
Franklin D. Roosevelt — “The Great Communicator”
The Master Speech Files, 1898, 1910-1945

**Series 2: “ You have nothing to fear but fear itself:” FDR
and the New Deal**

File No. 707

1934 June 1

**Message to Congress –
Payment of War Debts to the U.S.**

Speech File: June 1, 1934

IMPORTANT

THE WHITE HOUSE
WASHINGTON

May 31, 1934

COPIED
10/20/58

212

MEMORANDUM FOR THE PRESIDENT.

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My dear Mr. President:

Bill Phillips came in this morning with the debt message draft. He especially calls attention to Page 10 and there is enclosed herewith two drafts of this page, (10).

Will you please decide which of these pages you prefer?

Your attention is particularly invited to the line beginning with the second sentence of the first paragraph of these pages (10).

Bill Phillips prefers the one in which the word "recovery" is used. He thinks the reference to "recovery" rather than to "relief from taxation" is to be preferred. His reason is that it is altogether possible for the taxation reference to be interpreted abroad as meaning that the Governments may reduce taxes and satisfy their people who undoubtedly prefer reduced taxes to debt payments to the United States.

Then too, it is suggested that people of the United States who have little present prospect of tax reduction for their benefit would react unfavorably to the suggestion that taxes be lowered by European Governments for their peoples.

Personally, I think there is much in what Mr. Phillips says in this connection.


STEPHEN EARLY

The original of this document is in OF 212

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TO THE CONGRESS OF THE UNITED STATES:

In my address to the Congress January 3 I stated that I expected to report later in regard to debts owed the Government and people of this country by the governments and people of other countries. There has been no formal communication on the subject from the Executive since President Hoover's message of December 19, 1931.

The developments are well-known, having been announced to the press as they occurred. Correspondence with debtor governments has been made public promptly and is available in the Annual Report of the Secretary of the Treasury. It is, however, timely to review the situation.

Payments on the indebtedness of foreign governments to the United States which fell due in the fiscal year ended June 30, 1932, were postponed on the proposal of President Hoover announced June 20, 1931, and authorized by the Joint Resolution of Congress approved December 23, 1931. Yugoslavia alone suspended payment while rejecting President Hoover's offer of postponement.

In the six months of July to December, 1932, which followed the end of the Hoover moratorium year, payments of \$125,000,000 from twelve governments fell due. Requests to postpone the payments due December 15, 1932, were received from Great Britain, France, Belgium, Czechoslovakia, Estonia, Latvia, Lithuania and Poland. The replies made on behalf of President Hoover through the Department of State declined these requests, generally stating that it was not in the power of the Executive to grant them, and expressing a willingness to cooperate with the debtor government in surveying the entire situation. After such correspondence,

Czechoslovakia, Finland, Great Britain, Italy, Latvia and Lithuania met their contractual obligations, while Belgium, Estonia, France and Poland made no payment.

In a note of December 11, 1932, after the United States had declined to sanction postponement of the payment due December 15, the British Government, in announcing its decision to make payment of the amount due on December 15, made the following important statement:

"For reasons which have already been placed on record His Majesty's Government are convinced that the system of intergovernmental payments in respect of the War Debts as it existed prior to Mr. Hoover's initiative on June 20th, 1931, cannot be revived without disaster. Since it is agreed that the whole subject should be re-examined between the United States and the United Kingdom this fundamental point need not be further stressed here.

"In the view of His Majesty's Government therefore the payment to be made on December 15th is not to be regarded as a resumption of the annual payments contemplated by the existing agreement. It is made because there has not been time for discussion with regard to that agreement to take place and because the United States Government have stated that in their opinion such a payment would greatly increase the prospects of a satisfactory approach to the whole question.

"His Majesty's Government propose accordingly to treat the payment on December 15th as a capital payment of which account should be taken in any final settlement and they are making arrangements

to effect this payment in gold as being in the circumstances the least prejudicial of the methods open to them.

"This procedure must obviously be exceptional and abnormal and His Majesty's Government desire to urge upon the United States Government the importance of an early exchange of views with the object of concluding the proposed discussion before June 15th next in order to obviate a general breakdown of the existing intergovernmental agreements."

The Secretary of State, Mr. Stimson, replied to this note on the same day that acceptance by the Secretary of the Treasury of funds tendered in payment of the December 15 installment cannot constitute approval of or agreement to any condition or declaration of policy inconsistent with the terms of the agreement inasmuch as the Executive has no power to amend or to alter those terms either directly or by implied commitment.

No payment was made by France December 15, 1932, as the French Chamber of Deputies by a vote on the morning of December 14 refused authorization to make the payment. The resolution voted by the French Chamber at that time invited the French Government to convoke as soon as possible, in agreement with Great Britain and other debtors, a general conference for the purpose of adjusting all international obligations and putting an end to all international transfers for which there is no compensating transaction. The resolution stated that the Chamber, despite legal and economic considerations, would have authorized settlement had the United States been willing to agree in advance to the convening of the conference for these purposes.

This resolution of the French Chamber is to be read in relation with the public statements of policy made by President Hoover and by myself on November 23, 1932. President Hoover said, "The United States Government from the beginning has taken the position that it would deal with each of the debtor governments separately, as separate and distinct circumstances surrounded each case. Both in the making of the loans and in the subsequent settlements with the different debtors, this policy has been rigidly made clear to every foreign government concerned." I said:

"I find myself in complete accord with the four principles discussed in the conference between the President and myself yesterday and set forth in a statement which the President has issued today.

"These debts were actual loans made under the distinct understanding and with the intention that they would be repaid.

"In dealing with the debts each government has been and is to be considered individually, and all dealings with each government are independent of dealings with any other debtor government. In no case should we deal with the debtor governments collectively.

"Debt settlements made in each case take into consideration the capacity to pay of the individual debtor nations.

"The indebtedness of the various European nations to our Government has no relations whatsoever to reparations payments made or owed to them."

Of the \$125,000,000 due and payable December 15, 1932, the Treasury received \$98,750,000, of which \$95,550,000

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was the British payment made subsequent to the above correspondence, and the other \$3,000,000 represented payments by five other debtor nations. The amounts due from Belgium, Estonia, France, Hungary and Poland which were not received amounted to \$25,000,000, of which \$19,250,000 was due and payable by France.

In my statement issued November 23, 1932, I had said:

"I firmly believe in the principle that an individual debtor should at all times have access to the creditor; that he should have opportunity to lay facts and representations before the creditor and that the creditor always should give courteous, sympathetic and thoughtful consideration to such facts and representations.

"This is a rule essential to the preservation of the ordinary relationships of life. It is a basic obligation of civilization. It applies to nations as well as to individuals.

"The principle calls for a free access by the debtor to the creditor. Each case should be considered in the light of the conditions and necessities peculiar to the case of each nation concerned."

On January 20, 1933, President Hoover and I agreed upon the following statement:

"The British Government has asked for a discussion of the debts. The incoming administration will be glad to receive their representative early in March for this purpose. It is, of course, necessary to discuss at the same time the world economic problems in which the United States and Great Britain are mutually interested and therefore that representatives should also be sent to discuss ways and means for improving the world situation."

On March 4, 1933, the situation with regard to the indebtedness of other governments to the United States was, in brief, as follows:

France - The French Parliament had refused to permit payment of \$19,361,432.50 interest due on the \$3,863,650,000 bonds of France owned by the United States;

Great Britain - With respect to the British bonded debt held by the Treasury in the principal amount of \$4,368,000,000, Great Britain in meeting a due payment of \$30,000,000 principal and \$65,550,000 interest had stated that the payment was not to be regarded as a resumption of the annual payments contemplated under the funding agreement of June 19, 1923, but was to be treated, so far as the British Government was concerned, as a capital payment of which account should be taken in any final settlement;

Italy - With respect to the \$2,004,900,000 principal amount of bonds of the Italian Government held by the United States Treasury, the Italian Government had paid the sum of \$1,245,437 interest due December 15, 1932; but in doing so it referred to a resolution of the Grand Council of Fascism, adopted December 5, 1932, in which "a radical solution of the 'sponging of the slate' type was declared to be necessary for the world's economic recovery";

Czechoslovakia - in making a payment of \$1,500,000 principal due December 15, 1932, on its debt of \$165,000,000 had stated that "this payment constitutes in the utmost self-denial of the Czechoslovak people their final effort to meet the obligation under such extremely unfavorable circumstances";

Belgium had declined to pay \$2,125,000 interest due December 15, 1932, on its bonds of \$400,680,000 held by

the Treasury of the United States and in doing so had recited circumstances which it stated "prevent it from resuming, on December 15, the payments which were suspended by virtue of the agreements made in July, 1931", adding, "Belgium is still disposed to collaborate fully in seeking a general settlement of intergovernmental debts and of the other problems arising from the depression";

Poland had not paid the \$232,000 principal and \$3,070,980 interest due December 15, 1932, on its bonds in the principal amount of \$206,057,000 held by the Treasury of the United States.

Of the nine other governments whose bonds are held by the Treasury of the United States, Estonia and Hungary had not met payments due December 15, 1932;

Austria is availing itself of a contractual right to postpone payments;

Greece was making only partial payments on its foreign bonded indebtedness, including that held by the United States;

Yugoslavia had declined to sign any Hoover moratorium agreement and had stopped paying;

No payment by Rumania had fallen due since the close of the Hoover moratorium;

Finland, Latvia, and Lithuania were current in their payments.

Although I had informal discussions concerning the British debt with the British Ambassador even before March 4, 1933, and in April there was further discussion of the subject with the Prime Minister of Great Britain and between experts of the two governments, it was not possible to reach definitive conclusions. On June 13 the British Government gave notice that in the then existing circumstances it was not prepared to make the payment

8
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due June 15, 1933, but would make an immediate payment of \$10,000,000 as an acknowledgment of the debt pending a final settlement. To this notice reply was made by the Acting Secretary of State, pointing out that it is not within the discretion of the President to reduce or cancel the existing debt owed to the United States nor to alter the schedule of debt payments contained in the existing settlement. At the same time I took occasion to announce that in view of the representations of the British Government, the accompanying acknowledgment of the debt itself, and the payment made, I had no personal hesitation in saying that I would not characterize the resultant situation as a default. In view of the suggestion of the expressed desire of the British Government to make representations concerning the debt, I suggested that such representations be made in Washington as soon as convenient.

The Agricultural Adjustment Act, approved May 12, 1933, had authorized the President for a period of six months from that date to accept silver in payment of instalments due from any foreign government, such silver to be accepted at not to exceed a price of fifty cents an ounce. In the payments due June 15, 1933, the Governments of Great Britain, Czechoslovakia, Finland, Italy, Lithuania and Rumania took advantage of this offer.

On June 15, 1933, payments of about \$144,000,000 were due from foreign governments, the larger amounts being about \$76,000,000 from Great Britain, almost \$41,000,000 from France and \$13,500,000 from Italy. The amounts actually paid into the Treasury were \$11,374,000 of which \$10,000,000 was paid by Great Britain and \$1,000,000 by Italy. Communications were received from most of the debtor governments asking a discussion of the debt question with the United States Government.

In October, 1933, representatives of the British Government arrived in Washington and conferred for some weeks with representatives of this Government. These discussions made clear the existing difficulties and the discussions were adjourned.

The British Government then stated that it continued to acknowledge the debt without prejudicing its right again to present the matter of readjustment and that it would express this acknowledgment tangibly by a payment of \$7,500,000 on December 15. In announcing this I stated that in view of the representations, of the payment, and of the impossibility of accepting at that time any of the proposals for a readjustment of the debt, I had no personal hesitation in saying that I should not regard the British Government as in default.

On December 15, 1933, there was due and payable by foreign governments on their debt funding agreements and Hoover moratorium agreements a total of about \$153,000,000. The payments actually received were slightly less than \$9,000,000, including \$7,500,000 paid by Great Britain, \$1,000,000 by Italy, and about \$230,000 by Finland.

At the present time Finland remains the only foreign government which has met all payments on its indebtedness to the United States punctually and in full.

It is a simple fact that this matter of the repayment of debts contracted to the United States during and after the World War has gravely complicated our trade and financial relationships with the borrowing Nations for many years.

These obligations furnished vital means for the successful conclusion of a war which involved the national existence of the borrowers, and later for a quicker restoration of their normal life after the war ended.

The money loaned by the United States Government was in turn borrowed by the United States Government from the people of the United States and our Government in the absence of payment from foreign Governments is compelled to raise the shortage by general taxation of its own people in order to pay off the original liberty bonds and the later refunding bonds.

It is for these reasons that the American people have felt that their debtors were called upon to make a determined effort to discharge these obligations. The American people would not be disposed to place an impossible burden upon their debtors, but are nevertheless in a just position to ask that substantial sacrifices be made to meet these debts.

We shall continue to expect the debtors on their part to show full understanding of the American attitude on this debt question. The people of the debtor nations will also bear in mind the fact that the American people are certain to be swayed by the use which debtor countries make of their available resources, - whether such resources would be applied for the purposes of recovery as well as for reasonable payment on the debt owed to the citizens of the United States, or for purposes of unproductive nationalistic expenditure or like purposes.

In presenting this report to you, I suggest that, in view of all existing circumstances no legislation at this session of the Congress is either necessary or advisable.

I can only repeat that I have made it clear to the debtor Nations again and again that "the indebtedness

to our Government has no relation whatsoever to reparations payments made or owed to them" and that each individual Nation has full and free opportunity individually to discuss its problem with the United States.

We are using every means to persuade each debtor nation as to the sacredness of the obligation and also to assure them of our willingness, if they should so request, to discuss frankly and fully the special circumstances relating to means and method of payment.

Recognizing that the final power lies with the Congress, I shall keep the Congress informed from time to time and make such new recommendations as may later seem advisable.

THE WHITE HOUSE,

June 1, 1934.

125

TO THE CONGRESS OF THE UNITED STATES:

In my address to the Congress January 3 I stated that I expected to report later in regard to debts owed the Government and people of this country by the governments and people of other countries. There has been no formal communication on the subject from the Executive since President Hoover's message of December 19, 1931.

The developments are well-known, having been announced to the press as they occurred. Correspondence with debtor governments has been made public promptly and is available in the Annual Report of the Secretary of the Treasury. It is, however, timely to review the situation.

Payments on the indebtedness of foreign governments to the United States which fell due in the fiscal year ended June 30, 1932, were postponed on the proposal of President Hoover announced June 20, 1931, and authorized by the Joint Resolution of Congress approved December 23, 1931. Yugoslavia alone suspended payment while rejecting President Hoover's offer of postponement.

In the six months of July to December, 1932, which followed the end of the Hoover moratorium year, payments of \$125,000,000 from twelve governments fell due. Requests to postpone the payments due December 15, 1932, were received from Great Britain, France, Belgium, Czechoslovakia, Estonia, Latvia, Lithuania and Poland. The replies made on behalf of President Hoover through the Department of State declined these requests, generally stating that it was not in the power of the Executive to grant them, and expressing a willingness to cooperate with the debtor government in surveying the entire situation. After such correspondence, Czechoslovakia, Finland, Great Britain, Italy, Latvia and Lithuania met their contractual obligations, while Belgium, Estonia, France and Poland made no payment.

In a note of December 11, 1932, after the United States had declined to sanction postponement of the payment due December 15, the British Government, in announcing its decision to make payment of the amount due on December 15, made the following important statement:

"For reasons which have already been placed on record His Majesty's Government are convinced that the system of intergovernmental payments in respect of the War Debts as it existed prior to Mr. Hoover's initiative on June 20th, 1931, cannot be revived without disaster. Since it is agreed that the whole subject should be re-examined between the United States and the United Kingdom this fundamental point need not be further stressed here.

"In the view of His Majesty's Government therefore the payment to be made on December 15th is not to be regarded as a resumption of the annual payments contemplated by the existing agreement. It is made because there has not been time for discussion with

regard to that agreement to take place and because the United States Government have stated that in their opinion such a payment would greatly increase the prospects of a satisfactory approach to the whole question.

"His Majesty's Government propose accordingly to treat the payment on December 15th as a capital payment of which account should be taken in any final settlement and they are making arrangements to effect this payment in gold as being in the circumstances the least prejudicial of the methods open to them.

"This procedure must obviously be exceptional and abnormal and His Majesty's Government desire to urge upon the United States Government the importance of an early exchange of views with the object of concluding the proposed discussion before June 15th next in order to obviate a general breakdown of the existing intergovernmental agreements."

The Secretary of State, Mr. Stimson, replied to this note on the same day that acceptance by the Secretary of the Treasury of funds tendered in payment of the December 15 installment cannot constitute approval of or agreement to any condition or declaration of policy inconsistent with the terms of the agreement inasmuch as the Executive has no power to amend or to alter those terms either directly or by implied commitment.

No payment was made by France December 15, 1932, as the French Chamber of Deputies by a vote on the morning of December 14 refused authorization to make the payment. The resolution voted by the French Chamber at that time invited the French Government to convoke as soon as possible, in agreement with Great Britain and other debtors, a general conference for the purpose of adjusting all international obligations and putting an end to all international transfers for which there is no compensating transaction. The resolution stated that the Chamber, despite legal and economic considerations, would have authorized settlement had the United States been willing to agree in advance to the convening of the conference for these purposes.

This resolution of the French Chamber is to be read in relation with the public statements of policy made by President Hoover and by myself on November 23, 1932. President Hoover said, "The United States Government from the beginning has taken the position that it would deal with each of the debtor governments separately, as separate and distinct circumstances surrounded each case. Both in the making of the loans and in the subsequent settlements with the different debtors, this policy has been rigidly made clear to every foreign government concerned." I said:

"I find myself in complete accord with the four principles discussed in the conference between the President and myself yesterday and set forth in a statement which the President has issued today.

"These debts were actual loans made under distinct understanding and with the intention that they would be repaid.

"In dealing with the debts each government has been and is to be considered individually, and all dealings with each government are independent of dealings with any other debtor government. In no case should we deal with the debtor governments collectively.

"Debt settlements made in each case take into consideration the capacity to pay of the individual debtor nations.

"The indebtedness of the various European nations to our Government has no relations whatsoever to reparations payments made or owed to them."

Of the \$125,000,000 due and payable December 15, 1932, the Treasury received \$98,750,000, of which \$95,550,000 was the British payment made subsequent to the above correspondence, and the other \$3,000,000 represented payments by five other debtor nations. The amounts due from Belgium, Estonia, France, Hungary and Poland which were not received amounted to \$25,000,000, of which \$19,260,000 was due and payable by France.

In my statement issued November 23, 1932, I had said:

"I firmly believe in the principle that an individual debtor should at all times have access to the creditor; that he should have opportunity to lay facts and representations before the creditor and that the creditor always should give courteous, sympathetic and thoughtful consideration to such facts and representations.

"This is a rule essential to the preservation of the ordinary relationships of life. It is a basic obligation of civilization. It applies to nations as well as to individuals.

"The principle calls for a free access by the debtor to the creditor. Each case should be considered in the light of the conditions and necessities peculiar to the case of each nation concerned."

On January 20, 1933, President Hoover and I agreed upon the following statement:

"The British Government has asked for a discussion of the debts. The incoming administration will be glad to receive their representative early in March for this purpose. It is, of course, necessary to discuss at the same time the world economic problems in which the United States and Great Britain are mutually interested and therefore that representatives should also be sent to discuss ways and means for improving the world situation."

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France - The French Parliament had refused to permit payment of \$19,261,432.50 interest due on the \$3,863,650,000 bonds of France owned by the United States;

Great Britain - With respect to the British bonded debt held by the Treasury in the principal amount of \$4,368,000,000, Great Britain in meeting a due payment of \$30,000,000 principal and \$65,550,000 interest had stated that the payment was not to be regarded as a resumption of the annual payments contemplated under the funding agreement of June 19, 1923, but was to be treated, so far as the British Government was concerned, as a capital payment of which account should be taken in any final settlement;

Italy - With respect to the \$2,004,900,000 principal amount of bonds of the Italian Government held by the United States Treasury, the Italian Government had paid the sum of \$1,245,437 interest due December 15, 1932; but in doing so it referred to a resolution of the Grand Council of Fascism, adopted December 5, 1932, in which "a radical solution of the 'sponging of the slate' type was declared to be necessary for the world's economic recovery";

Czechoslovakia in making a payment of \$1,500,000 principal due December 15, 1932, on its debt of \$155,000,000 had stated that "this payment constitutes in the utmost self-denial of the Czechoslovak people their final effort to meet the obligation under such extremely unfavorable circumstances";

Belgium had declined to pay \$2,125,000 interest due December 15, 1932, on its bonds of \$400,690,000 held by the Treasury of the United States and in doing so had recited circumstances which it stated "prevent it from resuming, on December 15, the payments which were suspended by virtue of the agreements made in July, 1931", adding, "Belgium is still disposed to collaborate fully in seeking a general settlement of intergovernmental debts and of the other problems arising from the depression";

Poland had not paid the \$232,000 principal and \$3,070,980 interest due December 15, 1932, on its bond in the principal amount of \$206,057,000 held by the Treasury of the United States.

Of the nine other governments whose bonds are held by the Treasury of the United States, Estonia and Hungary had not met payments due December 15, 1932;

Austria is availing itself of a contractual right to postpone payments;

Greece was making only partial payments on its foreign bonded indebtedness, including that held by the United States;

Yugoslavia had declined to sign any Hoover moratorium agreement and had stopped paying;

No payment by Rumania had fallen due since the close of the Hoover moratorium;

Finland, Latvia, and Lithuania were current in their payments.

Although I had informal discussions concerning the British debt with the British Ambassador even before March 4, 1933, and in April there was further discussion of the subject with the Prime Minister of Great Britain and between experts of the two governments, it was not possible to reach definitive conclusions. On June 13 the British Government gave notice that in the then existing circumstances it was not prepared to make the payment due June 15, 1933, but would make an immediate payment of \$10,000,000 as an acknowledgment of the debt pending a final settlement. To this notice reply was made by the Acting Secretary of State, pointing out that it is not within the discretion of the President to reduce or cancel the existing debt owed to the United States nor to alter the schedule of debt payments contained in the existing settlement. At the same time I took occasion to announce that in view of the representations of the British Government, the accompanying acknowledgment of the debt itself, and the payment made, I had no personal hesitation in saying that I would not characterize the resultant situation as a default. In view of the suggestion of the expressed desire of the British Government to make representations concerning the debt, I suggested that such representations be made in Washington as soon as convenient.

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In October, 1933, representatives of the British Government arrived in Washington and conferred for some weeks with representatives of this Government. These discussions made clear the existing difficulties and the discussions were adjourned.

The British Government then stated that it continued to acknowledge the debt without prejudicing its right again to present the matter of readjustment and that it would express this acknowledgment tangibly by a payment of \$7,500,000 on December 15. In announcing this I stated that in view of the representations, of the payment, and of the impossibility of accepting at that time any of the proposals for a readjustment of the debt, I had no personal hesitation in saying that I should not regard the British Government as in default.

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It is for these reasons that the American people have felt that their debtors were called upon to make a determined effort to discharge these obligations. The American people would not be disposed to place an impossible burden upon their debtors, but are nevertheless in a just position to ask that substantial sacrifices be made to meet these debts.

We shall continue to expect the debtors on their part to show full understanding of the American attitude on this debt question. The people of the debtor nations will also bear in mind the fact that the American people are certain to be swayed by the use which debtor countries make of their available resources, - whether such resources would be applied for the purposes of recovery as well as for reasonable payment on the debt owed to the citizens of the United States, or for purposes of unproductive nationalistic expenditure or like purposes.

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We are using every means to persuade each debtor nation as to the sacredness of the obligation and also to assure them of our

willingness, if they should so request, to discuss frankly and fully the special circumstances relating to means and method of payment.

Recognizing that the final power lies with the Congress, I shall keep the Congress informed from time to time and make such new recommendations as may later seem advisable.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,
June 1, 1934.

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[June 1, 1934]

Miss Hand

In my address to the Congress January 3 I stated that I expected to report later in regard to debts owed the Government and people of this country by the governments and people of other countries. There has been no formal communication on the subject from the Executive since President Hoover's message of December 19, 1931.

The developments are well-known, having been announced to the press as they occurred. Correspondence with debtor governments has been made public promptly and is available in the Annual Report of the Secretary of the Treasury.

It is, however, ~~it is~~ timely to review the situation.

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"In the view of His Majesty's Government therefore the payment to be made on December 15th is not to be regarded as a resumption of the annual payments contemplated by the existing agreement. It is made because there has not been time for discussion with regard to that agreement to take place and because the United States Government have stated that in their opinion such a payment would greatly increase the prospects of a satisfactory approach to the whole question.

"His Majesty's Government propose accordingly to treat the payment on December 15th as a capital payment of which account should be taken in any final settlement and they are making arrangements to effect this payment in gold as being in the circumstances the least prejudicial of the methods open to them.

"This procedure must obviously be exceptional and abnormal and His Majesty's Government desire to urge upon the United States Government the importance of an early exchange of views with the object of concluding the proposed discussion before June 15th next in order to obviate a general breakdown of the existing intergovernmental agreements."

The Secretary of State, Mr. Stimson, replied to this note on the same day that acceptance by the Secretary of

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the Treasury of funds tendered in payment of the December 15 installment cannot constitute approval of or agreement to any condition or declaration of policy inconsistent with the terms of the agreement inasmuch as the Executive has no power to amend or to alter ^{those Terms} ~~them~~ either directly or by implied commitment. ~~Mr.~~ ^{Mr. Stimson} added that our future course as pointed out in the correspondence was clear and referred to a previous statement that the President of the United States was prepared, through whatever agency may seem appropriate, in cooperation with the British Government, to survey the entire situation (in which the debt of the British Government to the United States necessarily plays a part) and to consider what means may be taken to bring about the restoration of stable currencies and exchange, the revival of trade and the recovery of prices.

No payment was made by France December 15, 1932, as the French Chamber of Deputies by a vote on the morning of December 14 refused authorization to make the payment. The resolution voted by the French Chamber at that time invited the French Government to convoke as soon as possible, in agreement with Great Britain and other debtors,

a general conference for the purpose of adjusting all international obligations and putting an end to all international transfers for which there is no compensating transaction. The resolution stated that the Chamber, despite legal and economic considerations, would have authorized settlement had the United States been willing to agree in advance to the convening of the conference for these purposes.

This resolution of the French Chamber is to be read Page 2
~~not only in the light of the preceding correspondence between the governments but~~ in relation with the public statements of policy made by President Hoover and by myself on November 23, 1932. President Hoover said, "The United States Government from the beginning has taken the position that it would deal with each of the debtor governments separately, as separate and distinct circumstances surrounded each case. Both in the making of the loans and in the subsequent settlements with the different debtors, this policy has been rigidly made clear to every foreign government concerned." I said:

"I find myself in complete accord with the four principles discussed in the conference between the President and myself yesterday and set forth in a statement which the President has issued today.

"These debts were actual loans made under the distinct understanding and with the intention that they would be repaid.

"In dealing with the debts each government has been and is to be considered individually, and all dealings with each government are independent of dealings with any other debtor government. In no case should we deal with the debtor governments collectively.

"Debt settlements made in each case take into consideration the capacity to pay of the individual debtor nations.

"The indebtedness of the various European nations to our Government has no relations whatsoever to reparations payments made or owed to them."

Of the \$125,000,000 due and payable December 15, 1932, the Treasury received \$98,750,000, of which \$95,550,000 was the British payment made subsequent to the above correspondence, and the other \$3,000,000 represented payments by five other debtor nations. The amounts due from Belgium, Estonia, France, Hungary and Poland which were not received amounted to \$25,000,000, of which \$19,260,000 was due and payable by France.

In my statement issued November 23, 1932, I had said:

"I firmly believe in the principle that an individual debtor should at all times have access to the creditor; that he should have opportunity to lay facts and representations before the creditor and that the creditor always should give courteous, sympathetic and thoughtful consideration to such facts and representations.

"This is a rule essential to the preservation of the ordinary relationships of life. It is a basic obligation of civilization. It applies to nations as well as to individuals.

"The principle calls for a free access by the debtor to the creditor. Each case should be considered in the light of the conditions and necessities peculiar to the case of each nation concerned."

On January ²⁰ 29, 1933, President Hoover and I agreed upon the following statement:

"The British Government has asked for a discussion of the debts. The incoming administration will be glad to receive their representative early in March for this purpose. It is, of course, necessary to discuss at the same time the world economic problems in which the United States and Great Britain are mutually interested and therefore that representatives should also be sent to discuss ways and means for improving the world situation."

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Page 2

On March 4, 1933, the situation with regard to the indebtedness of other governments to the United States was, in brief, as follows:

France - The French Parliament had refused to permit payment of \$19,261,432.50 interest due on the \$3,883,850,000 bonds of France owned by the United States;

Great Britain - With respect to the British bonded debt held by the Treasury in the principal amount of \$4,368,000,000, Great Britain in meeting a due payment of \$30,000,000 principal and \$65,550,000 interest had stated that the payment was not to be regarded as a resumption of the annual payments contemplated under the funding agreement of June 19, 1923, but was to be treated, so far as the British Government was concerned, as a capital payment of which account should be taken in any final settlement;

Italy - With respect to the \$2,004,900,000 principal amount of bonds of the Italian Government held by the United States Treasury, the Italian Government had paid the sum of \$1,245,437 interest due December 15,

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but in doing so it referred to a resolution of the Grand Council of Facism, adopted December 5, 1932, in which "a radical solution of the 'sponging of the slate' type was declared to be necessary for the world's economic recovery";

Czechoslovakia in making a payment of \$1,500,000 principal due December 15, 1932, on its debt of \$165,000,000 had stated that "this payment constitutes in the utmost self-denial of the Czechoslovak people their final effort to meet the obligation under such extremely unfavorable circumstances";

Belgium had declined to pay \$2,125,000 interest due December 15, 1932, on its bonds of \$400,680,000 held by the Treasury of the United States and in doing so had recited circumstances which it stated "prevent it from resuming, on December 15, the payments which were suspended by virtue of the agreements made in July, 1931", adding, "Belgium is still disposed to collaborate fully in seeking a general settlement of intergovernmental debts and of the other problems arising from the depression";

Poland

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Poland had not paid the \$232,000 principal and \$3,070,980 interest due December 15, 1932, on its bonds in the principal amount of \$206,057,000 held by the Treasury of the United States.

Of the nine other governments whose bonds are held by the Treasury of the United States, Estonia and Hungary had not met payments due December 15, 1932;

Austria is availing itself of a contractual right to postpone payments;

Greece was making only partial payments on its foreign bonded indebtedness, including that held by the United States;

Yugoslavia had declined to sign any Hoover moratorium agreement and had stopped paying;

No payment by Rumania had fallen due since the close of the Hoover moratorium;

Finland, Latvia, and Lithuania were current in their payments.

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~~SECRET~~

Although I had informal discussions concerning the British debt with the British Ambassador even before March 4, 1933, and in April there was further discussion of the subject with the Prime Minister of Great Britain and between experts of the two governments, it was not possible to reach definitive conclusions. On June 13 the British Government gave notice that in the then existing circumstances it was not prepared to make the payment due June 15, 1933, but would make an immediate payment of \$10,000,000 as an acknowledgment of the debt pending a final settlement. To this notice reply was made by the Acting Secretary of State, pointing out that it is not within the discretion of the President to reduce or cancel the existing debt owed to the United States nor to alter the schedule of debt payments contained in the existing settlement. At the same time I took occasion to announce that in view of the representations of the British Government, the accompanying acknowledgment of the debt itself, and the payment made, I had no personal hesitation in saying that I would not characterize the resultant situation as a default. In view of the suggestion

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of the expressed desire of the British Government to make representations concerning the debt, I suggested that such representations be made in Washington as soon as convenient.

The Agricultural Adjustment Act, approved May 12, 1933, had authorized the President for a period of six months from that date to accept silver in payment of instalments due from any foreign government, such silver to be accepted at not to exceed a price of fifty cents an ounce. In the payments due June 15, 1933, the Governments of Great Britain, Czechoslovakia, Finland, Italy, Lithuania and Rumania took advantage of this offer.

On June 15, 1933, payments of about \$144,000,000 were due from foreign governments, the larger amounts being about \$76,000,000 from Great Britain, almost \$41,000,000 from France and \$13,500,000 from Italy. The amounts actually paid into the Treasury were \$11,374,000 of which \$10,000,000 was paid by Great Britain and \$1,000,000 by Italy. Communications were received from most of the debtor governments asking a discussion of the debt question with the United States Government.

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In October, 1933, representatives of the British Government arrived in Washington and conferred for some weeks with representatives of this Government. These discussions made clear the difficulty ^{existing} ^{its} ~~if not im-~~ ~~possibility of determining the amounts of international payments practicable over any considerable period of time and it was agreed that~~ ^{and} ~~the discussions should be~~ ^{were} ~~adjourned until the world situation became more clarified.~~

The British Government ^{then} ~~stated~~ that it continued to acknowledge the debt without prejudicing its right again to present the matter of readjustment and that it would express this acknowledgment tangibly by a payment of \$7,500,000 on December 15. In announcing this I stated that in view of the representations of the payment and of the impossibility of ^{accepting} ~~passing finally and~~ ~~justly~~ ^{that} ^{any of the proposals} ~~at this time upon the request~~ for a readjustment of the debt, I had no personal hesitation in saying that I should not regard the British Government as in default.

On December 15, 1933, there was due and payable

by

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by foreign governments on their debt funding agreements
and Hoover moratorium agreements a total of about
\$153,000,000. The payments actually received were slightly
less than \$9,000,000, including \$7,500,000 paid by Great
Britain, \$1,000,000 by Italy, and about \$230,000 by
Finland..

At the present time Finland remains the only foreign
government which has met all payments on its indebtedness
to the United States punctually and in full.

It is a simple fact that this matter of the repayment of debts contracted to the United States during and after the World War has gravely complicated our trade and financial relationships with the borrowing Nations for many years.

These obligations furnished vital means for the successful conclusion of a war which involved the national existence of the borrowers, and later for a quicker restoration of their normal life after the war ended.

The money loaned by the United States Government was in turn borrowed by the United States Government from the people of the United States, and our Government in the absence of payment from foreign Governments is compelled to raise the shortage by general taxation of its own people in order to pay off the original liberty bonds and the later refunding bonds.

It is for these reasons that the American people have felt that their debtors were called upon to make a determined effort to discharge these obligations. The American people would not be disposed to place an impossible burden upon their

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debtors, but are nevertheless in a just position to ask that substantial sacrifices be made to meet these debts.

We shall continue to expect the debtors on their part to show full understanding of the American attitude on this debt question. The people of the debtor nations will also bear in mind the fact that the American people are certain to be swayed by the use which debtor countries make of their available resources, - whether such resources would be applied for the purposes of recovery as well as for reasonable payment on the debt owed to the citizens of the United States, or for purposes of unproductive nationalistic expenditure or like purposes.

In presenting this report to you, I suggest that, in view of all existing circumstances no legislation at this session of the Congress is either necessary or advisable.

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to our Government has no relation whatsoever to reparations payments made or owed to them" and that each individual Nation has full and free opportunity individually to discuss its problem with the United States.

We are using every means to persuade each debtor nation as to the sacredness of the obligation and also to assure them of our willingness, if they should so request, to discuss frankly and fully the special circumstances relating to means and method of payment.

Recognizing that the final power ~~which~~ lies with the Congress, I shall keep the Congress informed from time to time and make such new recommendations as may later seem advisable.

FILE WITH COPY OF WAR DEBT MESSAGE

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