remote sense of the cancellation of the debts to us. World confidence would not be enhanced by such action. None of our debtor nations has ever suggested it. But as the basis of the settlement of these debts was the capacity under normal conditions of the debtor to pay, we should be consistent with our own policies and principles if we take into account the abnormal situation now existing in the world. I am sure the American people have no desire to attempt to extract any sum beyond the capacity of any debtor to pay and it is our view that broad vision requires that our Government should recognize the situation as it exists.

This course of action is entirely consistent with the policy which we have hitherto pursued. We are not involved in the discussion of strictly European problems, of which the payment of German reparations is one. It represents our willingness to make a contribution to the early restoration of world prosperity in which our own people have so deep an interest.

I wish further to add that while this action has no bearing on the conference for limitation of land armaments to be held next February, inasmuch as the burden of competitive armaments has contributed to bring about this depression, we trust that by this evidence of our desire to assist we shall have contributed to the good will which is so necessary in the solution of this major question.

FOREIGN DEBT MORATORIUM

Amounts payable during the fiscal year 1932 by foreign governments on account of their indebtedness

Country	Principal	Interest	Total
Austria.....	\$287,550		\$287,550
Belgium.....	4,200,000	\$3,750,000	7,950,000
Czechoslovakia.....	3,000,000		3,000,000
Estonia.....	108,012	492,360	600,372
Finland.....	55,000	257,295	312,295
France.....	11,363,500	38,636,600	50,000,000
Great Britain.....	28,000,000	131,520,000	159,520,000
Greece.....	660,000	449,080	1,109,080
Hungary.....	12,270	57,072	69,342
Italy.....	12,200,000	2,506,125	14,706,125
Latvia.....	41,664	205,989	250,653
Lithuania.....	38,615	185,930	224,545
Poland.....	1,325,000	6,161,835	7,486,835
Rumania.....	800,000		800,000
Yugoslavia.....	250,000		250,000
Total.....	62,344,617	184,222,186	246,566,803
Germany, army costs.....	6,000,000		6,000,000
Total.....	68,344,617	184,222,186	252,566,803

VIEWS OF THE MINORITY

We, a minority of the Ways and Means Committee, to whom was referred House Joint Resolution No. 147, "To authorize the postponement of the amounts to the United States from foreign governments during the fiscal year 1932, and their repayment over a 10-year period beginning July 1, 1933," respectfully dissent from the views of the majority for the following reasons, to wit:

CONSTITUTION IGNORED

The President of the United States did not have the constitutional right to take the action which he did in June of this year with respect to the moratorium. Under the Constitution of the United States, this was a matter to be determined by Congress in session, with proper communication thereon by the President of the United States, together with full facts of existent circumstances. The President did not regard this matter of sufficient moment to call Congress into special session to consider same.

The conclusion of the President was reached after several weeks of investigation and consideration. No reason has been shown to excuse the usual constitutional procedure for the consideration of a matter of this importance.

NO NECESSITY FOR MORATORIUM

The necessity for the deferring of the payments of the intergovernmental debts to the United States by the 16 foreign powers affected by this resolution was not proven to the satisfaction of those subscribing to this minority report.

The selfsame arguments heard upon the consideration of the debt settlements advocated by the administration were heard anew. Generalities in respect of the financial structure of Germany was given voice. Germany was said to be unable to pay her reparations to seven or eight of these foreign countries affected by this measure. The other seven or eight countries affected by this resolution do not receive any sum from Germany in reparations (the names of these nations are not set forth herein because of the fact that the hearings in which they were to be inserted are not available to us at this time).

Thus, this resolution would defer the payment of moneys to this country from seven or eight nations for value received even though nothing is payable to them from Germany.

Germany is the nation to be helped. The sum of \$6,000,000 is the only sum due by Germany to this country. No one even suggested that England, France, and Italy were not ready, willing, and able to pay their obligations to us on the due date. These three countries would pay to us during the fiscal year 1932 the sum of \$224,227,125. The total amount of the payments deferred, including Germany's \$6,000,000, is \$252,566,803. Upon Thursday, De-

ember 10, 1931, Mr. Chamberlain, Chancellor of the Exchequer, is reported to have assured the House of Commons that all British foreign obligations could be and would be met.

No evidence was adduced before us that any of the foreign nations affected were financially unable and unwilling to make these payments. On the other hand, the nations affected by this resolution expended approximately \$2,000,000,000 for armaments and war preparations within the last fiscal year.

We quote from the New York Times dated Sunday, August 2, 1931:

WHAT NATIONS SPEND ON ARMS

[Expenditures for the last fiscal year, figured at rounded par or in a few cases at the average of exchange, as compiled by the World Peace Foundation from the forthcoming League of Nations Armaments Year Book]

Austria.....	\$14, 507, 320	Hungary.....	\$20, 200, 000
Belgium.....	33, 303, 200	Italy.....	248, 946, 500
Czechoslovakia.....	51, 189, 000	Latvia.....	7, 860, 000
Estonia.....	5, 520, 000	Lithuania.....	5, 680, 000
Finland.....	16, 457, 500	Poland.....	92, 072, 000
France.....	466, 960, 000	Rumania.....	53, 647, 200
Germany.....	171, 923, 040	Yugoslavia.....	50, 458, 000
British Empire.....	726, 731, 065		
Greece.....	21, 340, 800	Total.....	1, 986, 799, 625

It is very interesting to note that when the sums so expended within one year by the British Empire, France, and Italy on arms are segregated from this list the total makes the startling sum of \$1,424,637,565. It is peculiarly pertinent when we again remind the House that these three nations would only pay within the present fiscal year the sum of \$224,227,125 upon their indebtedness to us.

THE PRESIDENTIAL ACTION WAS A STEP TOWARD FURTHER CONCESSION
TO FOREIGN DEBTORS

This is a forerunner and a curtain raiser to debt cancellation or another moratorium. Be not deceived. Read the President's message. Read this resolution and read the hearings.

The President in his message to the present Congress recommended the re-creation of the World War Debt Commission.

Mr. Mellon, Secretary of the Treasury, in what is reported to be a statement clarifying President Hoover's recommendations to Congress, on December 11, gave forth a public statement which is quoted in full as follows:

MR. MELLON DEFINES NATION'S POSITION ON DEBT CANCELLATION

There should be no misinterpretation as to the administration's recommendations to Congress relating to the debts due us from foreign governments and the re-creation of the World War Foreign Debt Commission. The administration is opposed to cancellation. No recommendation made carries any such implication.

It is, however, the duty of those in authority to deal with realities, and there is no escaping the fact that some of our debtors can not meet in full the payments due us until there has been a substantial measure of economic recovery and that the position of others is so changed as to call for consideration of their present situation in the light of existing circumstances.

Our debt settlements were effected on the basis of the capacity of the debtors to pay. As the President said in his statement of June 20, "As the basis of the

settlement of these debts was the capacity under normal conditions of the debtor to pay, we should be consistent with our own policies and principles if we take into account the abnormal situation now existing in the world."

Take the case of Great Britain, our best customer, which even in the depression year 1930 took \$678,000,000 worth of American agricultural and industrial products. The economic and financial changes of the past year have immensely increased the payments of her payments to us. The series of events through which Great Britain was forced off the gold standard are too recent to require enumeration.

To-day the pound sterling is selling at \$3.315 to the pound, which is a 32 per cent discount as compared with last year when it stood at tariff parity or \$4.866. All debts to Great Britain from foreign governments, except reparation payments, which are not being collected at all this year, and are not likely to be collected in full next year, are payable in sterling. Her debt to us is payable in gold dollars. The combined effect of these unfavorable factors results in an enormously increased burden for the people of Great Britain.

Payments during the present fiscal year will serve to exemplify the magnitude of the additional burden.

With the pound sterling at par, the British Treasury needs 32,800,000 pounds in order to pay us \$159,500,000. With the pound sterling at the rate at which it sold on December 10, 1931, it would take 48,100,000 pounds or an increase of 15,300,000 pounds, or 47 per cent. Or in other words, the burden on the British taxpayer is increased by almost one-half.

When the British debt settlement was made it was estimated that its present value at 4½ per cent was 80 per cent of the total amount due prior to funding. If the amount to be raised in pound sterling to meet the obligation to us in dollars is increased by 47 per cent, it becomes apparent that from the standpoint of the British taxpayer he is asked to meet not the obligation as established by our debt commission but an amount considerably in excess of such obligation.

Nothing could more forcibly illustrate the changed situation which places on the executive as well as the legislative branch of Government the duty of reexamining the obligations of our debtors and their ability to meet them during a period of world-wide economic depression.

Does anyone believe that Austria or Hungary should be asked to pay the installments due from them in view of the extraordinarily straitened circumstances in which the people of those two countries find themselves and great difficulty which they experience in obtaining foreign exchange for the purpose of carrying on even the minimum of effectual commerce with the rest of the world?

Does anyone believe that Germany should be asked by the United States Government to meet her payments on the costs of the army of occupation when such a demand by us must be inevitably followed by demands of other creditors to pay her reparations in full?

These instances should suffice to demonstrate that to stand on the letter of our bond and to refuse to investigate or to consider the facts, is to fail in our responsibility to the American people whom we represent and to the debtors whose capacity to pay we ourselves undertook to determine.

What intelligent business man or banker would blindly refuse to investigate or to consider the altered circumstances of a debtor whose unsecured obligation he held? The situation of our debtors has been immensely altered during the course of the last two years. New questions in relation to these debts are bound to arise in the course of the next few months. The Congress should be in a position through a commission created by it and composed in part of its own Members to ascertain what the facts actually are and to deal with these new problems as they arise.

It is with such thoughts as these in mind that the President recommended the re-creation of the World War Foreign Debt Commission. I am confident that upon mature consideration this recommendation will commend itself to the Congress.

The administration bill was introduced by Mr. Collier, chairman of the Ways and Means Committee, by request of the Treasury. This is the formal way of presenting the views of the Executive without in any manner binding the gentleman who would introduce it. It

was the bill upon which the hearings were held. It is House Joint Resolution No. 123. We print it in full as follows:

[H. J. Res. 123, Seventy-second Congress, first session]

JOINT RESOLUTION To authorize the postponement of amounts payable to the United States from foreign governments during the fiscal year 1932, and their repayment over a ten-year period beginning July 1, 1933

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That in the case of each of the following countries: Austria, Belgium, Czechoslovakia, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Rumania, and Yugoslavia, the Secretary of the Treasury, with the approval of the President, is authorized to make, on behalf of the United States, an agreement with the government of such country to postpone the payment of any amount payable during the fiscal year beginning July 1, 1931, by such country to the United States in respect of its bonded indebtedness to the United States, except that in the case of Germany the agreement shall relate only to amounts payable by Germany to the United States during such fiscal year in respect of the costs of the Army of Occupation.

SEC. 2. Each such agreement on behalf of the United States shall provide for the payment of the postponed amounts, with interest at the rate of 4 per centum per annum beginning July 1, 1933, in ten equal annuities, the first to be paid during the fiscal year beginning July 1, 1933, and one during each of the nine fiscal years following, each annuity to be payable in one or more installments.

SEC. 3. No such agreement shall be made with the government of any country unless it appears to the satisfaction of the President that such government has made, or has given satisfactory assurances of willingness and readiness to make, with the government of each of the other countries indebted to such country in respect of war, relief, or reparation debts, an agreement in respect of such debt substantially similar to the agreement authorized by this joint resolution to be made with the government of such creditor country on behalf of the United States.

SEC. 4. Each agreement authorized by this joint resolution shall be made so that payments of annuities under such agreement shall, unless otherwise provided in the agreement (1) be in accordance with the provisions contained in the agreement made with the government of such country under which the payment to be postponed is payable, and (2) be subject to the same terms and conditions as payments under such original agreement.

It will be noted that what appears as section 5 in the resolution under discussion (probably) was not included in the administration measure.

This section reads as follows:

SEC. 5. It is hereby expressly declared to be against the policy of Congress that any of the indebtedness of foreign countries to the United States should be in any manner canceled or reduced and nothing in this joint resolution shall be construed as indicating a contrary policy, or as implying favorable consideration at any time to a change in the policy hereby declared.

It may be that, with the knowledge of the sentiment in Congress and throughout the country against favoring foreign nations over our own country, the administration at this late date decides that moratoriums, debt reductions, and debt cancellations, at the expense of the American taxpayer are not particularly popular. In any event, Congress is given the opportunity to give expression to its policy in this regard. We heartily concur in this amendment to the administration bill.

THE TIME ELEMENT

It was stated to us that the President reached his conclusion to initiate the moratorium on the 17th or 18th of June, 1931. His statement relative thereto was given publication on June 20, 1931. The wires to the Members receiving them were dated June 23, 1931.

As we have noted, more than five and one-half months elapsed before Congress convened. No special session was called to consider this measure. Congress assembled Monday, December 7, 1931, and the Democratic members of the Ways and Means Committee were duly elected on that date. The administration measure was forwarded to Chairman Collier and immediately introduced by him on Monday, December 14. The hearings begun on the 15th were had in the mornings and afternoons of the 15th, 16th, and 17th. The bill was reported out, introduced in the House a few minutes before its adjournment on this date, December 17. It will be printed to-night and will be made available with the reports thereon to the Members to-morrow.

The hearings, while not so extensive in the testimony of the witnesses appearing before the committee, are not available at this time to the members of the committee nor to the Members of the House. There were considerable references made to documentary evidence which was agreed to be filed as a part of the evidence in support of this measure. These were not made available to the committee, and we are completely at a loss to know their contents.

We are in hearty accord with the dispatch of business. We have no criticism whatever of the manner in which the distinguished chairman of this committee has conducted the hearings, but we do submit that the membership of the committee should have had time to read the evidence and the documents called for by the evidence before preparing the reports, and the membership of the House should have had the opportunity to read the record and to digest it before being called on to vote on this momentous question.

CHANGE IN TERMS OF PROPOSAL

The final agreement reached on July 6, 1931, differed materially from that announced by President Hoover on June 20, 1931.

The initial proposal of the President, concerning which he sought the position of Members of Congress subsequent to the time when he had reached his conclusion, provided "postponement for one year of all intergovernmental debts."

It is patent that the postponement sought in this legislation is not for one year. It is true that the legislation treats of the payment of the debts for a one year period, but this deferred payment is strung out over a period of 10 years. It was admitted by the spokesman for the administration, Mr. Mills, that the President did not have in mind on June 20, 1931, the payment over a 10-year period of the indebtedness due for this fiscal year.

Further, as evidenced by the above quotation, the postponement was to be "of all intergovernmental debts." In the agreement finally reached, France refused to accede to that proposal. All unconditional reparations due France from Germany are to be paid. There can be no doubt but that such condition is a deviation from the President's proposal. France is given a decided advantage in this respect.

In conclusion we desire to call the attention of the Members of the House to the fact that our revenues amount to only about one-half the amount of the expenditures of the Government; that we have a large deficit and it is growing by leaps and bounds and to withhold

the collection of this \$252,000,000 means that it must be raised in taxation from the people of the United States, amounting to more than \$2 for every man, woman, and child in the United States. We commend the equitable maxim known to every lawyer—we should be just to the American people before we are generous to the peoples of Europe.

Respectfully submitted.

MORGAN G. SANDERS.
E. E. ESLICK.
FRED M. VINSON.

