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SENATE

{ REPORT
No. 733

SETTLEMENT OF INDEBTEDNESS OF GERMAN REICH

MAY 26 (calendar day, MAY 27), 1930.—Ordered to be printed

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

REPORT

[To accompany H. R. 10480]

The Committee on Finance, to whom was referred the bill (H. R. 10480) to authorize the settlement of the indebtedness of the German Reich to the United States on account of the awards of the Mixed Claims Commission, United States and Germany, and the costs of the United States army of occupation, having had the same under consideration, report it back to the Senate without amendment and recommend that the bill do pass.

Following is a copy of the House report on the bill:

[House Report No. 1089, Seventy-first Congress, second session]

The Committee on Ways and Means, to whom was referred the bill (H. R. 10480) to authorize the settlement of the indebtedness of the German Reich to the United States on account of the awards of the Mixed Claims Commission, United States and Germany, and the costs of the United States army of occupation, having had the same under consideration, report it back to the House with an amendment, and recommend that as amended the bill do pass.

The amendment is as follows:

On page 3, line 18, after the word "of", strike out the remainder of the paragraph down to the period and insert, "1/2790 kilogram of fine gold".

This amendment corrects a clerical error in the last sentence of the last section of the bill.

The agreement authorized by the bill will be the first agreement between the United States and Germany for the liquidation of Germany's treaty obligations on account of (1) reimbursement to the United States for the expenses of its army of occupation, and (2) payment of the awards entered by the Mixed Claims Commission, United States and Germany, on behalf of the United States Government and its nationals. The law authorizing the German Government to execute the proposed agreement was approved by President Hindenberg on March 13, 1930.

Under the terms of the armistice convention signed November 11, 1918, and of the treaty restoring friendly relations signed at Berlin, August 25, 1921, Germany is obligated to pay to the United States the costs of its army of occupation and the awards entered in favor of the United States Government and its nationals by the Mixed Claims Commission, United States and Germany, established pursuant to the agreement of August 10, 1922. Although payments have been received on account of these claims through arrangements which this Government has had with the principal allied creditor powers, the United States has had no direct arrangement with Germany for the

liquidation of these obligations. Now that Germany has concluded negotiations with all the allied creditor powers for the final liquidation of her war debts to them, which will probably become effective early in May of this year and in which the United States has no participation, it becomes necessary, if the United States is to continue receiving payments on account of these claims against Germany, to provide for them by agreement with that Government.

The Wadsworth agreement signed May 25, 1923, by the principal allied powers and the United States provided that the United States should be reimbursed for the expenses of its army of occupation in 12 equal annual installments, the first to be paid on or before December 31, 1923. The United States was to be paid these annual installments out of funds to be collected by the allied powers from Germany. This agreement was never ratified, but certain funds aggregating \$14,725,154.40 were set aside under it and were released to the United States upon the coming into force of the Paris agreement of January 14, 1925.

In the fall of 1923, due to the unstable conditions in Germany, it was apparent that the payments demanded by the Allies from Germany far exceeded its immediate capacity to pay, and the whole question of the payment of Germany's war obligations came up for consideration. The Reparation Commission in its decision of November 30, 1923, invited a committee of experts, headed by Gen. Charles G. Dawes, to consider the means of balancing the German budget and the measures to be taken to stabilize the currency of Germany as well as to determine what reparation payments might be made by Germany in the immediate future. This committee's report, generally referred to as the Dawes plan, was made in the spring of 1924.

The United States was not a party to the arrangement establishing the Dawes plan, but since Germany was virtually in receivership and the payments provided for in the plan were designed to represent Germany's capacity to pay, the United States could not expect to receive the payment of any sum not included in the plan. In order to provide for the distribution of the Dawes annuities, representatives of all the creditor countries met and signed an agreement at Paris dated January 14, 1925. Under the terms of this agreement the United States was to receive on account of its claim for the expenses of its army of occupation the sum of 55,000,000 marks (about \$13,000,000) per annum, beginning September 1, 1926, until the army costs should be fully liquidated. These payments were to constitute a first charge on cash made available for transfer out of the Dawes annuities after providing for the service of the German external loan of 1924 and expenses of certain commissions. The agreement also provided that the United States should receive on account of the awards of the Mixed Claims Commission 2¼ per cent of all receipts from Germany available for distribution as reparations, not to exceed, however, in any one year the sum of 45,000,000 marks (about \$10,700,000). The Government of Germany was not a party to this agreement between the creditor powers, including the United States. The United States has received in full up to September 1, 1929, the amounts provided for it in the Paris agreement and set out in the statements of account below.

When the Dawes plan was adopted, it was understood that it did not represent a permanent arrangement but only a plan of settlement intended to operate for a sufficient time to restore confidence and

eventually lead to a final and comprehensive agreement. Late in 1928 it seemed that conditions in Germany were such as to make it desirable to arrange for a definite settlement of the reparation question. On September 16, 1928, Germany, Belgium, France, Great Britain, Italy, and Japan agreed that a committee of financial experts to be appointed should be entrusted with the task of drawing up proposals for a complete and final settlement of the reparation problem. This committee held its first meeting in Paris on February 11, 1929, and elected Mr. Owen D. Young, an American citizen, chairman. After arduous and protracted deliberations, the committee on June 7, 1929, finally reached agreement on its report, which is generally known as the Young plan. The plan provides among other things that Germany shall pay an average annuity, exclusive of the annual sum required to meet the service of the German external loan of 1924, of 1,988,800,000 marks (about \$473,000,000) over a period of 37 years, and varying annuities for 22 additional years. The committee recommended a division of these annuities among the several creditor governments in accordance with which the share allocated to the United States on account of its combined claims for Army costs and mixed claims was an average annuity of 66,100,000 marks (about \$15,700,000) for 37 years and a flat annuity of 40,800,000 marks (about \$9,700,000) for 15 years thereafter.

The Young plan, when adopted, will supersede the Dawes plan and the agreement of January 14, 1925. All the machinery through which payments have been collected from Germany and distributed to the creditor governments will be abolished. If, therefore, the United States was to receive any further payments in liquidation of Germany's treaty obligations, it was necessary either to join in the general European settlement by adopting the Young plan with its many complicated arrangements having no application to the United States, or to negotiate a simpler separate agreement with Germany alone. There seemed to be no justification at this late date for involving the United States in the responsibilities for collecting, mobilizing, and distributing reparation payments which the adoption of the Young plan and participation in the organization and management of the bank for international settlements would necessitate. With the approval of the President, the State and Treasury Departments therefore negotiated with the German Government a form of agreement under the terms of which it is proposed that the United States will receive from Germany on account of the costs of the United States army of occupation an average annuity of 25,300,000 marks (about \$6,026,000) for a period of 37 years, and on account of the awards of the Mixed Claims Commission a flat annuity of 40,800,000 marks (about \$9,700,000) for a period of 52 years. Under the Young plan the Governments of France and Great Britain forego the collection of about 10 per cent of their total army costs. At a critical stage of the deliberations of the Young committee, the President, after a conference concerning the entire situation with leaders of both Houses of Congress, none of whom raised any objection, stated for the information of the Young committee that he was prepared to recommend to the Congress that it authorize the acceptance of the annuities allocated to the United States which involve a similar reduction of 10 per cent of our army costs.

A statement of the army cost account as of September 1, 1929, follows:

Army costs.

Total army-cost charges (gross), including expenses of inter-allied Rhineland High Commission (American department)- \$292, 663, 435. 79

Credits to Germany:

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

247, 865, 645. 49

Payments received:

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

Balance due as of Sept. 1, 1929----- 193, 936, 765. 20

After allowing for the 10 per cent reduction, amounting to \$29,266,343.58, the sum due on account of army costs will be \$164,670,421.62. The United States will receive on account of this debt about \$249,000,000 in varying annuities over a period of 37 years. The difference of about \$85,000,000 is intended to compensate the United States for the deferment of its payments over a 37-year period rather than the 15-year period provided for under the Paris agreement, and represents interest at a rate of about 3% per cent per annum on such deferred payments.

A statement of the estimated amount still due from Germany as of September 1, 1929, on account of the awards of the Mixed Claims Commission follows:

Mixed claims

Principal of awards certified to Treasury for payment-----	\$113, 295, 478. 68	
Interest up to Aug. 31, 1929-----	59, 407, 605. 03	
		\$172, 703, 083. 71
Estimated principal amount of awards yet to be entered and certified-----	32, 000, 000. 00	
Estimated interest up to Aug. 31, 1929----	21, 000, 000. 00	
		53, 000, 000. 00
Awards to United States Government-----	42, 034, 794. 41	
Interest up to Aug. 31, 1929-----	22, 900, 000. 00	
		64, 934, 794. 41
		290, 637, 878. 12
Received from Germany up to Aug. 31, 1929--	31, 831, 472. 03	
Earnings and profits on investments-----	2, 149, 692. 70	
		33, 981, 164. 73
Estimated balance due as of Sept. 1, 1929-----		256, 656, 713. 39

Under the Paris agreement the United States received during the standard Dawes year the sum of about \$10,700,000 (45,000,000 marks) on account of mixed claims awards. The sum provided in the proposed agreement with Germany is an annual payment over 52 years of about \$9,700,000 (40,800,000 marks). It is estimated that this latter annuity will pay in full all of the awards of the Mixed Claims Commission, United States and Germany, in favor of the United States and its nationals, with interest. On the basis of the

annuity granted to the United States on this account under the Paris Agreement, it was estimated that the awards to private claimants would have been paid in approximately 30 years and the awards to the Government in about 14 additional years. Under the proposed agreement it is estimated that the private claimants will be paid in full in about 35 years and that the Government will receive its payments in about 17 additional years with simple interest at 5 per cent. In other words, under the proposed agreement it will require approximately 5 additional years to pay off the private claimants and about 3 additional years to pay the Government's claims, all deferred payments, however, continuing to bear interest at the rate of 5 per cent per annum.

The proposed agreement follows in general those made with our other foreign debtors except that the obligations to be issued thereunder are payable in marks rather than dollars and are unassignable. The German Government, however, undertakes to maintain the mint parity of the mark.

As part of this report there is appended a copy of the statement made on March 10, 1930, by the Undersecretary of the Treasury before the committee. The President's message of March 4, 1930, inclosing a copy of the report dated March 3, 1930, from the Secretary of the Treasury, and a copy of the proposed agreement to be executed between the German Government and the United States will be found in Senate Document No. 95 (71st Cong., 2d sess.), copy of which is also attached.

APPENDIX

STATEMENT OF UNDERSECRETARY OF THE TREASURY MILLS BEFORE THE WAYS AND MEANS COMMITTEE RELATING TO H. R. 10480, A BILL TO AUTHORIZE THE SETTLEMENT OF THE INDEBTEDNESS OF THE GERMAN REICH TO THE UNITED STATES ON ACCOUNT OF THE AWARDS OF THE MIXED CLAIMS COMMISSION, UNITED STATES AND GERMANY, AND THE COSTS OF THE UNITED STATES ARMY OF OCCUPATION

The bill now before you for consideration authorizes the Secretary of the Treasury, with the approval of the President, to enter into an agreement with Germany as set out in general terms in the bill, providing for the complete and final discharge of the obligations of Germany to the United States in respect of the awards of the Mixed Claims Commission, United States and Germany, and the costs of the United States Army of occupation.

Under the terms of the armistice convention signed November 11, 1918, and of the treaty restoring friendly relations signed at Berlin August 25, 1921, which incorporated by reference certain provisions of the Versailles treaty, Germany is obligated to pay to the United States the costs of the United States army of occupation and to satisfy claims of the American Government or its nationals who have suffered loss, damage, or injury to their persons or property, directly or indirectly, since July 31, 1914, through the acts of the Imperial German Government or its agents.

ARMY COSTS

The total costs of the United States army of occupation amount to \$292,663,435.79. Except for cash requisitions on the German Government for the use of the army of occupation aggregating \$37,509,605.97 and certain other items, such as provost fines, abandoned enemy war material, etc., amounting to \$7,288,184.33, the United States Government received no payments on account of Army costs up to May 25, 1923. On that date the United States and the principal allied powers signed the so-called Wadsworth agreement which provided that our Army costs should be divided into 12 annual installments, and should be, during the first 4 of the 12 years, a first charge on cash payments received from Germany after the expenses of the Reparation Commission and the current expenses of the allied armies of occupation, but during the last 8 years should be an absolute prior charge on all cash payments, except for the cost of the Reparation Commission. Ratifications of the Wadsworth agreement were

never exchanged but we received a payment under it of \$14,725,154.40 in January, 1925. The agreement was superseded by the so-called Paris agreement of January 14, 1925, which also covered awards of the Mixed Claims Commission. This latter agreement was concluded at a meeting of representatives of the creditor powers, including the United States, called for the purpose of making distribution of the annuities provided for under the terms of the Dawes plan, which had been adopted in 1924. Under the provisions of the Paris agreement the United States was to receive on account of its Army costs, beginning September 1, 1926, the sum of 55,000,000 gold marks, or about \$13,100,000 per annum, which payments were to constitute a first charge on cash made available for transfer by the transfer committee out of the Dawes annuities after the provision of the sums necessary for the service of the 800,000,000 gold mark German external loan of 1924 and for the costs of the reparation and other commissions. Under the provisions of the Wadsworth agreement our Army costs should have been liquidated by the end of 1935. Under the Paris agreement the payments would extend over a period of about 18 years, beginning September 1, 1926.

Up to the first of September, 1929, the United States had received on Army cost account \$39,203,725.89 under the Paris agreement.

As of September 1, 1929, there was still due on account of Army costs \$193,936,765.20.

MIXED CLAIMS

By virtue of an agreement entered into on August 10, 1922, by the United States and Germany, there was set up a Mixed Claims Commission charged with the duty of passing upon the claims of American citizens arising since July 31, 1914, in respect of damage to or seizure of their property, rights, and interests, and upon any other claims for loss or damage to which the United States or its nationals have been subject with respect to injuries to persons or to property, rights and interests since July 31, 1914, as a consequence of the war, and including debts owing to American citizens by the German Government or by German nationals.

The first meeting of the commission was held on October 9, 1922. Up to August 31, 1929, awards had been certified to the Treasury for payment which with interest to August 31, 1929, aggregated \$172,703,083.71. It is estimated as of August 31, 1929, that the principal amount of awards yet to be entered and certified together with interest to that date, amount to \$53,000,000, and in addition awards to the United States Government with interest to August 31, 1929, amount to \$64,934,794.41. In other words, as of August 31, 1929, it is estimated that the total awards of the Mixed Claims Commission made and to be made aggregated with interest \$290,637,878.12.

No provision for the payment of awards of the Mixed Claims Commission was made until the Paris agreement of January 14, 1925. The Paris agreement provided that the United States should receive 2¼ per cent of all receipts from Germany on account of the Dawes annuities available for distribution as reparations, provided that the annuity resulting from this percentage should not in any year exceed the sum of 45,000,000 gold marks. Up to September 1, 1929, the United States had received from Germany under the Paris agreement for account of mixed claims, \$31,831,472.03, which with earnings and profits on investments amounting to \$2,149,692.70, made available for distribution \$33,981,164.73, and left \$256,656,713.39 still to be provided for. It must be understood in this connection that the figures relating to the total amount finally awarded by the Mixed Claims Commission is necessarily only an estimate, since all of the awards have not as yet been made.

In the meanwhile, the Congress in March, 1928, enacted what is known as the settlement of war claims act of 1928. You gentlemen are too familiar with that act to make it necessary for me to describe it in detail. Suffice it to say that it made provision for the order of priority in which mixed claims should be paid, for the retention of part of the German property held by the Alien Property Custodian and part of the funds to be received on account of awards made by the arbiter to German nationals until a certain percentage of the American claims had been paid, and then for the ultimate return of the German property and funds to their owners. The act also covered the rate of interest to accrue on claims until their final liquidation. Any estimate of the total amount due from Germany on account of mixed claims must depend, therefore, not only on the awards of the Mixed Claims Commission but on the terms of the settlement of war claims act.

It will be observed that the amounts received up to the present time, both on account of Army costs and mixed claims, have been paid, not by virtue of any agreement with Germany looking to the liquidation of its treaty obligations, but by virtue of an agreement with the creditor powers, under the terms of which they undertook to assign to the satisfaction of our claims a portion of the payments received through the agent general for reparation payments. This is an anomalous situation. In view of the fact that the other creditor powers have now reached an agreement with Germany for the final liquidation of their claims, the time has come for the United States to do likewise. Two courses were open to us. We could either join with the other creditors in a general settlement, or rely on a separate agreement with Germany for the satisfaction of our claims. The course of events which led to the necessity for such a decision on our part was as follows:

THE YOUNG PLAN

In 1928 the principal creditor powers agreed to set up a committee of independent financial experts to be entrusted with the task of drawing up proposals for the complete and final settlement of the reparation problem. The so-called Young plan is the report which this committee rendered under date of June 7, 1929. As a result of the Young committee's reappraisal of Germany's capacity to pay it recommended annuities smaller than the standard annuity of 2,500,000,000 gold marks (\$595,000,000) in force under the Dawes plan. Beginning with 742,000,000 reichsmarks (\$176,000,000) in the 7 months ending March 31, 1930, which are considered as the first Young plan year, the annuity is 1,707,900,000 reichsmarks (\$406,000,000) in the year ending March 31, 1931, and increases gradually to the maximum of 2,428,800,000 reichsmarks (\$578,000,000) in the year ending March 31, 1966, or an average of 1,988,800,000 reichsmarks (\$473,000,000) for 37 years, and continues at about 1,600,000,000 reichsmarks (\$381,000,000) to 1,700,000,000 reichsmarks (\$405,000,000) for an additional 22 years.

It is obvious that the reduction in the annuities to be paid by Germany necessitated a scaling down of the amounts allocated to each of the creditor powers under the Dawes plan and the Paris agreement. The Young plan undertakes not only to fix the annuities to be paid by Germany but to allocate those annuities among the several creditor powers. The United States was allocated annuities averaging 66,100,000 reichsmarks (\$15,700,000) for the first 37 years and a fixed annuity of 40,800,000 reichsmarks (\$9,700,000) for 15 years thereafter.

The Young plan, with some modifications, which do not affect our position, was formally adopted by representatives of all the interested powers, with the exception of the United States, at The Hague in January, 1930, and the settlement there reached is now awaiting ratification by the governments and the enactment of certain necessary legislation by the German parliament.

Two questions present themselves for decision: First, are the annuities provided for the United States acceptable to us, and, in the second place, should we become parties to the Young plan agreement and receive payments through the machinery provided therein, or should we rely on a direct agreement with Germany for the satisfaction of our claims?

While it is true that under the so-called Dawes plan and the Paris agreement we were to receive on both accounts an annuity of 100,000,000 gold marks (\$23,800,000) as contrasted with an average annuity of 66,100,000 reichsmark (\$15,700,000) suggested under the Young plan, it should be pointed out that the so-called Dawes plan was a temporary measure and that no period was fixed during which the aforesaid annuities were to be paid. In other words, there was no assurance that we would continue to receive 100,000,000 gold marks a year until the claims on account of army costs and mixed claims had been completely discharged. Perhaps a better method of approach to the problem is to ascertain whether the proposed annuity involves any essential sacrifice in the satisfaction of our outstanding claims against Germany. In so far as mixed claims are concerned, if, as is provided in the bill now before you, 40,800,000 reichsmarks per annum are assigned to their payment, it is estimated that that amount will be adequate to discharge the mixed claims obligation in full over the period of years provided for, with interest at 5 per cent on unpaid amounts including the United States Government's claim. Whatever sacrifice is involved as compared with the Dawes annuity is in the time element. In other words, it is estimated that it will require 52 years to pay all claims, about 35 years to pay all of the private claims awarded to American citizens, including the return of the unallocated interest fund belonging to the German claimants, and about 17 years additional to liquidate the claims allowed the Government of the United States. On the

basis of the 45,000,000 gold marks received under the Paris agreement, it was estimated that it would have required 30 years to pay off private claims and 14 years additional to pay off the Government claims.

If an average annuity of 25,300,000 reichsmarks (\$6,000,000) for 37 years be allocated to army costs, as the proposed agreement provides, it will liquidate that claim in 37 years, after reducing the amount originally due on this account by 10 per cent, a sacrifice similar to that being made by France and Great Britain under the Young plan. The 55,000,000 marks received under the Paris agreement would have discharged our army cost claim in about 15 years from September 1, 1929, whereas the annuities proposed under the Young plan will liquidate the balance due after deducting the 10 per cent in 37 years and allow interest on all deferred payments at a rate of about 3½ per cent. It can fairly be said, therefore, that except for the time element, which is not of vital importance in view of the fact that interest is to be paid, no sacrifice is demanded of us other than a 10 per cent reduction in our original claim for army costs, that is as compared with the situation existing under the Paris agreement, which carried with it no assurance as to continuing payments.

The Treasury Department is of the opinion that the annuities proposed are acceptable. In urging their acceptance, I think I should point out to you that as a practical matter our refusal to accept them would almost inevitably involve a readjustment of the shares to be received by all other creditors, since the report of the Young committee, which has now been formally accepted, definitely fixed the limits of the total amounts to be paid by Germany and any claim on our part to increase our share must occasion a readjustment of the shares to be received by others.

This brings me to the second question of whether, as a matter of policy, we should have joined the other creditor powers by becoming parties to the Young plan and availing ourselves of its provisions and machinery for the satisfaction of our claims. The executive branch of the Government believed that it was wiser and more consistent with our established policy for us to refrain from such a course and to look to Germany directly for the payment of the amounts due us.

The United States has not participated in the determination of the total reparations payable by Germany under the treaty of Versailles or in the collection or distribution of reparation payments heretofore received. There appears to be no justification at this late date for involving our country in the responsibilities for collecting, mobilizing, and distributing reparation payments which the adoption of the Young plan and participation in the organization and management of the agency created under that plan would necessitate. Very obviously we could not properly avail ourselves of the machinery provided for by the Young plan and at the same time refuse to accept any of the responsibilities. The course which we advocate is logical, consistent, and sound, even apart from the question of linking reparation and debt payments, which, as we have consistently maintained, have no relation in origin, principle, or in fact.

Moreover, without even suggesting the probability of such an event taking place, suppose at some future date Germany finds itself unable to continue the conditional payments. If at that time we are officially represented on the board of the bank for international settlements, or upon the so-called advisory committee to be appointed by the governors of central banks of issue of the principal countries concerned, we, because of our comparatively small interest in the general settlement, might find ourselves in the position of an arbiter called upon to settle and decide a controversial and difficult European question.

It may be urged that our failure to become parties to the Young plan involves an element of sacrifice on our part, since we thereby forego the claim for a share in the so-called unconditional annuities which we could very justly have advanced in view of the priority enjoyed by army cost payments under the terms of the Paris agreement. But aside from the fact that the Young plan did not allocate to the United States any share of the unconditional annuities and that, judging by events, they could not have been obtained without the most serious kind of controversy, it seems to me that the terms of the agreement which we have submitted to you for approval amply protect the interests of the United States and of its nationals. Under its terms Germany makes an unqualified and unconditional promise to pay. The only proviso which in any way limits that obligation is the one which is found in all of our debt settlement agreements and which permits the debtor to postpone payments for a limited period of time with interest on the postponed payments.

The Treasury Department, therefore, recommends the passage of the bill under consideration granting to the Secretary of the Treasury, with the approval

of the President, the authority to enter into the agreement the terms of which are set forth in Senate Document No. 95, Seventy-first Congress, second session.

In brief, the agreement provides that Germany agrees to pay 40,800,000 reichsmarks per annum for the period September 1, 1929, to March 31, 1930, and the sum of 40,800,000 reichsmarks per annum from April 1, 1930, to March 31, 1931, in satisfaction of mixed claims, and beginning September 1, 1929, an average annuity of 25,300,000 reichsmarks for 37 years in full liquidation of our Army costs. As evidence of this indebtedness Germany is to issue to the United States, at par, bonds maturing semiannually. Germany, at its option, upon not less than 90 days' advance notice, may postpone any payment on account of principal falling due to any subsequent September 30 and March 31 not more than two and one-half years distant from its due date, but only on condition that if this option is exercised the two payments falling due in the next succeeding 12 months can not be postponed more than two years, and the two payments falling due in the second succeeding 12 months can not be postponed more than one year unless the payments previously postponed have actually been made. All postponed payments on account of mixed claims are to bear interest, at 5 per cent, the rate provided in the settlement of war claims act, and all payments postponed on account of Army costs are to bear interest at the rate of 3% per cent. While the annuities are stated in terms of reichsmarks, payments are to be made in dollars, either at the Treasury or at the Federal Reserve Bank of New York. The exchange value of the mark in relation to the dollar shall be calculated at the average of the middle rates prevailing on the Berlin bourse during the half-monthly period preceding the date of payment. The German Government undertakes that the reichsmark shall have and shall retain its convertibility into gold or devisen as contemplated in the present Reichsbank law and that the reichsmark shall retain the mint parity defined in the German coinage law of August 30, 1924. This provision corresponds to the provision in the Young plan settlement accepted by all of the other creditor powers. It was not felt that the United States was justified in demanding preferential treatment in this respect.

The Secretary of the Treasury will not, of course, execute any such agreement until the Young plan has formally come into effect, thus giving assurance that the whole reparations question is, in all human probability, finally liquidated. What the proposed agreement does in so far as the United States is concerned is to provide for a final liquidation of her claims against Germany. I feel confident that it will commend itself to your judgment.

[Senate Document No. 95, Seventy-first Congress, second session]

To the Congress of the United States:

I am submitting herewith, for your consideration, a copy of the report of the Secretary of the Treasury regarding the proposed agreement and exchange of notes with Germany for the complete and final discharge of the obligations of that Government to the United States with respect to the awards made by the Mixed Claims Commission, United States and Germany, and for the costs of this Government's army of occupation.

The plan of settlement has my approval, and I recommend that the Congress enact the necessary legislation authorizing it.

HERBERT HOOVER.

THE WHITE HOUSE, *March 4, 1930.*

TREASURY DEPARTMENT,
Washington, March 3, 1930.

MY DEAR MR. PRESIDENT: I have the honor to submit the following report regarding the terms of the proposed agreement for the complete and final discharge of the obligations of Germany to the

United States in respect of the costs of the United States army of occupation and the awards of the Mixed Claims Commission, United States and Germany.

Under the terms of the armistice convention signed November 11, 1918, and of the treaty signed at Berlin August 25, 1921, Germany is obligated to pay to the United States the costs of the United States army of occupation and the awards made in favor of the United States Government and its nationals by the Mixed Claims Commission, United States and Germany, established in pursuance of the agreement of August 10, 1922. The United States has had no direct arrangement with Germany for the liquidation of these obligations.

Under the terms of the treaty of Versailles Germany undertakes to make compensation for all damage done to the civilian population of the allied and associated powers and to their property during the war. The treaty provides for the establishment of a reparation commission as the agency of the allied and associated governments for determining the amount to be paid by Germany on this account, collecting the payment thereof, and distributing it among the creditor powers. The United States has not been represented upon nor participated in the reparation commission. In this connection reference is made to the reservation by the Senate in its resolution advising and consenting to the ratification of the treaty restoring friendly relations signed by the United States and Germany at Berlin August 25, 1921.

The reparation commission fixed the liability of Germany at 132,000,000,000 gold marks. By 1924 it became apparent that Germany was unable to meet the required payments, and accordingly in that year the powers entitled to reparations, but not including the United States, on August 30, 1924, signed at London an agreement under the terms of which the so-called Dawes plan was finally adopted. This limited the treaty payments to be made to the allied and associated powers by Germany to certain fixed annuities increasing gradually to 2,500,000,000 gold marks for the year ended August 31, 1929, the first so-called standard year, which annuity was to be continued for an indeterminate period and was to be supplemented, under certain conditions, by additional payments based on a so-called index of prosperity.

On January 14, 1925, representatives of the powers signatory to the London agreement together with representatives of the United States signed what is known as the Paris agreement, which allocated the Dawes annuities among the creditor governments concerned. This agreement allocated to the United States an annuity of 55,000,000 gold marks beginning September 1, 1926, on account of Army costs and an annuity equivalent to 2¼ per cent of all receipts from Germany available for reparation payments, not to exceed 45,000,000 gold marks in any one year, for account of the awards of the Mixed Claims Commission. Up to August 31, 1929, the United States received each year the amounts stipulated under this agreement.

It was not within the competence of the Dawes committee to fix the number of annuities Germany should pay and thus permit a final and definite settlement of German reparations. The Dawes committee merely attempted, therefore, a settlement temporary in character designed to restore economic stability and confidence and which would, at the appropriate time, facilitate a final agreement.

In 1928 the principal interested Governments (Germany, Belgium, France, Great Britain, Italy, and Japan) agreed to set up a committee of independent financial experts to be intrusted with the task of drawing up proposals for the complete and final settlement of the reparation problem. Germany and the reparation commission appointed a committee including two American citizens of whom one, Mr. Owen D. Young, was subsequently elected chairman of the committee. The so-called Young plan is the report which this committee rendered under date of June 7, 1929.

As a result of the Young committee's reappraisal of Germany's capacity to pay, it recommended annuities smaller than the standard annuity of 2,500,000,000 gold marks in force under the Dawes plan. Beginning with 742,800,000 reichsmarks in the seven months ending March 31, 1930, which are considered as the first Young-plan year, the annuity is 1,707,900,000 reichsmarks in the year ending March 31, 1931, and increases gradually to the maximum of 2,428,800,000 reichsmarks in the year ending March 31, 1966, or an average of 1,988,800,000 reichsmarks (\$473,732,160) for the 37 years and continues at about 1,600,000,000 to 1,700,000,000 reichsmarks for an additional 22 years. These annuities were calculated as inclusive of payments to the United States, and in an annex to the plan dealing with the allocation of the annuities the United States was allocated annuities averaging 66,100,000 reichsmarks for the first 37 years and a fixed annuity of 40,800,000 reichsmarks for 15 years thereafter. While the annex does not fix the amounts to be allocated respectively to mixed claims and Army costs, the Secretary of State and I recommend that a fixed annuity of 40,800,000 reichsmarks for 52 years be allocated to the payment of awards of the Mixed Claims Commission and that an average annuity of 25,300,000 reichsmarks for the first 37 years be allocated to the satisfaction of Army costs. After taking into consideration the payments which have been received on account of Army costs and a 10 per cent reduction in the total amount originally due on this account, the average annuity above recommended for allocation to Army costs will be sufficient to pay the balance remaining with interest at about 3½ per cent per annum on that portion of the payments postponed beyond the period when payment would have been received under the Dawes plan. In order to bring Germany's payments within the limit of that country's capacity to pay as determined by the committee of experts, it was necessary for the creditors to compromise their claims. On this basis the Young plan contemplated a reduction of 10 per cent in the Army costs accounts of Great Britain, France, and the United States.

As a substitute for all of the agencies heretofore set up for the collection and distribution of reparation payments, the Young plan proposed the creation of the Bank for International Settlements. This bank is to receive, distribute, and assist in the mobilization of German reparation payments.

The Young plan with some modifications was formerly adopted by representatives of all the interested powers at The Hague in January, 1930, and the settlement there reached is now awaiting ratification by the governments and the enactment of certain necessary legislation by the German Parliament.

The United States has at all times maintained a detached position with respect to the European reparation question and the claims of

the United States against Germany, except definite accounts, like Army costs, have been determined independently by an international judicial commission on which Germany was equally represented. The United States has not participated in the determination either of the total reparations payable by Germany under the treaty of Versailles (total of 132,000,000,000 marks as notified to Germany in May, 1921) or of the percentages of distribution fixed by the principal creditor powers in 1920 (the so-called Spa percentages).

Both the Secretary of State and I have felt that the position steadfastly adhered to by our Government was a sound one and that there was no justification at this late date for involving our country in the responsibilities of collecting and distributing reparation payments, which adoption of the Young plan would necessitate. Very obviously we could not avail ourselves of the machinery provided for by the Young plan and at the same time refuse to accept any of the responsibilities.

We have, however, a very direct interest in the recommendations made by the experts' committee. That committee undertook not only to fix the annuities to be paid by Germany in full discharge of its obligations but to allocate the amounts to be paid to the several creditor nations. As already stated, the amount allocated to the United States is an average annuity of 66,100,000 reichsmarks for 37 years and a fixed annuity of 40,800,000 reichsmarks for 15 years thereafter. The United States is, of course, under no legal obligation to accept these sums as representing the total amount which it is to receive from Germany on account of Army costs and mixed claims, but as a practical matter, since the report of the experts' committee was a proposal definitely fixing the limits of the total amounts to be paid by Germany, any claim on our part to increase our share would necessarily involve a readjustment of the shares to be received by all other nations. Since, in view of all the circumstances, the concessions asked of us do not seem to be disproportionate to the concessions made by other creditors, and in view of the relatively small amount of our claim as compared with the total amounts, there is in my opinion no justification for the refusal on our part to accept the annuities recommended by the experts' committee.

Apart from a minor arrangement providing for the realization by the United States of its 2¼ per cent share in German payments under the Dawes plan, the United States has never had an agreement with Germany for liquidating the Army costs and the awards of the Mixed Claims Commission. As an approximate estimate of these awards can now be made and the settlement of war claims act of 1928 has determined the method of paying them, an agreement regulating and funding the German obligations is not only possible and desirable but necessary in view of our decision not to avail ourselves of the machinery provided by the Young plan for the collection of the payments to be made by Germany to the United States. Such an agreement has been negotiated, subject to the granting by the Congress of authority for its execution. It conforms closely to precedents established in our other debt agreements with foreign Governments and is transmitted herewith for submission to the Congress if it meets with your approval.

The details of the proposed agreement attached hereto require no special comment. It differs from this Government's previous debt

agreements primarily in that the obligation is expressed in reichmarks rather than in dollars and the bonds evidencing the obligation are not in negotiable form.

With the exception of the already mentioned 10 per cent reduction on the Army costs account, the proposed agreement involves no reduction in the principal amount to be paid by Germany. It does involve an extension of Germany's payments over a longer period than would have been required had the Dawes plan arrangements continued to function without interruption. Fifty-five million marks a year would have paid the Army costs in about 15 years. The proposed agreement extends the payment over 37 years with 3½ per cent interest on postponed payments. Forty-five million marks per annum would have paid the mixed claims awards in about 44 years. It is estimated that 40,800,000 marks per annum will pay them in about 52 years with interest which generally is at the rate of 5 per cent.

The security for the payments is the full faith and credit of Germany.

On every occasion the United States has expressly reserved its rights under existing treaties and agreements, thus preserving intact the rights of the Congress to dispose of this matter. The time has now come to reach an agreement providing for the final payment and discharge of these outstanding claims.

With this in view, it is suggested that legislation be sought from the Congress authorizing the Secretary of the Treasury with the approval of the President to enter into an agreement with Germany in general terms as set forth in the attached form of agreement and exchange of notes.

The execution of the agreement and the exchange of notes, if authorized, will, of course, be conditional on the coming into operation of the Young plan as accepted by The Hague Conference in substitution for the Dawes plan which is still legally in force. The proposed agreement will be retroactive to September 1, 1929, and Germany will be credited for its payments since then as set forth in the draft of notes to be exchanged simultaneously with the execution of the agreement.

Faithfully yours,

A. W. MELLON,
Secretary of the Treasury.

The PRESIDENT,
The White House.

AGREEMENT

Made the — day of —, 19—, at the City of Washington, District of Columbia, between the Government of the German Reich, hereinafter called Germany, party of the first part, and the Government of the United States of America, hereinafter called the United States, party of the second part.

Whereas Germany is obligated under the provisions of the Armistice Convention signed November 11, 1918, and of the Treaty signed at Berlin, August 25, 1921, to pay to the United States the awards, and interest thereon, entered and to be entered in favor of the United States Government and its nationals by the Mixed Claims Commis-

sion, United States and Germany, established in pursuance of the Agreement of August 10, 1922; and

Whereas, the United States is also entitled to be reimbursed for the costs of its Army of Occupation; and

Whereas, Germany having made and the United States having received payments in part satisfaction on account of these two obligations desire to make arrangements for the complete and final discharge of said obligations;

Now, therefore, in consideration of the premises and the mutual covenants herein contained, it is agreed as follows:

1. *Amounts to be Paid.*—(a) Germany shall pay and the United States shall accept in full satisfaction of all of Germany's obligations remaining on account of awards, including interest thereon, entered and to be entered by the Mixed Claims Commission, United States and Germany, the sum of 40,800,000 reichsmarks for the period of September 1, 1929, to March 31, 1930, and the sum of 40,800,000 reichsmarks per annum from April 1, 1930, to March 31, 1981. As evidence of this indebtedness, Germany shall issue to the United States at par, as of September 1, 1929, bonds of Germany, the first of which shall be in the principal amount of 40,800,000 reichsmarks, dated September 1, 1929, and maturing March 31, 1930, and each of the others of which shall be in the principal amount of 20,400,000 reichsmarks, dated September 1, 1929, and maturing serially on September 30, 1930, and on each succeeding March 31 and September 30 up to and including March 31, 1981. The obligations of Germany hereinabove set forth in this paragraph shall cease as soon as all of the payments contemplated by the Settlement of War Claims Act of 1928 have been completed and the bonds not then matured evidencing such obligations shall be canceled and returned to Germany.

(b) Germany shall pay and the United States shall accept in full reimbursement of the amounts remaining due on account of the costs of the United States Army of Occupation, the amounts set forth on the several dates fixed in the following schedule:

March 31—		March 31—Continued	
1930	R. M. 25, 100, 000	1955	R. M. 17, 650, 000
1931	12, 750, 000	1956	17, 650, 000
1932	12, 650, 000	1957	17, 650, 000
1933	12, 650, 000	1958	17, 650, 000
1934	9, 300, 000	1959	17, 650, 000
1935	9, 300, 000	1960	17, 650, 000
1936	9, 300, 000	1961	17, 650, 000
1937	9, 300, 000	1962	17, 650, 000
1938	8, 200, 000	1963	17, 650, 000
1939	8, 200, 000	1964	17, 650, 000
1940	9, 300, 000	1965	17, 650, 000
1941	9, 300, 000	1966	17, 650, 000
1942	12, 650, 000	September 30—	
1943	12, 650, 000	1930	R. M. 12, 750, 000
1944	12, 650, 000	1931	12, 650, 000
1945	12, 650, 000	1932	12, 650, 000
1946	12, 650, 000	1933	9, 300, 000
1947	12, 650, 000	1934	9, 300, 000
1948	12, 650, 000	1935	9, 300, 000
1949	12, 650, 000	1936	9, 300, 000
1950	17, 650, 000	1937	8, 200, 000
1951	17, 650, 000	1938	8, 200, 000
1952	17, 650, 000	1939	9, 300, 000
1953	17, 650, 000	1940	9, 300, 000
1954	17, 650, 000	1941	12, 650, 000

September 30—Continued.		September 30—Continued.	
	R. M.		R. M.
1942	12, 650, 000	1954	17, 650, 000
1943	12, 650, 000	1955	17, 650, 000
1944	12, 650, 000	1956	17, 650, 000
1945	12, 650, 000	1957	17, 650, 000
1946	12, 650, 000	1958	17, 650, 000
1947	12, 650, 000	1959	17, 650, 000
1948	12, 650, 000	1960	17, 650, 000
1949	17, 650, 000	1961	17, 650, 000
1950	17, 650, 000	1962	17, 650, 000
1951	17, 650, 000	1963	17, 650, 000
1952	17, 650, 000	1964	17, 650, 000
1953	17, 650, 000	1965	17, 650, 000

As evidence of this indebtedness, Germany shall issue to the United States at par, as of September 1, 1929, bonds of Germany, dated September 1, 1929, and maturing on March 31, 1930, and on each succeeding September 30 and March 31 in the amounts and on the several dates fixed in the preceding schedule.

2. *Form of Bonds.*—All bonds issued hereunder to the United States shall be payable to the Government of the United States of America and shall be signed for Germany by The Reichsschuldenverwaltung. The bonds issued for the amounts to be paid under Paragraph numbered 1 (a) of this Agreement shall be issued in 103 pieces with maturities and in denominations corresponding to the payments therein set forth and shall be substantially in the form set forth in "Exhibit A" hereto annexed and shall bear no interest, unless payment thereof is postponed pursuant to Paragraph numbered 5 of this Agreement. The bonds issued for the amounts to be paid under Paragraph numbered 1 (b) of this Agreement shall be issued in 73 pieces with maturities and in denominations corresponding to the payments therein set forth and shall be substantially in the form set forth in "Exhibit B" hereto annexed and shall bear no interest unless payment thereof is postponed pursuant to Paragraph numbered 5 of this Agreement.

3. *Method of Payment.*—All bonds issued hereunder shall be payable both principal and interest, if any, at the Federal Reserve Bank of New York for credit in the general account of the Treasurer of the United States in funds immediately available on the date when payment is due in United States gold coin in an amount in dollars equivalent to the amount due in reichsmarks, at the average of the middle rates prevailing on the Berlin Bourse, during the half monthly period preceding the date of payment. Germany undertakes to have the Reichsbank certify to the Federal Reserve Bank of New York on the date of payment the rate of exchange at which the transfer shall be made. Germany undertakes for the purposes of this Agreement that the reichsmark shall have and shall retain its convertibility into gold or devisen as contemplated in Section 31 of the present Reichsbank law and that for these purposes the reichsmark shall have and shall retain a mint parity of 1/2790 kilogram of fine gold as defined in the German coinage law of August 30, 1924.

4. *Security.*—The United States hereby agrees to accept the full faith and credit of Germany as the only security and guaranty for the fulfilment of Germany's obligations hereunder.

5. *Postponement of Payment.*—Germany, at its option, upon not less than ninety days' advance notice in writing to the United States, may postpone any payment on account of principal falling due as

hereinabove provided, to any subsequent September 30 and March 31 not more than two and one-half years distant from its due date, but only on condition that in case Germany shall at any time exercise this option as to any payment of principal, the two payments falling due in the next succeeding twelve months cannot be postponed to any date more than two years distant from the date when the first payment therein becomes due unless and until the payments previously postponed shall actually have been made, and the two payments falling due in the second succeeding twelve months cannot be postponed to any date more than one year distant from the date when the first payment therein becomes due unless and until the payments previously postponed shall actually have been made, and further payments cannot be postponed at all unless and until all payments of principal previously postponed shall actually have been made. All payments provided for under Paragraph numbered 1 (a) of this Agreement so postponed shall bear interest at the rate of 5% per annum, payable semiannually, and all payments provided for under Paragraph numbered 1 (b) of this Agreement so postponed shall bear interest at the rate of 3½% per annum, payable semiannually.

6. *Payments before Maturity.*—Upon not less than 90 days' advance notice in writing to the United States and the approval of the Secretary of the Treasury of the United States, Germany may, on March 31 or September 30 of any year, make advance payments on account of any bonds issued under this Agreement and held by the United States. Any such advance payments shall be applied to the principal of such bonds as may be indicated by Germany at the time of the payment.

7. *Exemption from Taxation.*—The principal and interest if any of all bonds issued hereunder shall be paid without deduction for, and shall be exempt from, any and all taxes or other public dues, present or future, imposed by or under authority of Germany or any political or local taxing authority within Germany.

8. *Notices.*—Any notice from or by Germany shall be sufficient if delivered to the American Embassy at Berlin or to the Secretary of the Treasury at the Treasury of the United States in Washington. Any notice, request or consent under the hand of the Secretary of the Treasury of the United States shall be deemed and taken as the notice, request or consent of the United States and shall be sufficient if delivered at the Germany Embassy at Washington or at the office of the German Ministry of Finance at Berlin. The United States in its discretion may waive any notice required hereunder, but any such waiver shall be in writing and shall not extend to or affect any subsequent notice or impair any right of the United States to require notice hereunder.

9. *Compliance with Legal Requirements.*—Germany and the United States, each for itself, represents and agrees that the execution and delivery of this Agreement have in all respects been duly authorized, and that all acts, conditions, and legal formalities which should have been completed prior to the making of this Agreement have been completed as required by the laws of Germany and of the United States respectively and in conformity therewith.

10. *Counterparts.*—This Agreement shall be executed in two counterparts, each of which shall be in the English and German languages, both texts having equal force, and each counterpart having the force and effect of an original.

In witness whereof, Germany has caused this Agreement to be executed on its behalf by its Ambassador Extraordinary and Plenipotentiary at Washington thereunto duly authorized, and the United States has likewise caused this Agreement to be executed on its behalf by the Secretary of the Treasury, with the approval of the President, pursuant to the Act of Congress approved _____ all on the day and year first above written.

THE GERMAN REICH
 By _____
Ambassador Extraordinary and Plenipotentiary
 THE UNITED STATES OF AMERICA
 By _____
Secretary of the Treasury

Approved: _____
President

EXHIBIT A

(Form of Bond)

THE GERMAN REICH

R. M. 20,400,000

No. —

The German Reich, hereinafter called Germany, in consideration of the premises and the mutual covenants contained in an agreement dated _____ between it and the United States of America, hereby promises to pay to the Government of the United States of America, hereinafter called the United States, on _____, the sum of Twenty Million Four Hundred Thousand Reichsmarks (R. M. 20,400,000). This bond is payable at the Federal Reserve Bank of New York in gold coin of the United States of America in an amount in dollars equivalent to the amount due in reichsmarks at the average of the middle rates prevailing on the Berlin Bourse during the half monthly period preceding the date of payment.

This bond is payable without deduction for, and is exempt from, any and all taxes and other public dues, present or future, imposed by or under authority of Germany or any political or local taxing authority within Germany.

This bond is issued pursuant to the provisions of paragraph numbered 1 (a) of an Agreement dated _____, between Germany and the United States, to which Agreement this bond is subject and to which reference is hereby made.

In witness whereof, Germany has caused this bond to be executed on its behalf by The Reichsschuldenverwaltung and delivered at the City of Washington, District of Columbia, by its Ambassador Extraordinary and Plenipotentiary at Washington, thereunto duly authorized, as of September 1, 1929.

For THE GERMAN REICH
 THE REICHSSCHULDENVERWALTUNG

By _____

President

Member

EXHIBIT B

(Form of Bond)

THE GERMAN REICH

R. M. _____

No. —

The German Reich, hereinafter called Germany, in consideration of the premises and the mutual covenants contained in an agreement dated _____ between it and the United States of America, hereby promises to pay to the Government of the United States of America, hereinafter called the United States, on _____, the sum of _____ Reichsmarks (R. M. _____). This bond is payable at the Federal Reserve Bank of New York in gold coin of the United States of America in an amount in dollars equivalent to the amount due in reichsmarks at the average of the middle rates prevailing on the Berlin Bourse during the half monthly period preceding the date of payment.

This bond is payable without deduction for, and is exempt from, any and all taxes and other public dues, present or future, imposed by or under authority of Germany or any political or local taxing authority within Germany.

This bond is issued pursuant to the provisions of paragraph numbered 1 (b) of an Agreement dated _____, between Germany and the United States, to which Agreement this bond is subject and to which reference is hereby made.

In witness whereof, Germany has caused this bond to be executed on its behalf by The Reichsschuldenverwaltung and delivered at the City of Washington, District of Columbia, by its Ambassador Extraordinary and Plenipotentiary at Washington, thereunto duly authorized, as of September 1, 1929.

FOR THE GERMAN REICH
THE REICHSSCHULDENVERWALTUNG

By _____

President.

Member.

NOTES TO BE EXCHANGED BETWEEN GERMANY AND THE UNITED STATES SIMULTANEOUSLY WITH EXECUTION OF THE AGREEMENT FOR THE COMPLETE AND FINAL DISCHARGE OF THE OBLIGATIONS OF GERMANY TO THE UNITED STATES WITH RESPECT TO THE AWARDS MADE BY THE MIXED CLAIMS COMMISSION, UNITED STATES AND GERMANY, AND FOR THE COSTS OF THIS GOVERNMENT'S ARMY OF OCCUPATION.

The German Government (The Government of the United States) has the honor to set forth its understanding of paragraph numbered four of the Agreement executed this day between the United States and Germany in the following sense:

(a) In respect of the acceptance by the United States of the full faith and credit of Germany as the only security and guaranty for the fulfillment of Germany's obligations under the Agreement, Germany will be in the same position as the principal debtors of the

United States under the debt funding agreements which exist between them and the United States.

(b) Nothing contained therein shall be construed as requiring the United States to release any German property which it now holds other than as heretofore or hereafter authorized by the Congress of the United States.

The German Government (The Government of the United States) also desires to expressly recognize, so far as the Agreement executed this day between the United States and Germany is concerned, the prior rights of the holders of the bonds of the German External Loan as provided in the general bond securing the loan dated October 10, 1924.

The United States has received the sum of R. M. _____ and the sum of R. M. _____ on account of the bonds numbered one to be delivered under paragraphs numbered 1. (a) and 1. (b) respectively of the Agreement executed this day between the United States and Germany. The receipt of these amounts will be evidenced by an endorsement by the United States on the bonds on account of which the sums were received.

The Agreement executed this day between the United States and Germany is substituted for the direct arrangement providing for the realization by the United States of its 2¼ per cent share in German payments under the Experts' Plan of 1924.

