

June 14, 1933

[Statement on British Debt]

FDR Speech File

--0636

Note: Newsreel statement by 6/14/33
the President, with insert
in his own hand writing * S.F.

The British Government has announced a payment to the United States of ten million dollars with a note indicating that this payment is to be considered "as an acknowledgment of the debt pending a final settlement".

Such payment does not of course in any sense prejudice the freedom of either Government in any subsequent discussion of the entire debt question which will take account of this and other debt payments.

In a spirit of cooperation I have as Executive noted the representations of the British Government with respect to the payment of the June fifteen installment inasmuch as the payment made is accompanied by a clear acknowledgment of the debt itself. In view of those representations and of the payment I have no personal hesitation in saying that I do not characterize the resultant situation as a default. ^{Insert} Beyond this the law and the Constitution do not permit me to go. The American public understands clearly that the settlement under which these debts are now being paid was made under the authority of Congress and that Congress alone has the right to alter the amount and method of payment of this debt.

STOP

Under my constitutional power, and in accordance with the terms of the policy which I have set forth, I can entertain representations of the British Government concerning the entire debt settlement and the British Government has requested that such opportunity be afforded. I have, therefore, suggested to them that such representations be made in Washington as soon as convenient. ~~and~~ *Probably later on in the summer.*

Insert

THE WHITE HOUSE
WASHINGTON

But at the same time the
acknowledgment of the
receipt of this money is in
no way an acceptance in the
sense that our Americans can
possibly consider it as a
payment in full or a
settlement. What it is
in plain language is a
payment on account

As a matter of information to the American public, I want to make it clear that the Economic Conference now being held in London does not include in its program any consideration of the debts owed by various governments to the United States. The American delegates have been instructed not to discuss debts with the representatives of any of the debtor governments.

I have further informed the British Government that such representations and suggestions as may be made to me will be submitted to the Congress for information and consideration when the Congress next meets.

#

June 14, 1933.

"The British Government has today announced a payment to the United States of ten million dollars with a note indicating that this payment is to be considered 'as an acknowledgment of the debt pending a final settlement.' It has in its accompanying note pointed out circumstances that have induced it to take this action.

"Such payment does not of course in any sense prejudice the freedom of either Government in any subsequent discussion of the entire debt question which will take account of this and other debt payments. I announced in November, 1932, a policy to the effect that a debtor may at any time approach a creditor with representations concerning the debt and to ask for readjustment of the debt or its terms of payment. Under such circumstances the debtor government makes such representations as it deems of importance with respect to the desirability of any readjustment in the terms already agreed upon. The British Government availed itself of this principle following the payment of the December fifteenth payment and I had informal discussions concerning the debt with the British Ambassador even before my inauguration. On the occasion of the visit of the Prime Minister of Great Britain in April further exploration of the subject was made by us and additional discussions were held by the experts of the two Governments. Time and circumstances would not permit any definitive conclusions in these discussions because at the moment both Governments were vitally concerned in making preparation for the World Monetary and Economic Conference in London. It seems the part of fairness and wisdom to postpone formal representations on the debt subject until later. Meanwhile the World Economic Conference is beginning under favorable auspices and it is vitally necessary that during the opening days of the Conference difficult and possibly protracted discussion of the debt be avoided.

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"Beyond this the law and the Constitution do not permit me to go. The American public understands clearly that the settlement under which these debts are now being paid was made under the authority of Congress and that Congress alone has the right to alter the amount and method of payment of this debt. Further than this, the Congress in December, 1931, in approving the moratorium in June of that year, specifically set forth that the debt should not be cancelled or reduced.

"Under my constitutional power, and in accordance with the terms of the policy which I have set forth, I can entertain representations of the British Government concerning the entire debt settlement and the British Government has requested that such opportunity be afforded. I have, therefore, suggested to them that such representations be made in Washington as soon as convenient. As a matter of information to the American public, I want to make it clear that the Economic Conference now being held in London does not include in its program any consideration of the debts owed by various governments to the United States. The American delegates have been instructed not to discuss debts with the representatives of any of the debtor governments. This is in accordance with the further principle that I have felt important, that the debts be considered on their merits and separate from other international economic questions.

"I have further informed the British Government that such representations and suggestions as may be made to me by the British representatives when they discuss the problem in Washington will be submitted to the Congress for information and consideration when the Congress next meets."

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"I have further informed the British Government that such representations and suggestions as may be made to me by the British representatives when they discuss the problem in Washington will be submitted to the Congress for information and consideration when the Congress next meets."

DEPARTMENT OF STATE

For the Press.

June 14, 1933.

TEXT OF CORRESPONDENCE EXCHANGED BETWEEN THE GOVERNMENT OF THE UNITED STATES AND THE BRITISH GOVERNMENT CONCERNING THE DEBT PAYMENT DUE JUNE 15, 1933:-

Department of State
Washington, June 9, 1933.

His Excellency
The Honorable Sir Ronald Lindsay,
P.C., G.C.M.G., K.C.B., C.V.O.,
British Ambassador.

Excellency:

I am requested by the Secretary of the Treasury to notify you that \$75,950,000 interest is due and payable on June 15, 1933, on account of the indebtedness of your Government to the United States pursuant to the debt agreement of June 19, 1923.

The debt agreement of June 19, 1923, requires thirty days advance notice in case your Government desires to make payment in obligations of the United States issued since April 6, 1917, but I am requested by the Secretary of the Treasury to advise you that he will be glad to waive the requirement of thirty days advance notice if your Government wishes to pay in that manner.

Accept, Excellency, the renewed assurances of my highest consideration.

WILLIAM PHILLIPS
Acting Secretary of State.

BRITISH EMBASSY

WASHINGTON, D. C.

June 13, 1933.

The Honourable
William Phillips,
Acting Secretary of State of the United States,
Washington, D. C.

Sir:

In reply to the Note handed to me by the State Department on June 9th, I am directed by my Government to make the

following

following communication to you:-

It will be recalled that the general views of His Majesty's Government in the United Kingdom on war debts and on their relation to present world difficulties were explained in notes exchanged in November and December last. His Majesty's Government at that time decided to make payment of the amount due on December 15th but they indicated clearly that this payment "was not to be regarded as a resumption of annual payments contemplated by the existing agreement" and they announced their intention of treating this payment "as a capital payment of which account should be taken in any final settlement."

Finally they pointed out that the procedure adopted "must obviously be exceptional and abnormal" and they urged upon the United States Government "the importance of an early exchange of views with the object of concluding the proposed discussions before June 15th next in order to obviate a general breakdown of existing inter-governmental agreements."

His Majesty's Government in the United Kingdom adopted this procedure because they recognized the peculiar position in which the then United States Administration was placed, and the impossibility of their undertaking any effective discussion of the problem at that time. His Majesty's Government acted, however, on the understanding that the discussion would take place without delay, upon the provisions of the existing agreement in all its aspects, so as to arrive at a comprehensive and final settlement and in the belief that payment on December 15th would greatly increase the prospects of a satisfactory approach to the whole question.

Negotiations were accordingly started even before the new Administration was inaugurated; and His Majesty's Government in the United Kingdom have been most anxious to pursue them as rapidly as possible. On the occasion of the Prime Minister's visit to Washington the President and his advisers made preliminary explorations as to the basis of a clearer understanding of the situation. For reasons not within the control of either Government, however, it has not yet been possible to arrive at a definite conclusion of these negotiations.

A speedy conclusion is, however, urgently needed. The treatment of inter-governmental obligations must closely affect the solution of the problems with which the World Conference has to deal, because they cannot be separated from influences which have brought the world to its present plight. For instance, it is generally agreed that one of the first and the most essential of our aims should be to increase the general level of commodity prices. It may be recalled that after the Lausanne Conference there was a marked tendency for prices to rise, but that this tendency was reversed when the prospects of a final settlement of inter-governmental obligations receded, while the December payment was accompanied by a sharp fall in prices which was felt in America at least as much as in Europe. Experience,

therefore,

therefore, appears to show that the effect of these payments upon prices is very direct.

In the opinion of His Majesty's Government it is essential for the success of the Conference that the delegates should not be hampered and harassed by doubts about the possibility of a satisfactory settlement of war debts. Payment of a further instalment of the debt at this juncture would inevitably be judged to mean that no progress whatever had been made towards such a settlement and would, therefore, deal a damaging blow at the confidence of the delegates.

In the circumstances and in view of their action last December, His Majesty's Government had hoped that the United States Government would have been able to accede to the request of His Majesty's Government to postpone payment of the June instalment pending discussion of war debts as a whole. Since, however, this does not appear to have been found possible, His Majesty's Government are obliged to decide upon their course of action.

Such a decision must in any case be of an extremely difficult character and in considering it His Majesty's Government have felt their deep responsibility not only to their own people, but to the whole world which is awaiting the deliberations and recommendations of the Conference with the utmost anxiety.

The conclusion at which His Majesty's Government have arrived is that payment of the June instalment could not be made at this juncture without gravely imperilling the success of the Conference and involving widespread political consequences of a most serious character. In their view the instalment should be considered and discussed as part of the general subject of war debts upon which they are anxious to resume conversations as soon as they can be arranged.

In the meantime, in order to make it perfectly clear that they do not regard the suspension of the June payment as in any way prejudicing an ultimate settlement, His Majesty's Government propose to make an immediate payment of Ten million dollars as an acknowledgment of the debt pending a final settlement. If, as they trust, the Government of the United States is thereafter prepared to enter upon formal negotiations for an ultimate settlement of the whole war debt question, His Majesty's Government would gladly be informed of the time and place at which the United States Government would desire such negotiations to be begun.

I have the honour to be,
with the highest consideration,
Sir
Your most obedient,
humble servant,

R. C. LINDSAY.

Department

Department of State,
Washington, June 14, 1933.

B
His Excellency
The Honorable Sir Ronald Lindsay,
P.C., G.C.M.G., K.C.B., G.V.O.,
Ambassador of Great Britain.

Excellency:

In reply to the note handed to me by Your Excellency on the 13th instant, I am directed by the President to make the following reply:

The President understands that His Majesty's Government have concluded that payment of the June fifteenth installment "could not be made at this juncture without gravely imperilling the success of the Conference and involving widespread political consequences of a most serious character." He notes also that accompanying this communication is a payment of ten million dollars "as an acknowledgment of the debt pending a final settlement," and notes the characterization of the circumstances with which the British Government accompanies this payment, although he, by no means, concedes some of the statements concerning the world wide economic cause and effect contained in His Majesty's Government's communication, especially in so far as they affect the Economic Conference.

The President points out to His Majesty's Government the well known fact that it is not within his discretion to reduce or cancel the existing debt owed to the United States, nor is it within his power as President to alter the schedule of debt payments contained in the existing settlement. Such power rests with the Congress.

He notes likewise the suggestion of His Majesty's Government that they desire to make further representations concerning the entire question of the debt, and that His Majesty's Government requests that a time and place be indicated where such representations can be made to the President or the appropriate representative of the Executive. The President suggests that His Majesty's Government provide for such representations to be made in Washington as soon as convenient.

Any results of such a discussion of the debt question can be submitted for the information or the consideration of the Congress when it next meets.

Accept, Excellency, the renewed assurances of my highest consideration.

WILLIAM PHILLIPS

Acting Secretary of State.