

# **REFUNDING OF OBLIGATIONS OF FOREIGN GOVERNMENTS**

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## **HEARING**

**BEFORE THE**

## **COMMITTEE ON FINANCE UNITED STATES SENATE**

**SIXTY-SEVENTH CONGRESS**

**FIRST SESSION**

**ON**

## **S. 2135**

**A BILL TO ENABLE THE REFUNDING OF OBLIGATIONS  
OF FOREIGN GOVERNMENTS OWING TO THE UNITED  
STATES OF AMERICA, AND FOR OTHER PURPOSES**

—  
**THURSDAY, JULY 14, 1921**  
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## **PART 2**

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## REFUNDING OF OBLIGATIONS OF FOREIGN GOVERNMENTS.

THURSDAY, JULY 14, 1921.

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.

The committee met, pursuant to call, at 10.30 o'clock a. m., in room 312, Senate Office Building, Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, La Follette, Dillingham, Watson, Sutherland, Simmons, Williams, Gerry, and Reed.

Present, also, Hon. Andrew W. Mellon, Secretary of the Treasury; Hon. Elliott Wadsworth, Assistant Secretary of the Treasury; and John B. Walker, Esq., chief of the legislative drafting service of the Senate.

The CHAIRMAN. The committee has before it especially this morning the co-called refunding bill, and is sitting to hear some further statements from the Secretary of the Treasury and those who accompany him, who are invited more particularly at the request of Senator La Follette, who has some inquiries to propound.

Senator La Follette, will you please state your inquiries, if you desire to address the Secretary?

Senator LA FOLLETTE. Mr. Secretary, on page 61 of the last report of the Secretary of the Treasury, reference is made to a letter received by the Treasury Department from Representative Fordney treating of the matter of these foreign loans, and considerable stress seems to have been laid upon that correspondence, but the letter does not appear in the report of the Secretary. Can you furnish the committee with a copy of that letter?

### STATEMENT OF HON. ANDREW W. MELLON, SECRETARY OF THE TREASURY.

Mr. MELLON. I have here the copy of Mr. Fordney's letter. You mean Mr. Fordney's letter?

Senator LA FOLLETTE. The letter of Mr. Fordney which is referred to on page 61 of the report of the Secretary of the Treasury.

Mr. WADSWORTH. I think this is it [handing letter to Secretary Mellon].

Secretary MELLON. Yes.

Senator LA FOLLETTE. I will be glad to have that made a part of the record.

The CHAIRMAN. Do you want it read to the committee?

Senator LA FOLLETTE. Yes; let it be read.

Secretary MELLON. This is addressed to Mr. Houston, then Secretary of the Treasury [reading]:

COMMITTEE ON WAYS AND MEANS,  
HOUSE OF REPRESENTATIVES,  
Washington, D. C., April 2, 1920.

HON. DAVID F. HOUSTON,  
*Secretary of the Treasury, Washington, D. C.,*

DEAR MR. SECRETARY: Referring further to my letter to your predecessor under date of January 19, 1920, wherein I undertook to express the opinion of the members of the Ways and Means Committee that, at the time of the enactment of the Liberty loan acts, no thought was given to the possibility of the suspension of interest payments on foreign loans and that there was no intent on the part of Congress to grant or imply such authority of the Secretary, I am instructed by the committee to state that upon further investigation a majority of the committee are of the opinion that there is no legislative bar to your proceeding with the extension plan last submitted by you to the committee, although such contingency was not in the mind of the committee at the time the legislation authorizing foreign loans was framed.

With reference to the policy of the plan, the committee feels that in such matters as these, where no legislation is pending, it is not in accordance with the best practice that standing committees of Congress should express an opinion or advise executive departments as to the course to be pursued.

In the light of the foregoing, therefore, I will be pleased to have you consider my letter of January 19, 1920, as withdrawn.

Very truly, yours,

J. W. FORDNEY, *Chairman.*

Senator LA FOLLETTE. Are you able to say, Mr. Secretary, whether any action has been taken by the Secretary upon the first letter which Mr. Fordney had written?

Secretary MELLON. I am not very clear on that.

Senator LA FOLLETTE. This second letter is a qualification of the opinions expressed in the first letter, and I am just inquiring now whether action was taken upon the first letter by the Treasury Department, if anyone here knows?

Secretary MELLON. Here is Mr. Houston's reply to Mr. Fordney.

The CHAIRMAN. What was the date of the first letter?

Secretary MELLON. April 2, 1920. And Mr. Houston then writes to Mr. Fordney [reading]:

APRIL 2, 1920.

MY DEAR MR. FORDNEY: I have the honor to acknowledge the receipt of your letter of April 2 in reply to my letter of March 18, 1920, relative to the postponing of the collection of interest on foreign obligations held by the Treasury. I wish to thank the committee for its consideration of this matter. I have cabled Mr. Rathbone to proceed with the negotiations accordingly.

Yours, very truly,

D. F. HOUSTON.

HON. JOSEPH W. FORDNEY,  
*Chairman of Committee on Ways and Means,  
House of Representatives.*

The CHAIRMAN. This correspondence refers to discussions over a year ago in the past administration, does it not?

Secretary MELLON. Yes.

Mr. WADSWORTH. I should say on that, Mr. Secretary, that the negotiations began in the autumn of 1919, in a very tentative way. They worked along up to the point where the Secretary of the Treasury had submitted his letter to Mr. Fordney outlining the program for an extension—

Senator LA FOLLETTE (interposing). That is, what negotiations began?

Mr. WADSWORTH. In Europe. Mr. Rathbone was talking—  
The CHAIRMAN (interposing). Who conducted those negotiations?

Mr. WADSWORTH. Mr. Rathbone, one of the Assistant Secretaries of the Treasury.

The CHAIRMAN. On behalf of the administration of President Wilson?

Mr. WADSWORTH. Yes.

The CHAIRMAN. The proposition then emanated entirely from Mr. Wilson and the Secretary of the Treasury under him?

Mr. WADSWORTH. Yes.

Senator LA FOLLETTE. And what date did those negotiations begin?

Mr. WADSWORTH. Mr. Rathbone went abroad, I think, in September, 1919.

Senator LA FOLLETTE. Was that his mission to conduct negotiations with respect to these claims?

Mr. WADSWORTH. He was very busy with certain reparation matters and cleaning up the various liquidation matters also, representing the Treasury; and then he began to get into his negotiations along in the autumn. In October, November, and December—

Senator LA FOLLETTE (interposing). When did he discontinue his negotiations there?

Mr. WADSWORTH. He came home in May. Nothing came of his negotiations and he came home.

Senator LA FOLLETTE. Excepting the exchange of views over there and the communications that he made to the Treasury Department with regard to it?

Mr. WADSWORTH. There was no commitment of any sort on either side.

Senator LA FOLLETTE. I understand. Now, when were the negotiations taken up following his return, by the Treasury Department here, if you know, and by whom?

Mr. WADSWORTH. By Mr. Mellon.

Senator LA FOLLETTE. And at what time?

Secretary MELLON. About one month ago.

Mr. WADSWORTH. A little more than that, perhaps.

Secretary MELLON. A little over one month ago.

Senator LA FOLLETTE. With what country?

Secretary MELLON. The conference was held with the ambassador of Great Britain.

Senator LA FOLLETTE. Your first conference?

Secretary MELLON. Yes.

Senator SMOOT. Were there any further conferences with any other countries?

Secretary MELLON. There have been no other conferences excepting that we prepared to furnish to the ambassador some data in relation to the claims.

Senator LA FOLLETTE. What data did you furnish?

Secretary MELLON. I believe it covered the progress that had been made by Mr. Rathbone, which gave to the ambassador the details of that conference or those negotiations which had been conducted by Mr. Rathbone. It was merely putting him in touch with the situation.

Senator LA FOLLETTE. Was that because he was a new man here?

Secretary MELLON. Yes.

Senator LA FOLLETTE. The negotiations had been conducted with his predecessor, or his predecessor had been kept informed of the progress of the negotiations up to that time, probably; was that the idea?

Secretary MELLON. Well, he requested further information, which was given to him.

The CHAIRMAN. Then, your only relations with the transaction was to furnish information, as I understand it?

Secretary MELLON. Our conference was merely one of preliminary discussion of the situation, and in that there were these questions as to how far the previous negotiations had gone; and so I said to the ambassador, "We will give you that information," which was really obtainable from the report of the Secretary of the Treasury, but we gave the same information practically.

Senator SMOOT. You gave him whatever information you had?

Secretary MELLON. Yes.

The CHAIRMAN. That consisted chiefly of correspondence, did it?

Secretary MELLON. No; we did not go into the details in that way. But it was more a question of what claim had been referred to and matters in that respect relating to the amount of the claim and of the interest.

Senator SIMMONS. May I ask the Secretary a question in response to some suggestions made by the chairman?

The CHAIRMAN. Will the Senator speak a little louder?

Senator SIMMONS. I desire to ask Mr. Wadsworth right here for the purpose of the record, some questions with reference to a statement made in reply to some inquiries by the chairman.

Mr. WADSWORTH, the chairman asked you with reference to these negotiations being taken up by the former administration—he said "by the Wilson administration"—through Mr. Rathbone. I wanted to ask if Mr. Rathbone went to Europe with any definite proposition from this Government, or did he go there merely to sound those Governments out with reference to the settlement of this foreign indebtedness?

Mr. WADSWORTH. I understand that he had no definite program when he went over. He carried on his conversations with a Mr. Blackett, who had been here representing the British treasury, and they had a number of conferences in Paris and London, but Mr. Rathbone took over no program.

Senator SIMMONS. He was not authorized to make any settlement, but simply to find out what was the situation, and what the Governments over there were willing, able, and supposed to do?

The CHAIRMAN. What was his primary and special purpose in going to Europe?

Mr. WADSWORTH. He represented the United States, and he was unofficial representative on the Reparations Commission, to begin with; and then, as that work began to get lighter, he was able to pick this other negotiation.

Senator WATSON. Did he make a report when he came back, Mr. Wadsworth?

Mr. WADSWORTH. He kept reporting to the Treasury here from time to time by letter and cable as to the situation as it developed, and all those reports were kept here, and, I think, copies of them all are now in the files of the Judiciary Committee of the Senate.

Senator WATSON. If he went away without a program, did he come back with a program definitely proposed by the Treasury Department?

Mr. WADSWORTH. He had worked up sufficiently so that the Secretary of the Treasury wrote that letter which appears in the annual report, outlining the plan for deferring interest for three years, and then providing for an issue of bonds. I remember that.

Senator SIMMONS. Was it the plan of this Government, or the proposition of the foreign Governments?

Mr. WADSWORTH. It is the plan Mr. Blackett and Mr. Rathbone had worked out, and this letter which Mr. Fordney replied to—you just heard his reply—was in reply to a letter from Secretary Houston to Mr. Fordney outlining the suggested way of handling this.

The CHAIRMAN. Who was Mr. Blackett?

Mr. WADSWORTH. He was representing the British Treasury.

Senator WATSON. Has that letter of Secretary Houston to Chairman Fordney ever been introduced here?

Senator LA FOLLETTE. No.

Senator WATSON. Can we have copies of that letter?

Senator LA FOLLETTE. I would be glad to have it in the record. That is the second letter that was introduced.

Senator WATSON. The original letter of Mr. Fordney that he afterwards withdrew.

The CHAIRMAN. That has just been read to the committee.

Senator McCUMBER. No; the preceding one.

Senator LA FOLLETTE. That is the second letter.

Senator WATSON. Mr. Chairman, that reminds me—and I want to inject it here—that Senator Lodge called my attention to the fact that there are several chests full of documents relating to these foreign loans in possession of the Committee on the Judiciary, and he says, of course, the Judiciary Committee has no business with those papers; that if they do not belong to the Finance Committee, they belong to the Foreign Relations Committee. But he thinks they all belong to the Finance Committee, and he suggests to me that I suggest to this committee that you, the chairman, ask the Judiciary Committee to turn those papers over to us; and I suggest that that request be made, in order that this committee may have possession here of any of those papers that may be of value.

Senator LA FOLLETTE. I think, Mr. Chairman, that we ought to have possession in this committee of all communications and all records that pertain to these foreign loans, and to negotiations regarding deferred payments.

Senator SIMMONS. Both made through the past administration and the present administration?

Senator LA FOLLETTE. Both administrations; so that the committee can have before it everything pertaining to this subject. It may point the way as to what would be done by the Secretary of the Treasury if this unlimited power that he asks for were conferred upon him.

The CHAIRMAN. You refer to the archives mentioned by Senator Watson?

Senator LA FOLLETTE. I do not know anything about those. I do not know whether those are complete or not. But I think we ought to have here a complete record of this whole transaction from beginning to end before we act upon this bill.

The CHAIRMAN. That means the records and archives and files in the Treasury Department.

Senator LA FOLLETTE. Yes. I mean the records of the Treasury Department that relate to this business. If they have furnished copies of those records to some committee that is making no use of them and that committee can turn them over to this committee, it would save any delay in their making other copies. I did not know about these records of which Senator Watson speaks.

The CHAIRMAN. Would not the State Department likewise have some record?

Senator LA FOLLETTE. I have no doubt they have. I have rather definite information that there is important matter there that this committee ought to have before it. I believe that it ought to issue an order for the turning over to the committee of all records of those two departments that bear in any way upon these matters, and all correspondence.

Mr. WADSWORTH. That request was made by the Judiciary Committee in their investigation last winter, and the Treasury prepared copies of very voluminous documents--I think there were three or four packing cases--and they are up here now; and that was made ready by my predecessor, but he told me that everything he could think of that would bear upon this matter was in those cases.

Senator LA FOLLETTE. My inquiry is if you happen to know whether they were all dumped into those cases without any order or system, and in that way transmitted to the committee, where they would be, of course, of little use to the committee, it comes to my mind now that Senator Reed, who was a member of that committee, and I believe was somewhat active in that investigation, complained that those documents had been sent down in such form that it was impossible for the committee to make very much effective use of them. I think if we are to have any records from the department that they ought to come in an orderly form, and putting them together in that way, of course, would not delay the department at all.

Mr. WADSWORTH. We could send a man here to put them in order, if we could get at them.

The CHAIRMAN. Will you have that done, Mr. Mellon?

Secretary MELLON. Yes.

The CHAIRMAN. Have them put in order, indexed so far as possible, separated and segregated, and sent to the committee?

Secretary MELLON. Would I understand, Mr. Chairman, that the boxes be brought to this committee?

Senator WATSON. I think, Mr. Chairman, you will have to make a demand on the Judiciary Committee.

The CHAIRMAN. How would it do for me to appoint a subcommittee--Senators Watson, LaFollette, and Simmons--to confer with the chairman of the Judiciary Committee with a view of having those papers transferred to our committee?

Senator SMOOT. The Treasury sent them to the Judiciary Committee, and I think it would only take a request to get them here.

Senator WILLIAMS. A request from you as chairman of this committee is all that is necessary.

Senator WATSON. I think just a request from you, Mr. Chairman, to Senator Nelson would have them transferred.

(At this point Senator Reed entered the committee room.)



The CHAIRMAN. Senator Reed, the question has arisen concerning the transfer of certain papers, sent to the Judiciary Committee by the Treasury Department at your request, to this committee for its information. Can you inform this committee as to the status of those papers, their availability and their utility, even in this investigation?

Senator REED. You refer, I presume, to a large number of papers which was sent over with reference to these foreign loans?

The CHAIRMAN. Yes.

Senator REED. Here are the facts; you can judge for yourself: The former Secretary and his assistants gave testimony before the committee for some days, at different times; and finally the committee asked them to send over all of the files with reference to these loans.

Senator WATSON. How did the Committee of the Judiciary happen to be investigating that question?

Senator REED. There was a bill pending providing that there should be no more moneys paid out on any of these foreign loans by the Secretary of the Treasury. I introduced the bill. We tried to get at the facts. I did not want to criticize anybody, but it did not seem that anybody could give us a clear statement with reference to each of these loans, and we asked for the papers with reference to them, and I really thought it was a matter of petulance—they finally brought over five big boxes full of all the papers and, of course, that involved a long search; and then the committee instructed the secretary of the committee and my secretary to read these letters during the interval of the adjournment and pick out the ones which they thought were pertinent to these loans. That was done, and then we ordered them printed confidentially, and that is the confidential print [exhibiting pamphlet to the committee]. There were 96 or 100 of them printed.

Senator WILLIAMS. Ninety-six what?

Senator REED. Copies printed for confidential use of the committee, and I presume of the Senate. I have been trying ever since to get these released and made public. I have never been able to get action on it.

At the last meeting we had where the matter was under consideration, they referred them to the Secretary of State and asked him to examine them and see whether there were any that he thought should not be made public. He wrote back and said he thought many of them should not be made public, without specifying them; that these documents related to dealings between this Government and foreign countries, and that it was customary not to make public that kind of correspondence without the consent of the foreign Government. And there we are. That correspondence goes into the whole question. I have not read every letter contained in this print which I hold in my hand. This is finely printed, and it is a big job; but I have glanced through them, and I think that they set out as far as there is any record the circumstances attending these various loans, and I think disclose a situation—I am just expressing my own opinion—wholly unjustifiable and illegal. There are other members of the committee who probably take the other view of it. I think they belong certainly to the Senate.

Senator WATSON. And to the Finance Committee?

Senator REED. And I think they certainly ought to be given to the Finance Committee, and I think the whole Senate is entitled to them,

and, so far as I am concerned, I think the public is entitled to them. This is the public money that we are dealing with.

Senator WATSON. I understand the former Secretary of the Treasury was not very much in favor of making some of these documents public.

Senator REED. He did not express himself in that way. He said he thought they ought to be carefully examined by the committee before they were made public, and that there were probably some of them, or parts of them, that ought not to be made public.

Senator SIMMONS. Senator Reed, of course, that would not mean that Members of the Senate or committees of the Senate should not have free access to them?

Senator REED. I thought they printed one for each Member of the Senate, and that that was the reason they printed 96 or 100 copies.

Senator SIMMONS. Could there be any objection to having more copies of that document you have in your hand printed for use of this committee?

Senator REED. I think there are enough to supply this committee now in the safe of the Secretary of the Judiciary Committee.

Senator WATSON. When were these printed?

Senator REED. They were printed two or three months ago.

Senator WATSON. Mr. Secretary, have you ever seen a copy?

Secretary MELLON. I have not.

The CHAIRMAN. Senator Reed, this correspondence, as I understand it, simply refers to transactions long since over and closed. These debts to the United States exist and are admitted and conceded, and the question before the committee now is how to deal with their refunding or repayment?

Senator REED. Of course, Mr. Chairman, there are two questions involved. One is the question what we are going to do with reference to the loans we have made, and I understand that to be the proposition immediately before the committee. Then there is the other question of the nature of these loans, what they were made for, and connected with that is the fact that there are some credits or what they call "credits" of, I think, \$129,000,000 the last time I heard about it—it may have been changed since—still standing for these foreign governments.

I am not making any breach of confidence—and the Secretary is here to correct me if I should be in error—when I say that the method seemed to have been this: That if one of these foreign governments would apply to the Secretary of the Treasury for money, instead of turning the money over to them, in most instances he did what he called "Established a credit for them." That is, he said, "I will set aside to you and give you a credit of so many millions of dollars."

Then, as that Government wanted the money, why, it drew for it and got the money. There still stands—or did stand awhile back, the Secretary will know—some \$33,000,000 to the credit of Greece, and nearly \$5,000,000 to Liberia's credit; and the question we had under consideration was whether any more of that money should be paid out, and I have never gotten very far with it in that committee. We were making quite excellent progress, I thought, with the Republicans of the committee pretty keen on the scent until we changed the administration; and then the Democrats, who had been

holding back before, evinced a little more interest than the Republicans.

The CHAIRMAN. We were kept in the dark about it until lately.

Senator REED. Yes; I understand.

Senator WATSON. I never heard about these documents there until Senator Lodge called my attention to the chests full of them up there, to which I had just called this committee's attention and was suggesting that the chairman of this committee should make a request of the chairman of the Judiciary Committee to turn all of those documents over to us, since our committee manifestly has jurisdiction of this subject, then that would carry this publication (referring to pamphlet shown to the committee by Senator Reed) with it, would it not?

Senator REED. I do not believe anybody will have to go outside of this, and here are the circumstances. I have a secretary who is a lawyer, and a pretty good lawyer, who is familiar with the situation, and he, together with the clerk of the committee, and I think one or two of the other clerks, undertook to read this vast bulk of papers and to pick out everything that they thought was pertinent; and the probabilities are very strong that you will find all you want in that book.

Secretary MELLON. May I say a word or two on that question whether there are any commitments or obligations now, so far as the Treasury is concerned, to pay out any more money to any of these Governments. The Treasury does not recognize that there is any such obligation of any nature to pay any additional amount of any of the Governments; so far as these loans are concerned, the advancements have been completed.

Senator REED. Did you not pay some money on the commitments since you came into office?

Secretary MELLON. That was referred to at the other hearing, and that has been done. I am speaking now of the present situation.

Senator REED. That is, you hold now that no matter though there was a credit of \$5,000,000 placed to the credit of Liberia and only a few thousand drawn, that you are under no further obligations to pay any money to Liberia?

Secretary MELLON. Not so far as the Treasury is concerned.

Senator REED. Then, who would be, if not the Treasury?

Secretary MELLON. It would be a matter now of action by Congress if any further advancement is made to Liberia.

Mr. WADSWORTH. May I say a word, Mr. Secretary?

Secretary MELLON. Yes.

Mr. WADSWORTH. There is a credit in favor of Czecho-Slovak Republic of \$6,072,834.36. That is a credit which was established to assist the Government in repatriating its troops from Siberia. That work was carried on by the War Department and the Shipping Board; and there are claims now before the Czecho-Slovak Government of perhaps \$3,000,000 to \$4,000,000—I have not seen them all—from the War Department and the Shipping Board together, for money they have expended in getting those men home.

Senator REED. Money we have expended?

Mr. WADSWORTH. That is, to say, the War Department and the Shipping Board expended, on the basis of the fact that the Czecho-Slovak Government could get enough from the Treasury under this

credit to reimburse the War Department and the Shipping Board. That is a commitment which exists.

Secretary MELLON. That has not been brought to my attention.

Senator REED. Pardon me. That means this, that you are getting this \$3,000,000 from the United States Treasury and turning part of it over to the Shipping Board to reimburse it and part of it over to the War Department to reimburse it. So that the money does not go abroad?

Mr. WADSWORTH. We pay it to the Czecho-Slovak Government and they, in turn, pay their bills to the Shipping Board and the War Department, and we receive the obligation of the Czecho-Slovak Government.

Senator REED. So there is that much more money to go out?

Secretary MELLON. It does not in that sense go out of the country. There are no advancements that go to a foreign Government to remain there?

Mr. WADSWORTH. No.

Senator SMOOT. What is the total amount?

Mr. WADSWORTH. The total they might draw is \$6,072,834.26—a balance of about a \$10,000,000 credit.

The CHAIRMAN. Mr. Wadsworth, what document are you reading from?

Mr. WADSWORTH. The Treasury's annual report.

Then, there is another credit in the Treasury's annual report in favor of France for \$50,496,977.24. I think there will be no payment required on that.

Senator SMOOT. But there is a commitment?

Mr. WADSWORTH. If France comes in with a claim which she says was incurred in connection with the war.

Senator LA FOLLETTE. What is that commitment based on?

Mr. WADSWORTH. Any contract she made during the time of the war and which she was enabled to make in this country and finance it, because the Treasury had established this credit.

Now, so far as we know, France has no more claims to put in, so that that \$50,000,000 will probably come off the books as a credit without any advance being made.

Senator WATSON. What is the date of that commitment?

The CHAIRMAN. The last report of the Secretary of the Treasury, for the year ending June 30, 1920, and the facts referred to are found on page 55, and the clerk will put a copy of the annual report before each Senator immediately.

Senator REED. But the commitment has been made, and if France presents or has to pay claims of the character this commitment was intended to cover, then you will regard the Treasury as obligated to make that good up to the amount of \$50,000,000?

Mr. WADSWORTH. I understand so.

Secretary MELLON. But, Mr. Wadsworth, is it not safe to say that we do not regard that there is any further amount to be paid that will go out of this country to any foreign Government? So far as we understand, the French Government is not asking for any further advancement?

Mr. WADSWORTH. We so understand, yes; but I am making completely sure, because if they should turn up with some claim, we would then be morally bound to advance them the money.

Senator McCUMBER. They would be claims originating in the United States to pay bills for contracts made in the United States?

Mr. WADSWORTH. Yes.

Senator McCUMBER. And your belief is that inasmuch as no claim has been filed for two years, there can not be any outstanding claim in this country against the record?

Mr. WADSWORTH. Yes.

The CHAIRMAN. What kind of claims did they have in mind when this balance was allotted to France?

Mr. WADSWORTH. This is the balance of a very large credit when they were buying munitions, horses, wheat, blankets, and all sorts of things over here during the war. When they needed the money, they would come to the Treasury, and the Treasury would advance it.

Senator REED. But France has not yet released us from that obligation, formally, whether it be valid or invalid?

Mr. WADSWORTH. Not formally; but as a practical matter we made a general settlement with France about a month ago on a great many claims between the War Department and the Navy Department and others, and I can not conceive that they will claim anything more.

Senator WILLIAMS. This Czechoslovakia matter to which you referred, that is in essence just a matter of crediting one department of the Government and debiting another, is it not?

Senator LA FOLLETTE. That is not the way you stated it before, Mr. Wadsworth. You stated that the money would be paid to them and that then they could pay the Shipping Board and the War Department. I want to have you be definite about that. Is that money going out of this country first and into the hands of that Government, to be repaid by that Government to the Shipping Board and the War Department?

Mr. WADSWORTH. That would be a simultaneous transaction that would probably take place right at my desk.

Senator LA FOLLETTE. And the money would not leave the country at all. I should think that the transaction ought to be closed out in that way.

Mr. WADSWORTH. We do go through the formality of paying it to them, and they hand us their obligation, but they never get the money.

Senator REED. Of course this question lies back of it all, and that is whether there was any authority in the Treasury or in the Government to agree with Czechoslovakia to pay these bills. The Czecho-Slovak Government did not exist as a government at the time that these acts were passed authorizing the loans and did not exist as a government until after the war was over. That presents a very different question as to whether we are to pay this bill in this way or whether we are to insist on their taking their own money out of their own treasury and coming over and settling with the Shipping Board and the War Department.

Mr. WADSWORTH. May I go on with this?

The CHAIRMAN. Yes; you may proceed.

Mr. WADSWORTH. There was also a credit in favor of Greece of \$33,236,629.05. This was the result of an agreement between this Government and the French and British Governments to advance

certain money to Greece during the war. Certain advances were made and then the Government of Greece changed and there have been no more payments made. We are unable at the present moment to say just what the status of that credit is because it is an account with two other Governments, and there would have to be a negotiation in which all three contracting parties agreed as to what they should do.

Senator REED. Permit me to ask a question or two about that. As a matter of fact, England, France, and the United States made an agreement to stand back of Greece, provided Greece would do certain things in this war—I will not say what they were. The Greek Government changed. England and France refused to advance any money, but the United States did advance her part and Greece is still claiming that a very large sum ought to be advanced to her from all three of these parties. Is not that the situation?

Senator LA FOLLETTE. You did not state, Senator Reed—

Senator REED. I did not get an answer to my question.

Mr. WADSWORTH. I did not know you were asking me that question, Senator.

Senator REED. I am trying to ask you that question.

Mr. WADSWORTH. I think that at the time we made our advances under these contracts both England and France also made advances, and then all three Governments stopped at the same time.

Senator REED. Is not this about the fact?

Under the various Liberty loan acts which provided that the Secretary of the Treasury could, with the approval of the President, make loans to foreign governments then engaged in war with enemies of the United States for the purpose of prosecution of the war, there was a credit established for Greece of \$48,236,629.05. Of this credit there was advanced to Greece up to November 15, 1920, a total of \$15,000,000.

Senator WATSON. By whom?

Senator REED. By the United States. And "there now remains on the books of the Treasury Department a credit in favor of Greece of \$33,236,629.05." That is correct that far, is it not? I am going to read on.

No money whatsoever was advanced to Greece during the actual progress of the war.

That is true, is it not?

Mr. WADSWORTH. I could not say about that.

Senator REED (reading):

The first advance was made to Greece December 15, 1919. The next advance was January 16, 1920, of \$5,000,000. The third advance was September 17, 1920, of \$5,000,000.

Senator LA FOLLETTE. May I inquire whether or not you are reading from a statement made by the Treasury?

Senator REED. No; I am reading from a statement of the epitome of these documents, which I think sets out the facts. So that the advances that were actually made were made subsequent to the armistice, a year subsequent, nearly.

Loans were made to Greece under an entirely different plan and system from those made to any of the other Allies. In February, 1918, England, France, and the United States made an agreement with Greece whereby these three countries agreed to underwrite a Greek loan of 750,000,000 drachmas, which have the same value as francs. Each of the three countries agreed to make its share of one-third of the loan. This

750,000,000 drachmas loan was the outside limit of the loan to be made. That is, it was the maximum amount for the 1918 expenditures.

In pursuance to this loan Greece agreed to keep a certain number of men in the field and to make other military and naval operations.

This loan was to be paid to Greece upon certain conditions. Those conditions were, first, the money was to be paid if at any time during the war the credit of the National Bank of Greece fell below 100,000,000 francs. Second, if the money was not paid during the war, then it was all to be due and payable six months after the conclusion of peace.

A further condition was added that in no case were the three countries referred to to pay more than one-third of the expenditures for 1918 as shown by vouchers from the Greek treasury, which vouchers were to be passed upon by the financial commission appointed for this purpose.

On the strength of this promised loan, the Greek Government issued a bond issue which it sold to its own people.

This is comment, but I will put it in the question:

The correspondence shows that though the United States has up to date advanced \$15,000,000 on this credit so established, neither of the other countries have advanced any of their share. All that they have done was to establish book credits.

The correspondence also shows that when our advances were finally made, they were made not to take care of war purposes, but to rehabilitate Greece. In fact, all of the proposals for advances mentioned the fact that the advances are to be used for rehabilitation and relief purposes. The Treasury Department only agreed to these advances when they were assured that they were to be made for expenditure in the United States.

There is nothing in the correspondence on Greece showing any itemized statement as to how this money was spent other than a statement in French, giving merely the names of the parties who received the money, no statement being given of what the money was spent for.

This is further comment, but I will put it in for the context.

It must also be borne in mind with reference to the Greek loan that this loan was made to the Venizelos Government, which government has since collapsed, and the former King Constantine, who had been ousted from the throne by Great Britain and France because of his pro-German leaning, has been returned to the throne by a popular plebiscite of Greece.

At the time of the political disturbances in Greece, just prior to the return of Constantine, a fourth advance of \$5,000,000 was asked, but this request has never been granted by the Treasury Department. The correspondence with the committee only runs to January 14, 1921, and it does not show a direct refusal on the part of the Treasury Department of the United States of this request.

Now, is that not about the situation with regard to Greece?

Mr. WADSWORTH. I should say it is, from my memory of the matter.

Senator REED. Well, you could not say, then, that the Greek loan was closed, could you? They may come in at any time and demand that \$33,000,000, and you may feel that we are obligated to pay it.

Mr. WADSWORTH. I think the Secretary could state whether or not he would.

Secretary MELLON. I should not consider that that now would be an obligation of the Treasury to make further payment.

Senator REED. Why not, Mr. Secretary, if it be true that Greece entered this war upon the express stipulation that three Governments, including our own, would advance to her certain moneys upon three conditions; first, that she put a certain number of men in the field; second, that they would pay money if at any time the credit of the Bank of Greece fell below a certain point; and, third, that itemized statements of the cost should be furnished? Suppose that Greece were to bring you in to-day these itemized statements of expenditures that have been incurred during the war, and assuming that this contract is a legal contract how could we escape making them?

Senator WATSON. If that be true and if we are bound to make the payment, why your question?

Senator REED. My question is to get at the Secretary's attitude. I am not criticising, of course, but the Secretary has said that he can see no way in which we are obligated, and I can see, if there is a legal obligation to begin with, how we might be obligated.

Secretary MELLON. Under the existing conditions I do not believe that the facts are such that there is an obligation here to make any further payment.

Senator WATSON. Does the Senator from Missouri believe that there is an obligation?

Senator REED. You want to ask me questions, and I am trying to clear up the attitude of the Secretary of the Treasury—I am interested in it—in a most courteous way, of course.

Senator WATSON. Certainly; we all understand that.

Senator REED. Now, if the Secretary were to say to me that they had seen correct accounts of those expenditures during the war and they knew from them that no more money could be demanded from us, I would understand that; but as long as we have no information that Greece has presented those claims, nor the amount of those claims, I can not see how anybody can say that we are perfectly free from any obligation to Greece.

Mr. WADSWORTH. Greece has been entirely unable to present these statements so far, and nothing that they have produced complied with the agreement, but we do not know that they might not.

Senator REED. They are still trying to produce something? They are still making claims, are they not?

Mr. WADSWORTH. They have not for some months.

Senator REED. The last thing they did was to assert a claim. If you do not like that term, use whatever term you wish.

Mr. WADSWORTH. They came in and said they would like more money.

Senator SIMMONS. When was that?

Mr. WADSWORTH. About two or three months ago.

Senator McCUMBER. Did they get it?

Mr. WADSWORTH. They did not.

Senator McCUMBER. Why?

Mr. WADSWORTH. Because their statements were not satisfactory and never have been.

Senator SMOOT. England has not paid them anything, and France has not paid them anything.

Secretary MELLON. I think it is safe to say, as I stated before, that there is no situation in the Treasury which makes it at all probable, or in any way likely, that any such question is going to arise; that there is going to be any request even for a further advancement.

Senator REED. How about Liberia? When did they withdraw their claim?

Secretary MELLON. Liberia has not withdrawn any claim. Liberia is still requesting that advancements be made, but the Treasury does not regard the request as being one that the Treasury is under any obligation to comply with.

Senator REED. Would you kindly enlighten me a little about that? Why does the Treasury not regard itself as obligated in this instance? There was a credit established to Liberia for \$5,000,000. They drew only a small sum.



Secretary MELLON. Mr. Wadsworth can explain that better than I can.

Mr. WADSWORTH. The negotiation for this credit was entirely between the State Department and Liberia, not between the Treasury and Liberia, as in the case of all other credits. The Treasury has, therefore, taken the position that until the State Department came to us and said, "We have as a government a commitment to Liberia to pay that money," the Treasury was not in any way committed to pay out that money.

Senator REED. But suppose the State Department came to you to-morrow and said, "We have had negotiations with Liberia. We have reached an agreement. We told Liberia that they should have this \$5,000,000, and we told the Treasury so and the Treasury put it to their credit." Now what are you going to do with that case?

Mr. WADSWORTH. I understand, informally, that the State Department has determined not to make such a statement.

Secretary MELLON. I think that is the situation.

Senator REED. Then it comes to this, that you do not regard, having put money to the credit of a nation, as having in any way committed our Government?

Mr. WADSWORTH. It commits them absolutely if they come up with a claim for the cash, in accordance with the terms under which this credit was extended.

Senator REED. And those terms are not known to you, are they?

Mr. WADSWORTH. Not very definitely.

Senator REED. But you do know, in a general way, that Liberia had mortgaged her revenues as security to an English bank and a French bank, and that a sort of trusteeship had been established to collect those revenues, that trusteeship being semigovernmental at least in its character; that everything went along very fine until the war came on, and then the revenues of Liberia fell off and negotiations were entered into to have the United States take that loan over, and a credit was established of \$5,000,000 to Liberia, out of which there was enough money taken to pay the expenses of the Liberian delegates to the peace council, and the rest of it stands there. That is about the situation, is it not?

Mr. WADSWORTH. I think that is the situation.

Senator REED. You do not intend to say to us that that is not a situation that might ultimately involve the payment of this money, do you?

Mr. WADSWORTH. Only if the State Department came forward and said that they felt there was an absolute commitment on their part to produce that money for Liberia.

Senator WILLIAMS. That is the amount that has been already paid?

Mr. WADSWORTH. No; the additional amount.

Senator WILLIAMS. For the payment of what?

Mr. WADSWORTH. Well, whatever commitments may have been made by the State Department.

The CHAIRMAN. When was that commitment made by the State Department? Who was the Secretary of State at the time?

Mr. WADSWORTH. Mr. Lansing was Secretary at that time.

The CHAIRMAN. Then the present officials of the State Department have no official cognizance of or participation in this proposition?

Mr. WADSWORTH. No; it was made in an unusual way by a direct order from the President. That was the only credit that was extended in that way.

Senator WATSON. That is, the Liberian credit was made by a direct order of the President?

Mr. WADSWORTH. Yes.

Senator WATSON. And no other commitment was made in that fashion?

Mr. WADSWORTH. No other.

Senator SUTHERLAND. What was the date of that Liberian credit?

Mr. WADSWORTH. September 9, 1918.

The CHAIRMAN. This is one of the legacies, then, from the past administration.

Mr. WADSWORTH. They all are.

Senator SIMMONS. Is not everything that was done in connection with the war a legacy from the past administration?

The CHAIRMAN. No; not at all. The Republican Party participated in a number of very beneficial and patriotic acts, but with those of an autocratic and secret nature we are not having any relation, so far as I know.

Senator REED. Let it be understood that in all that was virtuous the Republican Party was an active participant, and in all that was bad, the Republican Party's hands are clean.

The CHAIRMAN. There is a large element of truth in that.

Senator REED. I think we might as well admit it, in view of the majority.

Secretary Mellon, did you not take the position the other day when you were here that all of these commitments were contractual in their nature and that we were not at liberty to change or cancel them?

Secretary MELLON. So far as I know, they were absolute commitments. But if, on the other side, the terms were not complied with, then we were not under any obligation to actually advance the money.

• Senator REED. Well, are you prepared to say to the committee, this morning that you will pay out any more money on any of these commitments?

Secretary MELLON. So far as I know, there is no situation where that question is liable to arise.

Senator REED. But that is not my question, and I know you make the answer in the best of faith as your judgment. But you are not prepared to say that under no circumstances or conditions would you pay out any more money?

Secretary MELLON. Oh, I could not say that there might not be some circumstance or condition with which I have not been advised. Of course there is always a possibility of something arising in that way, but I do not believe there is any such situation.

Senator REED. We were down to Italy; we had in the Treasury's last report a credit of \$34,921,192.73. What is their credit now?

Mr. WADSWORTH. We do not consider that they have any credit.

Senator REED. What happened before the account was closed?

Mr. WADSWORTH. That \$16,000,000 was advanced that we spoke of at the last hearing.

Senator REED. So that that \$34,000,000 credit was reduced to approximately, you say, \$18,000,000?

Mr. WADSWORTH. That was taken off the books.

Senator REED. And that is taken off and closed up with Italy's consent?

Mr. WADSWORTH. Yes.

Senator REED. So that the account with Italy is now finally concluded?

Mr. WADSWORTH. I understand so.

Senator REED. Well, you know what the facts are, do you not?

Mr. WADSWORTH. I have not actually seen the entries, but I think I can confidently say that Italy has no longer any credit on the books of the United States.

The CHAIRMAN. When was that formal settlement made, Mr. Wadsworth?

Mr. WADSWORTH. The 30th of March of this year.

The CHAIRMAN. In Mr. Houston's report he states that it is an open account, but of course subsequently it was closed. I want to state to the committee—I know it is not the proper time to do so—that I do not desire to introduce any partisanship into this discussion. I think it should be treated on the broadest lines of patriotism, but it seems to me there is an effort being made to bring up collaterally and frequently matters having no connection whatever with the granting of certain authority to the Secretary of the Treasury; and when a proposition like that of Liberia is talked about in the committee room it is notoriously an autocratic legacy of the past, and I do not want the impression to go forward that the present management of the Treasury Department has any connection whatever with the transaction.

Senator WILLIAMS. Mr. Chairman, we might just as well have entered of record an admission that everything that occurred prior to the 4th of March last occurred under a Democratic administration.

The CHAIRMAN. I would not say under a Democratic administration; I would say under an individual Democratic administration.

Senator WILLIAMS. Well, I would say a Democratic administration.

Senator REED. I think that the disposition of the chairman to keep politics out of this is so manifest that it hardly needs to be asserted, and I want to say for myself that I have not asked these questions with an attempt to reflect on anybody, past or present; but I do think when we come to the question of extending a power to the Secretary of the Treasury, whether it be Mr. Mellon or his successor, to settle these loans, that the question of our accounts with these Governments, in what shape those accounts are, is a pertinent question which any business man would take into consideration if he were making a settlement with a creditor.

Senator SMOOT. Mr. Chairman, the Secretary was called here this morning to answer certain questions, and I would like to have him proceed now.

The CHAIRMAN. The Senator from Wisconsin, I suspect, has some other questions that he wants to ask.

Senator LA FOLLETTE. Yes; I had noted some other matters that I wanted to inquire about. I will ask Mr. Wadsworth if he is familiar with the matter that was submitted to the Judiciary Committee—perhaps you have already stated, Mr. Wadsworth—whether you know

the contents of the various chests that were sent down in response to the request of that committee?

Mr. WADSWORTH. I have been through the papers in order to post myself as to exactly what happened, as far as I have been able to in a limited amount of time.

tion. I would like to inquire of you if there is among those papers a

Senator LA FOLLETTE. Then, perhaps, you can answer my question of a request made by one of the foreign Governments for the entire cancellation of their obligations to this Government?

Mr. WADSWORTH. Mr. Chairman, that is rather an international matter. I do not know that there is anything very confidential about it, however.

The CHAIRMAN. Mr. Secretary, I believe personally, and I think the committee believes, in the fullest publicity of these transactions, unless there is some very strong reason why publicity should not be given, which the committee would respect if submitted.

Mr. WADSWORTH. I have here a cablegram from the British chancellor, which says: "Turning to more general considerations"——

Senator REED. What is the date of it?

Mr. WADSWORTH. February, 1920. [Reading:]

Turning to more general considerations it is evident that a financial crisis in America would gravely endanger the incipient recovery of continental Europe. It is impossible to foresee the consequences. With the Continent a prey to bankruptcy and possibly to anarchy and the United States unable to provide credits of any sort owing to the internal crisis, the world's position would be indeed serious. If I may venture on what I fear is controversial ground, I may say that it is largely because of these dangers that we should welcome a general cancellation of intergovernmental war debts. The moral effect would even be a greater practical change and fresh hope and confidence would spring up everywhere. The existence of these international debts deters neutrals from giving assistance, checks private credits, and will, I fear, prove a disturbing factor in future international relations.

Senator WILLIAMS. From whom is that cablegram?

Mr. WADSWORTH. That is from the chancellor of the exchequer.

Senator WILLIAMS. To whom is it addressed?

Mr. WADSWORTH. It was sent to Mr. Leffingwell, who was then an Assistant Secretary of the Treasury of the United States.

The CHAIRMAN. Who was the Secretary of the Treasury at that time?

Mr. WADSWORTH. The date is February 9, 1920. I think Mr. Glass was Secretary of the Treasury at that time?

Senator LA FOLLETTE. You have not given us the name of the British Chancellor.

Mr. WADSWORTH. I am sorry to say this is not signed, and I am reading from a copy. The letter of transmittal is signed by Mr. R. C. Lindsay, and English official, addressed to Mr. Leffingwell. That letter of transmittal is as follows:

FEBRUARY 9, 1920.

DEAR MR. LEFFINGWELL: I sent a telegram to London after our conversation at the Metropolitan Club the other day and I have now received a message from the Chancellor of the Exchequer, a copy of which I inclose to you, herewith, and which I hope you may find interesting.

Believe me, dear Mr. Leffingwell,  
Very sincerely, yours,

R. C. LINDSAY.

Senator JONES. Did Mr. Leffingwell cancel the debt upon receipt of that cablegram?

Mr. WADSWORTH. I do not know.

The CHAIRMAN. This was rather important correspondence to be conducted between subordinates, was it not?

Mr. WADSWORTH. Mr. Leffingwell carried on all that correspondence at that time.

The CHAIRMAN. It looks like a social correspondence, almost, to me.

Senator WATSON. That is a proposition to cancel all war debts mutually all around the world. You have no such thought as that, have you, Mr. Secretary?

Secretary MELLON. No, indeed.

Senator REED. Was not there a good deal of correspondence along the same line as that telegram?

Senator WADSWORTH. Not as I recall it. The Treasury took the position constantly that there was no such thought at any time.

Senator REED. I do not mean correspondence from our side acceding to it; but were there not other requests than the one you have read, or suggestions of that character?

Mr. WADSWORTH. I do not recall any.

Senator LA FOLLETTE. Mr. Wadsworth, have you another communication there bearing upon this same subject?

Mr. WADSWORTH. I am looking to see if I have any more.

Senator SIMMONS. Mr. Chairman, what was the necessity of our prosecuting this inquiry as to whether there had been any suggestions of cancellation of all these debts? That is foreign to the purpose for which we are meeting. I think everybody understands that nobody now is in favor of canceling these debts, and we are here for the purpose of considering what power and authority we will give to the Secretary of the Treasury for the refunding and adjustment and liquidation of those debts.

Senator LA FOLLETTE. Exactly, Mr. Chairman, I understand that to be so; but if negotiations have been opened heretofore by these debtors and appeals have been made heretofore to this Government to cancel the debts, we do not know if we give unlimited authority to a Government official to dispose of this matter according to his own judgment what he may be confronted with hereafter in the way of appeals from other Governments. He may say now that would not consider the matter. But we are asked to give him unlimited authority, and I think we have a right to know what has been in the minds of these debtor Governments with respect to these debts.

Senator WATSON. Do you think there is any authority carried in this bill to the Secretary of the Treasury to cancel all this indebtedness?

Secretary MELLON. There is no authority asked for to cancel any part of it.

Senator LA FOLLETTE. That is true, but there is unlimited authority asked for with respect to the dealing with these debtors and the postponement of payments and the terms upon which the payments may be made after they have been postponed.

Secretary MELLON. But not for the relinquishment of them.

Senator LA FOLLETTE. I understand that, but when you have gotten the debtor in an attitude of mind, as shown by this record, to

ask for the entire cancellation of his debt, I think you have a pertinent inquiry as to how he will press matters for the largest measure of concession that can be obtained from this Government, and I think it is entirely pertinent to this inquiry.

The CHAIRMAN. Mr. Wadsworth, How did the British officials happen to write to Mr. Leffingwell on this matter of cancellation?

Mr. WADSWORTH. Mr. Leffingwell was then an Assistant Secretary of the Treasury. This letter from Mr. Lindsay—I do not know who he is—incloses a copy of a cablegram.

Senator LA FOLLETTE. Let me ask you if that cablegram was sent to the Secretary of State by the British chancellor?

Mr. WADSWORTH. May I say, Mr. Chairman, that this cable was sent to an Englishman named Lindsay, who was here in this country, by the chancellor of the exchequer, who in turn informally submitted it to Mr. Leffingwell, with whom he had been talking about this matter.

The CHAIRMAN. How did he come to select Mr. Leffingwell instead of going to the fountain-head?

Mr. WADSWORTH. They had been discussing the matter here informally.

Senator REED. You were going to read another document.

Mr. WADSWORTH. In a letter from the Prime Minister of England, dated August 5, 1920, to the President the following appears:

Accordingly the British Government has informed the French Government that it will agree to any equitable arrangement for the reduction or cancellation of inter-allied indebtedness, but that such an arrangement must be one which applies all around.

Senator REED. You say that states "accordingly." There is something that precedes that.

Senator LA FOLLETTE. Suppose you read the entire letter. Then we will get the context.

Mr. WADSWORTH (reading):

I come now to the other question I wish to write to you about, and that is the knotty problem of inter-allied indebtedness. Indeed, I promised Mr. Rathbone long ago that I would write to you about it, but I have had to put it off for one reason and another till now.

Senator REED. Who was Mr. Rathbone?

Mr. WADSWORTH. Mr. Rathbone was an Assistant Secretary of the Treasury who was abroad in the winter of 1919-20 negotiating this matter. [Reading:]

The British and French Governments have been discussing, during the last four months, the question of giving fixity and definiteness to Germany's reparation obligations. The British Government has stood steadily by the view that it was vital that Germany's liabilities should be fixed at a figure which it was within the reasonable capacity of Germany to pay, and that this figure should be fixed without delay because the reconstruction of Central Europe could not begin nor could the Allies themselves raise money on the strength of Germany's obligation to pay them reparation until her liabilities had been exactly defined. After great difficulties with his own people M. Millerand found himself able to accept this view, but he pointed out that it was impossible for France to agree to accept anything less than it was entitled to under the treaty, unless its debts to its Allies and associates in the war were treated in the same way.

This declaration appeared to the British Government eminently fair. But after careful consideration they came to the conclusion that it was impossible to remit any part of what was owed to them by France except as part and parcel of all around settlement of inter-allied indebtedness. I need not go into the reasons which led to this conclusion which must be clear to you; but the principal reason was that British public opinion would never support a one-sided arrangement at its sole expense, and that if such a one-sided arrangement were made it could not fail to estrange

and eventually embitter the relations between the American and British people, with calamitous results to the future of the world. You will remember that Great Britain borrowed from the United States about half as much as its total loans to the Allies, and that after America's entry into the war, it lent to the Allies almost exactly the same amount as it borrowed from the United States of America. Accordingly the British Government has informed the French Government that it will agree to any equitable arrangement for the reduction or cancellation of inter-allied indebtedness, but that such an arrangement must be one which applies all around.

As you know, the representatives of the Allies and of Germany are meeting at Geneva in a week or two to commence discussion on the subject of reparation. I recognize that in the midst of a Presidential election and with Congress not in session, it is impossible for the United States to deal with this question in a practical manner, but the question is one of such importance to the future of Europe and indeed to the relations between the allied and associated powers, that I should very much welcome any advice which you might feel yourself able to give me as to the best method of securing that the whole problem could be considered and settled by the United States Government in concert with its associates at the earliest possible moment that the political situation in America makes it possible.

There is one other point which I should like to add. When the British Government decided that it could not deal with the question of the debts owed to it by its Allies except as part and parcel of an all-around arrangement of interallied debts, the Chancellor of the Exchequer told Mr. Rathbone that he could not proceed any further with the negotiations which they had been conducting together with regard to the postponement of the payment of interest on the funding of Great Britain's debts to America. I should like to make it plain that this is due to no reluctance on the part of Great Britain to fund its debt, but solely to the fact that it can not bind itself by any arrangement which would prejudice the working of any interallied arrangement which may be reached in the future. If some method can be found for funding the British debt which does not prejudice the larger question, the British Government would be glad to fall in with it.

**Senator REED.** Mr. Chairman, it is now nearly 12 o'clock, and the question has been raised of this correspondence. If the committee sees fit to pass a resolution requesting the Judiciary Committee to furnish it with these confidential pamphlets, I shall be glad to take it to the Judiciary Committee, of which I am a member, and try and secure the pamphlets for the use of the Finance Committee.

**The CHAIRMAN.** I understand that without objection the committee has so ordered. The chairman has been authorized to write a letter, and I will ask Senator Reed to take it up himself.

**Senator La Follette,** have you any further questions?

**Senator LA FOLLETTE.** It is now within five minutes of the time of the meeting of the Senate.

**The CHAIRMAN.** Do you wish to be on the floor at the time the Senate meets?

**Senator LA FOLLETTE.** I would like to be on the floor at that time.

**Senator GERRY.** I would like to ask the Chair if the request for the chairman to ask for information from the Judiciary Committee covers not only the confidential print of this pamphlet, but also the data contained in the packing boxes?

**The CHAIRMAN.** My understanding is that it covers everything that is in the possession of the Judiciary Committee relating to this subject, and Senator Reed, who is a member of this committee and also a member of the Judiciary Committee, has promised the chairman to do all he can to secure everything for this committee.

**Senator REED.** And if the chairman will give me a letter to the Judiciary Committee, I shall present it in person and try to get the data required, and I think I shall be able to get it without difficulty.

(Thereupon, at 12 o'clock noon, the committee adjourned to meet on Friday, July 15, 1921, at 10 o'clock a. m.)