

OUR CASH ADVANCES TO FOREIGN GOVERNMENTS.

LETTER

FROM

THE SECRETARY OF THE TREASURY,

TRANSMITTING

IN RESPONSE TO A SENATE RESOLUTION OF FEBRUARY 4, 1920, INFORMATION CONCERNING THE CASH ADVANCES MADE BY THE TREASURY TO FOREIGN GOVERNMENTS UNDER ACTS OF APRIL 24, 1917, SEPTEMBER 24, 1917, APRIL 8, 1918, AND JULY 9, 1918.

MARCH 11 (calendar day, MARCH 16), 1920.—Referred to the Committee on Finance and ordered to be printed.

THE SECRETARY OF THE TREASURY,
Washington, March 13, 1920.

SIR: Pursuant to Senate resolution 291 requesting information concerning cash advances made by the Secretary of the Treasury to foreign Governments under the acts of April 24, 1917, September 24, 1917, April 8, 1918, and July 9, 1918, I have the honor to submit the following:

To and including November, 1918, the dates for the collection of interest from foreign Governments were May 15 and November 15. In the spring of 1919, the respective Governments were informed that it would be convenient for the Treasury to receive interest on April 15 and October 15 on approximately two-thirds of their respective obligations and on May 15 and November 15 on the remaining approximately one-third.

The following is an itemized statement showing the amount of interest heretofore paid by each of the foreign Governments on advances made to it by the United States Treasury:

Belgium.....	\$10,907,281.55
Cuba.....	645,890.42
Czechoslovakia Republic.....	304,178.09
France.....	126,910,635.58
Great Britain.....	232,312,740.77
Italy.....	57,598,852.82
Liberia.....	161.10
Roumania.....	263,313.74
Russia.....	3,495,686.72
Serbia.....	636,059.14
Total.....	433,074,799.73

The amounts so paid represent, except in the case of Russia, the full amount of interest due up to April 15, 1919, or May 15, 1919, as the case may be. The amount paid on Russian obligations represents the interest up to November 15, 1917, in full, together with a partial payment of \$1,865,925.08 on account of the interest which became due May 15, 1918, and a partial payment of \$300,000 on account of the interest which became due November 15, 1918. The amount paid by the Government of Cuba includes \$251,369.87, being the full amount of the interest accrued for the period from April 15, 1919, and May 15, 1919, up to October 15, 1919, and November 15, 1919, the last interest days. The amount paid by the French Government includes interest amounting to \$1,810,441.50 paid to July 31, 1919, on an obligation dated January 28, 1919. The amount paid by the British Government includes \$1,200,333.86 interest accrued after May 15, 1919, on \$64,164,007.99 principal subsequently repaid by the British Government in connection with the adjustment of accounts. The amount paid by Roumania includes a partial payment of \$154,409.63 on account of interest accrued to October 15, 1919.

The interest accrued to October 15, 1919, and November 15, 1919, as the case may be (the last interest dates), and remaining unpaid on advances made to foreign Governments by the Treasury, is as follows:

Belgium.....	\$8,370,581.51
Czechoslovakia Republic.....	1,169,953.42
France.....	65,858,101.62
Great Britain.....	105,503,126.38
Italy.....	39,228,303.92
Liberia.....	331.24
Roumania.....	385,316.39
Russia.....	15,051,977.40
Serbia.....	672,423.02
Total.....	236,240,114.90

The Secretary of the Treasury holds a special fund of \$1,808,506, which is equal to the unpaid balance of the interest which became due on Russian obligations on May 15, 1918. It is believed that ultimately this can be applied in discharge of said balance. A similar fund of \$335,095.07 is held, which it is believed will be applicable upon the unpaid balance of the interest which became due November 15, 1918, on Russian obligations.

If no change is made in the interest dates above mentioned or in the distribution as now contemplated of obligations as between the April and May interest dates, the total interest which will have accrued on interest dates falling within the fiscal year 1920, on advances made to foreign governments by the Treasury up to March 10, 1920, will be as follows:

Belgium.....	\$16,822,078.09
Cuba.....	500,686.81
Czechoslovakia.....	2,515,004.72
France.....	139,904,272.14
Great Britain.....	211,828,890.64
Greece.....	144,808.74
Italy.....	79,595,569.78
Liberia.....	969.76
Roumania.....	1,163,359.90
Russia.....	9,399,365.55
Serbia.....	1,340,606.98
Total.....	463,215,613.06

Of said sum of \$463,215,613.06, there has been paid during the fiscal year 1920 the sum of \$3,416,554.86, as above stated.

The obligations are in the form of certificates of indebtedness to the United States and are expressed to be payable as to principal and interest without deduction for taxes of the debtor Government in gold coin of the United States of the present standard of weight and fineness at the subtreasury of the United States in New York, or at the Treasury of the United States in Washington. Certain of the obligations, at the option of the holder, are payable in the money of the debtor country, some at a fixed rate expressed in the obligation, and others at the buying rate for cable transfers of the currency of the debtor country in the New York market at noon on the day of demand, as determined by the Federal Reserve Bank of New York.

The certificates of indebtedness are signed in the name of the respective debtor Governments by representatives of such Governments designated to the Treasury by the Department of State as being authorized to sign the same in the name and on behalf of the respective Governments. The earlier certificates were payable at fixed dates of maturity, all of which are now passed, so that such certificates are now held as demand obligations. The earlier certificates bore interest at various rates of interest from 3 per cent per annum upward. The certificates of indebtedness subsequently taken were expressed to be payable on demand and bore interest at the rate of 5 per cent. By arrangement with the respective Governments, substantially all the obligations have since May 15, 1918, borne interest at the rate of 5 per cent. The certificates contain a provision that they are receivable in payment for bonds of the debtor Government or else a provision for conversion into such bonds in conformity with the provisions of the various Liberty bond acts in effect at the respective dates of the certificates of indebtedness.

The second Liberty bond act as amended and supplemented provides that the rate or rates of interest borne by the long-time obligations for which the short-time obligations may be exchanged by the Secretary of the Treasury shall be not less than the rate borne by the short-time obligations so converted into such long-time obligations. In view of the fact that the short-time obligations all now bear interest at the rate of 5 per cent, the long-time obligations for which they may be exchanged must, unless the rate of the short-time obligations is changed, also bear interest at the rate of 5 per cent per annum.

Inclosed is a skeleton copy of an obligation received under the fourth Liberty bond act. All the obligations are of the same general character, although there are among them differences as above set out. The present uniformity of the interest rate and the provision of the Liberty bond acts relative to the interest to be borne by long-time obligations taken in exchange for short-time obligations render such differences immaterial.

Respectfully,

D. F. HOUSTON.

The PRESIDENT OF THE SENATE,
Washington, D. C.

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CERTIFICATE OF INDEBTEDNESS.

\$ (Amount in figures).

The Government of (name of foreign Government) for value received promises to pay to the United States of America, or assigns, the sum of (number of dollars in words) on demand, with interest from date hereof at the rate of (rate per cent) per cent per annum. Such principal sum and the interest thereon will be paid without deduction for any (name of foreign Government) taxes, present or future, in gold coin of the United States of America of the present standard of weight and fineness at the Subtreasury of the United States in New York, or, at the option of the holder, at the Treasury of the United States in Washington.

This certificate will be converted by the Government of (name of foreign Government), if requested by the Secretary of the Treasury of the United States of America, at par with an adjustment of accrued interest into an equal par amount of (rate per cent) per cent convertible gold bonds of the Government of (name of foreign Government), conforming to the provisions of acts of Congress of the United States known, respectively, as second Liberty bond act, third Liberty bond act, and fourth Liberty bond act. If bonds of the United States issued under authority of said acts shall be converted into other bonds of the United States bearing a higher rate of interest than $4\frac{1}{2}$ per cent per annum, a proportionate part of the obligations of the Government of (name of foreign Government) of this series acquired by the United States under authority of said acts shall, at the request of said Secretary of the Treasury, be converted into obligations of said Government of (name of foreign Government), bearing interest at a rate exceeding that previously borne by this obligation by the same amount as the interest rate of the bonds of the United States issued upon such conversion exceeds the interest rate of (rate of this obligation) per cent, but not less than the highest rate of interest borne by such bonds of the United States.

 (Signature of representative of foreign Government).

For the Government of (name of foreign Government).

Dated the — day of —.

