FINANCIAL QUESTIONS

FINANCIAL QUESTIONS

102.1/1420 : Telegram

The Ambassador in France (Sharp) to the Secretary of State

PARIS, November 13, 1918—1 p. m.
[Received November 14—3 : 25 a. m.]

5830. For McAdoo from Crosby. Number 666. Referring further to the matter presented in my telegram number 664 and to my letter dated October 25th [1] I beg to lay before you the following facts and considerations:

1. A movement exists in France and in Italy and with somewhat less force in Great Britain, tending toward the maintenance of governmental control of the industries of those countries for a period, the length of which is not to be determined by the date of the peace treaty but by supposed internal conditions. Some suggest one year, some up to five years.

2. In France and in Italy there seems to be an assumption, not yet officially expressed, on the part of France that beyond the date of the peace treaty the United States Treasury, through new legislation if necessary, should continue to lend to European treasuries during period of control and that our governmental agencies should combine with European governmental agencies in determining the distribution of raw materials throughout the world.

3. The fact that such distribution supposes a continuation of strong governmental control in the United States of our domestic activities is not seriously taken into account, or if so, it is presumed that it be done in conformity with the corresponding action that is desired by many to be taken in European countries.

4. There are, of course, elements practically [*particularly?*] in Great Britain which run counter to all theories of continued governmental control and which will insist upon a return to individual action substantially on pre-war lines.

5. Inasmuch as the actual peace negotiations may be prolonged over a period, during which, outside of the Central Empires, commercial movements will be freed from war restraint, it follows that a continuation of liberal loans from the United States Treasury to the existing governments would strengthen the hands of those who

[1] Neither printed.

stand for the policies of centralization above indicated and would in fact constitute a large force in shaping both the domestic and international policies of European countries.

6. Industrial disturbances possibly leading to radical political changes are feared by many as concomitant of the period of readjustment. This is particularly urged by Italian representatives as a reason for continuing our help. Such occurrences are indicated as possible in all countries. If it should be decided to make loans to prevent such disturbances the demands are likely to be so numerous that a policy of opportunism will be imposed by the necessity of the case. This, I think, can best be exercised if we retain complete freedom of action in the disposal of our resources. This freedom of action, in turn, can best be maintained by restricting the function of Inter-Ally Programme Committees to the mere study and report upon conditions; even this function could be performed by our own representatives seeking information from those who desire to share in our resources.

7. Although it has been more or less difficult in the past it will be far more difficult in the future to adopt any guiding principles determining the amount of financial assistance which should go to one Ally as compared with that going to another and hence more likelihood of ill feeling.

8. As a possible general exception to the statement that very great difficulty will be had in fixing upon the relative general commercial needs of the Allies it may be said that the need of foodstuffs in an Allied country or any other can be determined with approximate accuracy and would thus lead to the establishment of definite credits without creating jealousies if you desired at any time to take such action.

9. You may desire to take into account the fact that the depreciation of the dollar in neutral countries and to liquidate the large neutral balances lying in New York will require shipments of goods which would then be largely curtailed by a continuation of our present liberal policy of calling on credit. Suggest that, if credits be continued for a short time covering purchase of such things as cotton, foodstuffs, and other materials that have been resold by governments to civil population, I be instructed by you to inquire immediately into the possibility of private banking agencies taking the place of governments in this respect, that Allied Governments be put on notice that the maximum effort in this direction will be expected to be made, and that they be notified that assistance from the United States Treasury for these purposes will cease at an early date. I am satisfied that if private assets available in Allied countries be used to a maximum as a basis for credit in familiar or unfamiliar ways,

that means will be found to purchase nearly all, if not all, of the materials required by these countries for their general use.

[10?] Provisions to Finance Ministers, copy of which was attached to my letter of October 25th was written for reasons as stated therein, and also because various persons of influence have unofficially proposed to me various plans of international control of exchange. I have no views favoring such control, but desired to make it clear that the way has been opened for official discussion, if Ministers shared the views of those near them who were urging such plans.

SHARP

102.1/1420 : Telegram

The Acting Secretary of State to the Chargé in Great Britain
(Laughlin)

WASHINGTON, November 22, 1918—7 p. m.

2976. For Crosby from McAdoo. Treasury 576. Embassy's 5620 from Paris October 29 midnight. Your 634. Embassy's 5662 from Paris November 1, 12 p. m. Your 644. Embassy's 5830 from Paris November 13, 1 p. m. Your 666.[2]

First. The outstanding contracts in United States of Allied Governments are being compiled. Indications are they will not reach very heavy total and that they will be substantially reduced by cancellations.

Second. Regard it as unlikely that Allied Governments will desire to make further additional purchases here for strictly military purposes to any important amount but their applications for new purchases will be strictly scrutinized. Our loans for war purposes should rapidly diminish and soon cease. Loans to some countries for food may have to continue as a war measure until declaration of peace.

Third. Have no authority to make advances for reconstruction or other after-the-war purposes but expect to ask authority to establish credits after peace for limited period and to limited amounts so as to be able to furnish credits for some of Allied Governments who for a time after peace is declared would not be in a position to purchase except on credit certain of our commodities of which they are in need. Such sales may aid us in finding markets for our commodities and there may be considerable pressure here to induce Government to extend such aid. I feel we must be careful not to involve our Government too deeply and must encourage private financing of foreign business as much as possible.

[2] Only No. 5830 (Crosby's No. 666), *supra*, is printed.

Fourth. Under existing legislation we have authority before peace within limits of existing appropriations to establish credits from which advances may be made to take care of commitments made in the United States by Allied Governments in order that supplies they require for prosecution of the war should go forward in an orderly manner. I propose to establish such credits to the extent necessary to care for such commitments but have given no assurances in this respect to Allied Governments nor do I consider myself bound to make advances for this purpose as some of Allied Governments may be in a position to meet their commitments otherwise than through borrowings from the United States.

Fifth. Our advances for purchases other than those named in the United States should cease as soon as possible and new commitments for neutral purchases should not be made by any of Allied Governments in the expectation that our advances may be used to meet same. See our 560.[3] Assuming additional authority for credits given by Congress then as soon after declaration of peace as practicable, and before if possible, our loans to Allied Governments should in general be limited to expenditures for extraordinary replacements and not cover commodities for general consumption.

Sixth. Approve of your indicating informally to Allied Governments that they should notify their nationals who are interested in the import of articles of general consumption to undertake at once to make private arrangements for their purchases and to state that a policy of retrenchment in the Government's loans from the United States must be contemplated as a consequence of the armistice. The views above expressed coincide with the conclusions which you indicate you have reached as set forth in your 666. This is fortified by the important considerations set forth in paragraph 5 of your cable of that number.

Seventh. I would like to see all restrictions on arbitrage exchange transactions removed and our advances to support exchanges discontinued. We must however recognize that the ability of a foreign government and its nationals to obtain commodities from us depends on their ability to prevent their exchange going to prohibitory figures which in turn would prevent them from utilizing our markets through private transactions.

Eighth. Am interested to know that in your opinion private assets available in allied countries if used to maximum will suffice as basis of credit for transactions involving private needs. While I approve of discussions with Allied Governments on the lines that the Treasury may not make advances to foreign governments for these purposes,

[3] Not printed.

the time has not yet come to take final and positive stand on the subject.

Ninth. It is obviously important that United States should retain the utmost freedom of action in the disposal of its resources. Am disposed to agree with your conclusion as to restricting the functions of inter-allied bodies and gradually decreasing their activities and importance, thus concentrating all important negotiations and decisions in Washington. I do not think however these considerations should cause us to ignore the advantages of cooperation in certain situations, and I am quite willing to consider cooperation wherever the advantages to be derived therefrom are demonstrated.

Tenth. Determination of other branches of government and decisions at peace conference must have important effect in determining the Treasury policies. Am therefore unable at present to prescribe any hard-and-fast rules, but for your guidance give you my present views in the light of such information as I have at hand.

POLK

102.1/1736c : Telegram

The Acting Secretary of State to the Chargé in Great Britain (Laughlin)

WASHINGTON, December 7, 1918—7 p. m.

3330. For Crosby from McAdoo. Treasury 615. Referring to your recent cables and particularly paragraph 10 number 787.[4]

First: Convinced that peace conference will deal with fourteen points of the President and that no questions will be determined by conferees regarding our past or future loans or the date of their maturity. This is apparent as Treasury has not been given official representation at the conference and my opinion has not been asked about these financial questions as undoubtedly would have been the case if American representatives expected to discuss such questions.

Second: All questions regarding (*a*) the amount which the United States shall loan Allied Governments within the limits approved by the President and (*b*) the form of the obligations and the date of their maturity so far as not fixed by statute are matters which Congress has delegated to the Secretary of the Treasury and they must be determined by him. These questions should not, even if technically possible to do so, be settled at the peace table. The peace conferees will certainly not wish to interfere with authorities expressly delegated by Congress.

[4] Not printed.

Third: As Treasury is not to be officially represented at Peace Conference you will appreciate that it must not be unofficially represented there.

Fourth: Secretary of the Treasury is prepared whenever the Allied Governments desire, to discuss with them in Washington and to determine all questions regarding conversion and maturities of our foreign debt. Congress has delegated to him settlement of these questions and all discussions in regard to these matters should be confined to Washington.

Fifth: I am convinced that time is rapidly approaching if indeed it has not already been reached when all financial discussions should be conducted in Washington by the Secretary of the Treasury and therefore think matters should be shaped looking to as early a discontinuance of the Inter-Ally Finance Council and the return home of your organization as can be accomplished with dignity and a due regard to the feelings of the Allied Governments.

Sixth: If you should deem it desirable to visit Washington in the immediate future to discuss the entire situation before terminating the existence of your organization I should entirely approve of your doing so. While however I appreciate the advantage to the Treasury and to the new Secretary of such a discussion I leave to your judgment the decision as to the relative importance of such a visit and of your presence in Europe during the next few weeks.

POLK

763.72119/2960b : Telegram

The Acting Secretary of State to the Commission to Negotiate Peace

WASHINGTON, December 11, 1918—2 p. m.

166. For Col. House from McAdoo. While I have recently been in cable communication with the British Chancellor regarding rates of interest, maturity and other details of obligations of foreign governments held by United States, inquiries have been lately made by representatives of foreign governments which make me apprehensive that an effort will be made by some of European Allies to bring questions concerning our foreign loans into discussions at the peace conference. These questions include (1) cancellation of our foreign loans, (2) fixing the maturity and other terms of our foreign obligations, (3) exchange of obligations of one Allied Government which we hold for those of another, (4) equalization of loans as between lending belligerents, and (5) linking our foreign loans with questions such as reparation by Germany and financing reconstruction of France and Belgium. That some financial questions touch-

ing our foreign loans may be attempted to be brought up at the peace conference seems to be the more probable if, as current reports indicate, Bonar Law, Reading and Tardieu, all of whom are well versed in finance, are included in the British and French peace missions, respectively. I have been advised from Europe as follows:

First: Suggestions have been not infrequently made in important but unofficial quarters in both London and Paris regarding the possibility of the cancellation of all loans made by the Governments associated in the war to any other of such governments.

Second: British Treasury has suggested probably unofficially that future aid to Allies should now be taken over by the United States on theory that our loans to Allied Governments should be equalized with British loans to such governments.

Third: British Treasury has asked information regarding our war expenditures and annual growth of our wealth before the war.

Fourth: British foreign office has made public announcement that its Allies and United States are ready to contribute all their resources to work of restoration of economic basis of civilized and orderly life to countries which prove they wish civilization and order. British Treasury has stated that it will not borrow from United States to cover supplies to needy countries of materials of same nature as Great Britain may be importing from United States.

I have instructed Treasury representatives in Europe as follows:

First: Our loans to foreign governments will now be greatly decreased.

Second: Our loans for purchases without United States will be promptly discontinued.

Third: Treasury will not consider or discuss suggestions to cancel our foreign loans as it has no power to make such cancellations.

Fourth: Treasury will not make loans on theory of equalizing same with British loans.

Fifth: Treasury opposed in principle to use of our foreign loans at peace conference in an endeavor to conciliate rival claims for indemnities and other advantages.

Sixth: Treasury prepared to discuss in Washington with governments concerned conversion of our foreign demand obligations into long time obligations.

Seventh: That I understand it is the intention of our Peace Conferees not to deal with our loans at conference.

Eighth: That as Treasury is not officially represented at Peace Conference it must not be unofficially represented there.

In presenting our foreign loan bills to Congress I have given my opinion that the loans made are good and will be collected in due season. I am confident that cancellation of our foreign loans or any action which would diminish their value would not meet with the approval of Congress or of our people who would thereby be subjected to heavy additional taxation. I have sent to Ways and Means Committee of House draft of bill permitting loans to be made for

purposes growing out of the war and after peace to governments previously associated in the war to the extent that existing appropriation remains unexpended. I have estimated such unexpended amount at $1,500,000,000. Indications are there will be some opposition even to this bill which is designed to enable Treasury, with approval of President, to establish credits in case progress of events shall demonstrate necessity therefor. Already the suggestion of cancellation of our loans has caused concern as well as opposition in some quarters of Congress to the making of further loans and to any enlargement of existing powers of Secretary of the Treasury to make loans after return of peace. I feel very strongly that there is no valid reason why our financial relations with the Allies should be involved with any other questions and that all discussions in regard to the loans which we have made or loans which we may hereafter be willing to make for war or reconstruction purposes should be kept out of the conference if possible. This seems to me desirable from the standpoints of international and internal policy alike. If events should develop so that consideration of these financial questions at the conference cannot be avoided I trust it will be arranged that Treasury will be given ample warning and opportunity to present its views in an adequate way. Satisfactory disposition of these financial questions is of very great importance to our future. I cannot speak for my successor but he would doubtless desire to have Treasury views presented by representatives selected by him for that express purpose if it should prove impossible for him to deal with these questions in Washington.

POLK

102.1/1518 : Telegram

The Ambassador in France (Sharp) to the Acting Secretary of State

PARIS, December 13, 1918—7 p. m.
[Received December 14—12:54 p. m.]

6272. For McAdoo from Crosby. Number 682. From interview with Klotz,[4a] following results.

First. I stated that if he cared to have his representatives discuss with you matter of maturities of French obligations, you would be glad to do so. His reply in substance is this: that maturities which his Government would consider as desirable and fair to them will depend upon moneys made available to them from Germany as a result of peace terms, the availability in question to cover not merely the total amount, which may be large and stretch over many years,

[4a] L. L. Klotz, French Minister of Finance.

but also that availability within short period during which reconstruction is desired to be urged forward. If Germany is required, and is found able, to deliver large amounts of material to be directly used in France, or which may be converted into exchange in foreign countries, then French Treasury will correspondingly need less or perhaps nothing from the United States and might find itself in position to begin payment of its obligations. He, therefore, concludes that no definite arrangement could wisely be made at this time.

Second. In respect to the Inter-Allied Council, while agreeing that there are now few occasions in which its original functions are required to be performed, he would consider it unwise to dissolve it, since at some moment it may be desirable to refer questions to it under the agreement by which it exists.

Third. Concerning the amount of money which will be demanded from Germany, no conclusions can be reached until a clearer definition is agreed to between Allies as to the meaning of that clause in the armistice which refers to reparation. He assumes, at present, that if his own interpretations are followed, the amount asked for by all of the Allies will be large enough probably to absorb for many years, say forty or fifty, the annual increase of wealth in Germany before the war, estimated by Doctor Helfering [*Helfferich*][5] at ten billion marks.

Fourth. In view of the fact that Finance Minister a few months ago strongly urged settlement of question of maturity and now prefers delay, we may surmise he has in mind some plan of proposing cancellation or of connecting uncertainty of situation with the amount or method of payment of indemnities.

SHARP

Paris Peace Conf. 185.001/1

Financial Protocol Signed at Trèves, December 13, 1918[6]

[Translation]

I

The German Government pledges itself not to dispose, without previous agreement with the Allies, of the metal reserve in the Treasury or in the Reichsbank (Imperial Bank), of paper drawn on foreign countries or of property held in foreign countries, or of foreign transferable securities belonging to the Government and to the public banks.

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[5] Karl Helfferich, German Secretary of State for the Imperial Treasury, January 1915 to June 1916.

[6] Translation filed separately under Paris Peace Conf. 185.001/12.

The German Government pledges itself not to give, without previous agreement with the Allies, to any individuals or companies permission to draw out any of the above-mentioned property or securities possessed by said individuals or companies.

II

The German Government pledges itself to take, in agreement with the Allied Governments, all necessary measures to decide, with the least possible loss of time, under what conditions the stocks and bonds (*titres*) lost or stolen in the invaded regions shall be restored to their legitimate owners.

III

The German Government lays on itself the obligation to pay to the inhabitants of Alsace-Lorraine as they reach maturity, and in conformity with the laws now in force, all debts and all bonds which have reached maturity or which will reach maturity during the armistice and concerning the German public banks (*Caisses*), for example: treasury bonds, checks postal and otherwise, transferals, acceptances, etc., the above enumeration being declarative and not restrictive.

The German Government lays on itself the obligation not to hinder in any special way the inhabitants of Alsace-Lorraine from disposing freely of any property, securities, stocks, bonds or deposits belonging to them and situated in Germany.

IV

The German Government pledges itself to consider, in agreement with the Allied Governments, the measures to be taken for the restitution, in the shortest possible time, of goods sequestered to the detriment of nationals of allied countries.

Have signed:

For France:	*For Germany:*
Mm. CH. DE LASTEYRIE	Mm. BUSING
P. TIRARD	RATSEN

763.72119/3261

The French Chargé (Chambrun) to the Acting Secretary of State

[Translation]

WASHINGTON, December 18, 1918.

MR. SECRETARY OF STATE: By order of my Government I have the honor to communicate the following to you:

The extension of the armistice with Germany was signed on the 13th of this month at Trèves by Marshal Foch, Admiral Wemyss,

Messrs. Erzberger and Oberndorf, General Von Winterfeld and Major Vanselow.[7]

The extension is for one month, that is to say, it will be in operation until January 17; it is agreed that, subject to the approval of the Allied Governments it may be extended until the peace preliminaries are concluded.

The following clause was added to the Convention of November 11 last: "The Allied High Command here and now reserves to itself the right to occupy, whenever deemed expedient and under the head of further guarantee, the neutral zone on the right bank of the River Rhine, North of the bridge head at Cologne and as far as the Dutch frontier. Such occupation will be preceded by a six days' notice."

On that occasion, a financial protocol was signed to provide for the conservation of the securities that have been pledged to the French Government and serve as a guarantee for the collection of the common debts. Reliable information is said to have shown that the Germans were doing large transactions with the neutrals to our detriment.

The main article of that financial protocol is Article I worded as follows:

"Undertaking on the part of the German Government not to dispose, without a previous understanding with the Allies, of the cash assets of the Treasury or the Reichsbank, or of the bills and credits payable or held abroad, as well as of the foreign securities owned by the Government or public funds.

"Undertaking on the part of the German Government not to issue, without a previous understanding with the Allies, any permit to let out of the country any of the above mentioned belongings or securities owned by private persons or by companies."

The other articles of the protocol deal with the restitution of securities stolen or lost in the invaded regions, the payment to the Alsatians and Lorrainers of the debts and bills of exchange maturing during the life of the armistice, and lastly, the measures to be taken for the restitution of property sequestered from nationals of the allied countries.

The provisions of Article I imply the appointment of a commissioner (who, as suggested by the Government of the Republic, should be a Frenchman) and who might be assisted by delegates of the other Powers concerned if so desired.

Notice of the financial protocol will be promptly served on the neutrals so as to acquaint them with the terms subscribed to by

[7] *Ante*, p. 11.

Germany and with the risk taken by third parties in the event of her continuing to break those terms.

The French military and financial attachés will be ultimately charged with the duty of making the authentic text of the two protocols known to the Federal Government.

Be pleased [etc.] CHARLES DE CHAMBRUN

102.1/1518 : Telegram

The Acting Secretary of State to the Ambassador in France (Sharp)

WASHINGTON, December 19, 1918—1 p. m.

6674. For Crosby from Rathbone. Treasury 649. Embassy's 6272, December 13, 12 p. m. [*7 p. m.*]. Your 682.[8] First: Treasury not disposed to press France to discuss at this time questions relating to whether and to what extent we will convert our demand loans into long time obligations. Second: Secretary Glass agrees with all the views set forth in Treasury 615,[9] notwithstanding paragraphs second and fourth of your 682.

POLK

Paris Peace Conf. 800.51/2 : Telegram

The Acting Secretary of State to the Commission to Negotiate Peace

WASHINGTON, December 19, 1918—10 p. m.
[Received December 20—11 : 40 a. m.]

65. For the President from Glass.

First. On assuming my duties as Secretary of the Treasury, situation regarding our foreign loans gives me grave concern.

Second. Our loans to foreign governments now aggregate nearly eight billions of dollars and will probably approximate eight billion five hundred millions of dollars before declaration of peace, an account sufficient to pay all our governmental expenses for about eight years on the basis existing immediately preceding our entry into the war. Congress believes these loans are good and should be collected, and the possibility that the debts may be forgiven or exchanged for debts not as good is fomenting opposition to extending the authority of Treasury within the limits of the existing ten billions of dollars appropriation to make loans after the war to Allied Governments

[8] *Ante*, p. 540.
[9] *Ante*, p. 537.

previously participating in the war against the enemies of the United States, for purchases in the United States for reconstruction purposes.

Third. I judge from the recent semiofficial inquiries that European Allies may attempt to bring up at Peace Conference query concerning our foreign loans. You will recall speeches which Wickersham and Beck [10] have made advocating our cancelling foreign obligations. An Associated Press despatch from Paris published December 17th, announces probable presentation by French Government to Chamber of Deputies a bill to establish an International Union to distribute the expenses of war already incurred and to be incurred between nations on basis of populations and power to contribute. Same despatch states similar plan under consideration by British Government, but no definite steps taken by it.

Fourth. While British loans to the foreign governments exceed seven billion dollars including British loans to Russia of about two billion seven hundred million dollars, it might be that Great Britain would not be averse to cancelling war loans which it has made, in consideration of cancellation of perfectly good debt of British to United States, now about four billion dollars.

Fifth. French Finance Minister has indicated that he does not think it desirable to discuss at this time converting French demand obligations held by United States into long-time obligations, as the maturities which French Government would consider as desirable and fair will depend upon moneys made available to them from Germany as a result of peace terms. As a few months ago Finance Minister strongly urged settlement of maturity dates, he had in mind the proposal of some plan permitting France to settle her debt to us by transferring a part of her claim for reparation against Germany.

Sixth. From Treasury standpoint it would be distinctly advisable to keep all questions regarding our foreign loans out of discussions at Peace Conference in which event I can undertake definite settlement of these matters in Washington in such manner as to fully preserve the value of our foreign loans. If, however, Allied Governments are able to force discussion of these matters as a preliminary to or as part of peace agreement I recommend that Treasury be officially represented so that it may keep you advised of my views concerning these and any other financial questions arising, and be prepared to participate in such discussions as may be necessary. I feel that these financial questions are different in character from those with which existing Treasury representatives in Europe have

[10] George Woodward Wickersham, Attorney General, 1909–1913, and James Montgomery Beck, New York lawyer and publicist, Assistant Attorney General, 1900–1903.

been dealing and I agree with my predecessor's instruction to them, not to participate in the pending peace discussions. If you should determine to have Treasury represented, trust you will notify me as far in advance as circumstances permit, so I may select and personally instruct my representatives and send them to Paris for this express purpose.

POLK

763.72119/3163 : Telegram

The Commission to Negotiate Peace to the Acting Secretary of State

PARIS, December 26, 1918—6 p. m.
[Received 10:50 p. m.]

82. For Secretary Glass from Edward House. The Commanding General S. O. S. has received telegram from General Rhodes, our representative on the Armistice Commission at Spa, substantially to the effect that:

"The French financial representatives recommend that a specially qualified commissioner from each of the Allied Governments be appointed immediately to take up with a commission, representing the German Treasury and the Imperial Bank, questions of the general financial conditions in Germany, with the special reference to retiring German marks and controlling exportation of German securities. The Financial Committee of the Armistice Commission recommend that, in view of our probable food supplies to Germany, our Government should get in touch with the French Government at once, that one of our most prominent and best qualified financiers be selected to sit with the eminent representatives already chosen by the French, German and Belgian Governments and states that the British Government is about to take similar action."

In addition [to] the above questions, it will probably be necessary to determine what expenses of our Army of Occupation are to be met by Germany and to make arrangements regarding same. The above was submitted to the President who said he thought it desirable to take such action and that he took for granted that the representative of the Treasury, whom we are hoping you will appoint, may himself represent us in these important conferences.

I recommend for this mission Norman Davis. It is unfortunate that you and Davis are not acquainted for in addition to the above questions and the work he is looking after, there are constantly arising matters with which he is conversant and can be most useful.

AM[ERICAN] MISSION

763.72119/3465b : Telegram

The Acting Secretary of State to the Ambassador in France (Sharp)

WASHINGTON, December 31, 1918—9 p. m.

6808. For Davis from Glass.

First: Col. House having suggested your appointment as Commissioner in connection with armistice discussions at Spa I have recommended to the President your appointment as such. I regard this as a most important mission upon which must necessarily depend many of the important matters which will have to be determined at the Peace Conference, and I hope you will find it possible to accept the appointment. I regret not being personally acquainted with you but what I have been told about you by Leffingwell and Rathbone, who are to continue their positions in the Treasury, and by others has convinced me that you are admirably qualified to perform these important duties with advantage to our country and credit to the Treasury.

Second: I have advised the President that so far as your time is not occupied by such special mission you will be available to furnish such general financial and economic advice as he may desire regarding questions which may arise not directly touching our foreign loans.

Third: I regard it as important that all questions regarding our foreign loans be discussed and settled in Washington. These questions include making of further loans, conversion of demand obligations, dates of maturity, interest rate and special provisions of long time obligations received by us in exchange and claims of one government against another for dollar reimbursement.

Fourth: I shall expect you to keep me fully informed and I will give you instructions from time to time as may be necessary.

POLK

033.1140/180d : Telegram

The Acting Secretary of State to the Commission to Negotiate Peace

WASHINGTON, January 2, 1919—4 p. m.

66. For President from Glass.

First: I have received your message of December 23,[11] cable from Col. House number 82 of December 26,[12] and Crosby's resignation as Special Finance Commissioner addressed to you dated November 28 reading as follows:

"I have the honor to place in your hands my resignation as Special United States Commissioner of Finance in Europe. This resig-

[11] Not printed.
[12] *Ante*, p. 546.

nation is offered with a high appreciation of the privilege I have had of being of some service to our country during the war. It seems not improbable that the functions connected with the office I now hold may be beneficially continued for several months to come. But, inasmuch as my appointment by you was due to Secretary McAdoo's recommendation, I think it fitting that my resignation should thus be presented in order that a change may be made more readily should you, or Secretary McAdoo's successor desire to be represented in Europe by some one else. Renewing my expressions of appreciation, I remain, Mr. President."

Second: Crosby's work as President of the Inter-Ally Council of War Purchases and Finance for which he was sent to Europe [13] has been practically completed.

Third: In transmitting his resignation Crosby refers to his intention of soon publishing his book dealing with League of Nations.

Fourth: I will appreciate advice from you as to action on Crosby's resignation.

Fifth: I am greatly relieved that you feel there can be no proper basis for a discussion of our foreign loans in connection with the peace conference. Such being the case I am reluctant to send an Assistant Secretary to Paris to head a financial organization to deal with other financial questions which may arise in connection with Peace Conference. I fear that such an organization would serve to give the opportunity to foreign governments to raise in Paris the questions regarding our loans that should if possible be discussed and settled in Washington. Such questions include the making of further loans, conversion of demand obligations now held into long time obligations, date of maturity, interest rate and special provisions of great importance of long time obligations and claims of one foreign government against another for dollar reimbursement. The only Assistant Secretaries familiar with these matters are Leffingwell and Rathbone. I cannot well spare Leffingwell at this time when domestic financial problems are so pressing, nor Rathbone if the questions referred to regarding foreign loans are to be discussed and settled here.

Sixth: Davis went to Europe to enable Hoover to obtain through him with least possible delay Treasury's view on such financial problems as Hoover might wish to submit. I should be glad to have him appointed Commissioner in connection with the armistice discussions at Spa as recommended by House.

Seventh: Davis if designated as suggested, so far as his time not occupied by his special mission, or Crosby if you desire him to remain in Europe, could furnish general financial and economic advice regarding questions which may arise not directly touching our

[13] See *Foreign Relations*, 1917, supp. 2, vol. I, pp. 572 ff.

foreign loans, retaining from the present Treasury organization in Europe such other men as might be useful during Peace Conference.

Eighth: With your approval I would instruct a financial organization such as suggested in paragraph Seventh of this cable not to discuss the matters concerning our foreign loans. If contrary to present expectations matters touching our foreign loans should be drawn into the discussions of the Peace Conference, thus necessitating their settlement outside of Washington, I can then send Leffingwell or Rathbone to Paris, or if they are not available some other person fully conversant with my views on these subjects.

POLK

763.72119/3327

The French Chargé (Chambrun) to the Acting Secretary of State

[Translation]

WASHINGTON, January 2, 1919.

MR. SECRETARY OF STATE: As I had the honor to inform you by my note of December 18, the financial protocol appended to the convention for the renewal of the armistice with Germany stipulates in its first article that the German Government "undertakes not to dispose except under a previous agreement with the Allies of the cash assets of the Treasury or the Reichsbank, of the bills payable or credits held in foreign countries, and all foreign securities belonging to the Government and public funds" and, on the request of the Germans, provision was made for the appointment of a Commissioner to handle those matters.

As I had occasion to inform you in our conversation of yesterday, the Government of the Republic appointed to that office Mr. Louis Marin, under-Governor of the Crédit Foncier, Commander of the Legion of Honor, Inspector General of France, formerly Director General in the Ministry of France, formerly Counselor of State. That high official has been instructed to proceed as early as January 3 to Mainz where he is to have his headquarters and which was chosen as being a central city near the large German city of Frankfurt.

I am instructed by the Government of the Republic to inquire while acquainting you with Mr. Marin's appointment whether the Federal Government intends to designate an American delegate to serve with the French delegate. I am further instructed to say that an American delegate would be welcome.[14]

Be pleased [etc.] CHARLES DE CHAMBRUN

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[14] On Jan. 27, 1919, the Acting Secretary of State replied that "Mr. Norman Davis has been appointed as American representative to serve with the French Commissioner." (763.72119/3327.)

Paris Peace Conf. 860h.51/2

The Special Commissioner of Finance in Europe (Crosby) to the Secretary of State

PARIS, 2 January, 1919.

MY DEAR MR. SECRETARY: I have just received a telegram from Mr. Dodge, our diplomatic representative at Salonica. After giving some details in regard to advances made to the Serbians in the past, he writes as follows:

Minister of Finance leaving in a few days for Paris to confer with you and British and French Governments desiring considerably increased loans for Yugo-Slavia, stating receipts of Governments from taxes nothing and likely to continue so for a considerable time owing chiefly to administrative disorganization, destruction tax lists and certain amount of Bolshevism in Yugo Slav provinces while all salaries necessarily increased on account of high cost of living. Army cannot be demobilized owing to Italian situation.

I surmise that, in using the term "Yugo-Slavia," Mr. Dodge intends to cover the whole of Serbia and the new territories liberated from the Austrian Empire. Evidently the Government there is going to ask for loans quite independent of relief in the way of food supplies, which you have lately been discussing with Mr. Hoover. The Secretary of the Treasury will doubtless desire recommendations on the subject, if he feels that, under existing statutes, aid can be given of the kind apparently in question.

I am wiring Washington the general situation disclosed by Dodge's telegram. The matter being urgent, may I see you this afternoon at 5 o'clock?

Cordially yours, OSCAR T. CROSBY

872.51/141 : Telegram

The Chargé in France (Bliss) to the Acting Secretary of State

PARIS, January 3, 1919—6 p. m.
[Received January 4—2:45 a. m.]

6614. For Secretary of the Treasury from Crosby. Number 920.

First. Dodge wires from Servia no balance now left with no advances made to the Government of Servia for quarter ending September. On the other hand they have managed to expend from their own funds 120,000 francs and upon same objects heretofore covered by our advances. Dodge not yet able to learn what are commitments of American Red Cross in Siberia [*Servia?*]. Hoover, in conference

with Davison [15] here, will probably clarify Red Cross situation concerning which Davis will wire you. Servian Government extremely anxious to obtain at once the regular 3 million advance for quarter October, November, December and 1 million additional for purpose not clearly explained. Dodge recommended both. Am wiring him to clarify doubt as to whether the 4 million above-mentioned is asked for as additional to relief loan of 15 million which you have agreed to establish but of which Dodge may know nothing.

Dodge further wires as follows:

"Minister of Finance leaving in a few days for Paris to confer with you and British and French Governments desiring considerably increased loans for Yugo-Slavia, stating receipts of Government from taxes nothing and likely to continue so for a considerable time owing chiefly to administrative disorganization, detailed [*destruction*] tax lists and certain amount of Bolshevism in Yugo-Slavia provinces, while all salaries necessarily increased on account of high cost of living. Army cannot be demobilized owing to Italian situation."

Minister of Finance referred to in quotation apparently expects act for Servia and for the Yugo-Slavia territories about to be combined with Servia.

Second. You may desire to question whether the statute permitting loans to be made to Governments engaged in war against Germany would apply to a case in which two powers meeting the condition of belligerency with respect to Germany are at the same time maintaining forces for possible hostilities against each other.

Third. The continuation of our previous advances to Servia as well as the use of the special relief loan involves the support of Servian and Yugo-Slav activities in a general way. Having in mind the last sentence of quotation from Dodge, of the doubt suggested in paragraph 2, I make no immediate recommendation as to a continuance of Servian advances for the purposes heretofore covered by them, although there is reason to believe that the moneys requested are badly needed and if received will strengthen the Governments of Servia and Yugo-Slavia.

Fourth. For your information I quote from letter to me written by Harris [16] in Rome.

"Mr. Page is desirous of our not coming to any definite agreement with the Italian Government until after Mr. Wilson has been to Rome and procured their adhesion to his principles."

Fifth. The situations thus presented indicate that in addition to inquiries concerning (*a*) the actual need of commodities asked for on Government credits, (*b*) the possibility of supplying such need

[15] Henry P. Davison, Chairman of the War Council, American Red Cross.
[16] H. B. Harris, a Treasury representative in Europe.

in the United States, (*c*) the ability of European Governments or their nationals to purchase in the United States or in other sources of supply, there arise questions concerning (*d*) the possibility of relieving regional shortage in Europe by political action tending to the removal of artificial barriers to traffic between various countries, and (*e*) the propriety of supporting belligerents in various undertakings.

Sixth. While preparing to terminate my work here I am bringing to the attention of our political representatives information coming to me such as that herein reported to you and which may bear upon (*d*) and (*e*) above and shall transmit to you any views expressed on this subject by our political representatives unless such views reach you independently.

BLISS

763.72119 P 43/48 : Telegram

The Commission to Negotiate Peace to the Acting Secretary of State

PARIS, January 3, 1919—11 a. m.
[Received January 3—11:05 a. m.]

137. [From Lansing.] For the Secretary of the Treasury from the Commissioners Plenipotentiary. American Commission considering it to be necessary that it should have a financial adviser separate from Treasury Department representative here, the Commissioners are united in desiring that Mr. Albert Strauss [17] be that adviser but they do not wish to take any action without approbation. Would you be good enough to telegraph at once whether you are willing that Mr. Strauss should come to Paris and if so would you request him to do so? We are informed that Mr. Norman Davis will be the Treasury representative in the event of Mr. Crosby returning to the United States, which we understand he contemplates. In all matters pertaining to American finance we should of course confer with Mr. Davis. Lansing.

AM[ERICAN] MISSION

033.1140/114 : Telegram

The Commission to Negotiate Peace to the Acting Secretary of State

PARIS, January 3, 1919—3 p. m.
[Received January 4—3:09 a. m.]

138. For Glass, Secretary of Treasury, from Norman Davis:

1. Your cable of December 31st [18] has been received, informing me that you have recommended to the President my appointment as

[17] Vice Governor of the Federal Reserve Board.
[18] Telegram No. 6808, Dec. 31, 1918, 9 p. m., to the Ambassador in France, p. 547.

commissioner in connection with armistice discussion at Spa and also insofar as the President may desire and my time is not occupied by the special mission to furnish general economic and financial advice with reference to questions which may arise not directly touching our foreign loans. I wish to thank you and express my highest appreciation for your confidence and recommendation and shall accept with pleasure the appointment.

2. As you are aware, Mr. McAdoo asked me to return to Europe as special representative of the Treasury in relation to European relief. As I cabled Rathbone yesterday, it was decided that a special Inter-Allied Board should be created to coordinate relief work and define general questions of policy and the President designated Hoover and myself the American representatives. This appointment I am accepting as part of my work which, however, should diminish once that a general plan is adopted and put in operation.

3. Colonel House is of the opinion that it will not be necessary for me to be at Spa many days, but that some of that work can be done here. If however, I find it impossible to attend to both duties, I shall advise you.

4. I presume it will be satisfactory to you for me to use any of the Treasury staff here who may be available and needed for my work. Crosby informs me practically all of them will be free very soon, but some desire to return home.

5. I regret very much not being acquainted with you and appreciate your confidence all the more. I am delighted to know that Leffingwell and Rathbone are to continue with you at the Treasury for I have had full opportunity to appreciate their marked ability and excellent service rendered.

6. I quite agree with you that all questions with reference to our foreign loans should now be discussed and disposed of in Washington, and shall endeavor to keep you fully informed of my work here.

AM[ERICAN] MISSION

033.1140/111 : Telegram

The Acting Secretary of State to the Commission to Negotiate Peace

WASHINGTON, January 6, 1919—6 p. m.

112. The President from Glass. I fear there is great danger of confusion in regard to the matter of representatives of the Treasury in Europe. Colonel House has suggested that Norman Davis be appointed Commissioner in connection with the armistice discussions at Spa and I have recommended to you his appointment as

such. Davis has also advised me of his appointment as one of the American representatives on Special Board created to deal with relief problems. Crosby has tendered his resignation and I have transmitted it to you for such action as you think proper. Secretary Lansing has cabled me saying that the Peace Commissioners wish to have financial advice from some one other than the Treasury's representative and suggested Albert Strauss go over for that purpose if I approve. In view of these demands from various sources for financial representation, and the danger of conflicting councils and disorganization among the Treasury representatives I ask your approval of the creation of a Treasury Commission in Europe under the chairmanship of some one who will be my responsible representative. If you approve I plan to send Mr. Strauss over to head the Treasury's delegation at as early a date as possible.

I have concluded to ask your approval also of sending Thomas W. Lamont of New York. He would be particularly useful in connection with the armistice discussions at Spa. You know he is a member of the firm of J. P. Morgan and Company and the owner of the New York *Evening Post*. The armistice discussions, it seems to me, are likely to involve the whole economic and financial problem of Germany. The British, the French and the Germans will doubtless be represented by their strongest financial men. Our public opinion is by no means prepared as yet to welcome any effort on behalf of the United States or of the Allies to restore decent conditions in Germany. It is therefore peculiarly important that the financial representation of the United States in these discussions should be such as to inspire confidence in the ability of our representatives to hold their own in a contest with the most expert financiers of Europe and also that the men representing us should be men known to have been thoroughly pro-Ally and anti-German since the outbreak of the European war. Lamont combines these qualifications with a statesmanlike view of the requirements of the situation and recognition of the utter impossibility of preventing the spread of Bolshevism and enabling Germany to meet her indemnities without setting up some plan for the restoration of her economic life. I quite recognize the possibility of objection to Lamont on the ground that he is a member of J. P. Morgan and Company and on the ground that he is the owner of a newspaper. I believe as to the first the advantage of his being a member of that firm for the reasons above indicated far counterbalances any disadvantage in connection with such a negotiation as this. As to the second I understand he has trusteed the ownership of the *Post* and takes no part in its direction. To summarize, my suggestion would be as follows: That the Treasury be represented in Europe im-

mediately by a commission headed by Strauss and including Davis and Lamont and Crosby, if you do not accept his resignation, and that they should retain the services of Goodhue, Loree [20] and Harris and such organization as has been created in Europe under Crosby's direction. I should expect Strauss to act as the executive head and to be my responsible representative in Europe.

The plan and organization outlined in this cable are predicated upon the policy of excluding from discussion in Europe all questions concerning the making, the readjustment or the conversion of our loans to foreign governments. I may add that I assume you will agree with me that so far as the Peace Commissioners or Mr. Hoover, or others in Europe, are in need of financial advice, they should obtain it from an organization acting under my general direction and responsible to me.

POLK

Paris Peace Conf. 182/28a : Telegram

The Commission to Negotiate Peace to the Acting Secretary of State

PARIS, January 7, 1919—4 p. m.

186. For Polk [for Glass]: The President has approved the following memorandum:

"1. As you are aware, our government has been represented in Europe upon various Interallied Councils, relating to finance, food, shipping and raw materials, war trade measures, etc. The purpose of these councils is rapidly changing and the American attitude toward them and the problems they represent must change. The matters involved are much interlocked and up to the time of the armistice were co-ordinated through the Council sitting under your chairmanship. Messrs. Hoover, Hurley, Baruch and McCormick are, or will soon be, in Europe. The working of these bodies still needs co-ordination by the heads of the departments concerned, who will be in Europe together with the chief representatives here of the departments whose heads are still in Washington.

2. This same group are essential in determination of policies to be pursued by our government in the Peace negotiations.

3. It is recommended that a council be set up, comprising Messrs. Hoover, Hurley, Baruch, and McCormick and Davis, with a Treasury Representative to be appointed by Mr. Glass, under your chairmanship, to discuss and decide such joint policies as are necessary in both these phases and to co-ordinate it with the Peace Commission by inclusion of Colonel House, General Bliss, and Admiral Benson, Colonel House to act as Chairman in your absence or inability to find time."

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[20] F. A. Goodhue, member of the Inter-Allied Committee for War Purchases and Finance, and R. F. Loree, a Treasury representative in Europe.

Inasmuch as Davis has been appointed Commissioner to represent the United States in matters pertaining to finance at Spa and has been instructed by Secretary Glass to hold himself in readiness to furnish such advice as the President may require in connection with Treasury matters during the coming conferences, it would seem to be proper that Davis should be the Treasury representative on this committee. Please show this telegram to Secretary Glass and request his approval for Davis to act on this committee as Treasury representative.

AM[ERICAN] MISSION

033.1140/148 : Telegram

The Commission to Negotiate Peace to the Acting Secretary of State

PARIS, January 8, 1919—10 p. m.
[Received January 9—4:43 a.m.]

206. For your information and for the information of Secretary of Treasury. The President on January 6th wrote the two following letters to Norman H. Davis:

Letter number 1: "Secretary Glass has recommended to me your appointment as Commissioner in connection with the Armistice discussion at Spa. He has also advised me that so far as your time is not occupied by this special mission you will be available to furnish general financial and economic advice as I may desire regarding questions which may arise at the peace conferences not directly touching our foreign loans.

I entirely agree with Secretary Glass that questions regarding our foreign loans such as the making of further loans, the conversion of demand obligations, dates of maturity, interest rate and the situation [regarding?] long-time obligations received by us in exchange and claims of one government against another for dollar reimbursements should be discussed and settled in Washington.

I shall take pleasure in following Secretary Glass's recommendation and I request that you act as United States Commissioner in connection with the Armistice discussions at Spa and that you hold yourself available to furnish general financial and economic advice as I may desire from time to time during the Peace Conference.

I have requested the Secretary of State to take the necessary steps to issue your commission in Washington. Until this is done this letter together with the enclosed letter of even date will serve as your credentials."

Letter number 2: "I appoint you to act as United States Finance Commissioner and as such to take part on behalf of our government in the Armistice discussion at Spa.

Your duties in connection with the Armistice discussion will be to take [up] with the Commission representing the German Treasury and the Imperial Bank questions of general financial [and] eco-

nomic conditions in Germany with the special reference to retiring German marks and controlling the exportation of German securities. You will sit with the representatives chosen by the British, French, Belgian and German Governments to consider these matters.

In addition to the above questions you will also consider and determine what expenses of our army of occupation are to be met by Germany and to make arrangements regarding same.

This will serve as your credentials to act for the United States with respect to these matters."

AM[ERICAN] MISSION

Paris Peace Conf. 185.001/6

Mr. Norman H. Davis to Colonel E. M. House

PARIS, 9 January, 1918 [*1919*].

Memorandum for Colonel House:

I learn from the French Treasury that the next conference at Spa will be held on the 14th instant, when it is expected most important questions will come up in connection with the extension of the armistice which expires on the 17th instant, and also that Count Leystere, the French Financial Representative to Spa, went to London this morning for a conference with the British Government relative to questions which are to be submitted at the conference. I have not been able to ascertain just what these important questions are, but am told that Count Leystere will get in touch with me on his return Saturday night.

In addition to the Armistice Conference, I am informed that there is a conference now in session at Mayence, attended by a representative of the French, British, Italian, and Belgian Governments and of the German Treasury and Imperial Bank. It was especially for this conference that the French suggested that our Government appoint a representative. As nearly as I can gather, this conference is being held for the purpose of ascertaining the amount of German securities and credits outside of Germany, the internal financial conditions of Germany, and also to take up financial questions involved in the armistice in respect to the amount of marks in circulation, payment of the expenses of the armies of occupation, and the payment for food supplies which may be permitted to go to Germany. If this conference is attempting to pass upon the manner in which Germany may pay for importations of food, I think it a mistake, because this is essentially a question which should be taken up and disposed of by the Council which is being created for undertaking European relief.

It will be impossible for me to attend the conference at Spa and to attend and remain at the conference at Mayence, and also attend the

meetings of the Relief Council and be available here for assistance on financial questions in connection with the Peace Commission. I am, therefore, as was suggested by the Peace Commission, taking Mr. F. A. Goodhue with me, who is in the Treasury organization, for the purpose of leaving him at Mayence to sit in the conference there and incidentally to obtain such additional information as may be possible in respect to the liquid assets of Germany and her ability to make reparation for the destruction and damage done by the German military and naval forces. If you think it necessary or advisable to obtain the President's approval for this procedure, I will appreciate it if you will kindly take the matter up with him.

763.72119/3359½ : Telegram

The Acting Secretary of State to the Commission to Negotiate Peace

WASHINGTON, January 9, 1919—7 p. m.

163. For House from Glass.

First: Upon receipt of message from you number 82 of December 26, 6 p. m. and in accordance with suggestion therein contained I cabled President recommending appointment of Norman H. Davis as Commissioner in connection with armistice discussions at Spa. Davis has also been appointed one of American representatives on Special Board created to deal with relief problems. These duties will no doubt occupy a large part of Davis' time.

Second: Upon receipt of message from our Peace Mission Number 137 of January 3, 1919, recommending that Albert Strauss be sent to Europe as financial adviser I cabled President fully regarding Treasury representation in Europe and asking his approval of a Treasury Commission composed of Strauss as Chairman and Davis, Lamont and Crosby if the President does not accept Crosby's resignation. Suggest you obtain copy of that cable.[22]

Third: I have now received cable 186 January 7, 4 p. m. from Peace Mission. I will designate Treasury representative to sit in Council upon hearing from President regarding suggestions made to him in my cable referred to in paragraph second.

Fourth: I am in hearty sympathy with the formation of the Council and believe it will enable the best results to be obtained. If President approves my recommendations Strauss would naturally be the Treasury representative on the Council.

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[22] Department's telegram No. 112, Jan. 6, 1919, 6 p. m., to Commission to Negotiate Peace, p. 553.

Fifth: Lamont's general standing as an international banker will as pointed out in my cable to the President tend to strengthen the confidence of our country in the ability of the Treasury Commission to meet the financial problems which are referred to it. Crosby has been in close touch with the course of events in Europe for the past sixteen months and if he remains will be valuable to consult and advise with the other members of the Treasury Commission.

Sixth: The financial phases of the questions before the Conference are in my judgment likely to be numerous and wide in range rather than few and specific. Finance will be a secondary phase of almost every question. It is for this reason that I desire a Commission the members of which can individually devote themselves to specific problems, just as Davis is already doing, and the combined views of the members of the Commission on important questions involving finance should be of great value to our Peace Mission. I hope you will see your way to favor the appointment of the Treasury Commission which I have recommended to the President.

POLK

Paris Peace Conf. 185.001/6

Mr. Norman H. Davis to Colonel E. M. House

PARIS, January 10, 1919.

Memorandum for Colonel House:

Mr. Klotz, the French Finance Minister, sent for me today and he stated that he desired to discuss some very important conditions which the French Government proposed for insertion in renewing the Armistice. He is to furnish me with a detailed memorandum of the questions this afternoon, but as they are very desirous of having our answer tomorrow, I shall summarize his statements briefly without waiting for the written memorandum.

1. While the German Government has restored the Russian gold and the securities left in Belgium and Northern France, they have not returned the French bank notes and securities which were taken into Germany and the Germans claim this cannot be done before the end of this month.

2. The Germans have not complied with the Armistice conditions prohibiting the exportation of German securities or the use of German credit abroad.

3. The French Government is greatly concerned for fear the Bolshevists will get in control of Berlin and of all of the gold and plant for manufacturing bank notes, and in fact they now fear that the Germans are issuing bank notes illegally.

4. They therefore propose that all of the gold and engraving and printing plants as well as the securities in the possession of the Reich Bank be removed from Berlin to Frankfort which is near the territory occupied by the Allied Armies where there is less danger of Bolshevism and any disorder could be easily stopped.

5. I told Mr. Klotz that I would endeavor to give him an answer tomorrow but that it would be necessary for me to discuss this with you and possibly with the President; that my first impression was that it might create a bad impression in Germany if this is considered merely a step on the part of the Allies to take the gold and securities from Germany and that it would be necessary to show the German people that such will not be the case, but that on the contrary it is being done for their own protection, and that they are to be treated fairly. I also told him the American Government fears also the spread of anarchy in Germany and that the President had been endeavoring to obtain allied co-operation in taking measures to prevent this by making adequate provision for preventing starvation, the breeder of Bolshevism; that also the results feared by him were a consequence of Bolshevism and that the moving of the gold and the printing plants would not prevent it.

Mr. Klotz expresses agreement with me, and in my opinion this is a proper opportunity to insist upon definite agreement on the part of the Allies to the feeding of Germany and to permitting Germany to pay for same, and if the proposal of the French is acceptable provisions should be made that the gold and securities will not be taken from Frankfort into France upon some imaginative uprising without the approval of the United States and the Allies.

N[ORMAN] H. D[AVIS]

Paris Peace Conf. 711.63113/2 : Telegram

The Acting Secretary of State to the Commission to Negotiate Peace

WASHINGTON, January 10, 1919—5 p. m.
[Received January 11—10 a. m.]

173. Following is Alien Property Custodian's answer to your number 40, December 21, 10 a. m.[23]

"When we opened our books we did not anticipate the breaking up of the Austrian Empire and consequently listed the property of the subjects of the Austro-Hungarian Empire as it existed on August 1, 1914. The approximate amount of that property in our hands is $36,503,107.35.

I think it would be a very splendid thing if the present Government of German-Austria should requisition individual rights from its citizens in the property in my hands as this would facilitate the settlement, but no disposition of such property could be made by me without further legislation by Congress. The only provision

[23] *Post*, p. 605.

made in the courts relative to the disposition of enemy property is contained in Section 12,[24] wherein it is provided:

'After the end of the war any claim of any enemy, or of an ally of enemy, to any money or other property received and held by the Alien Property Custodian or deposited in the United States Treasury, shall be settled as Congress shall direct.'

Thus you will see that before I can part with any alien property in my hands there must be further legislation by Congress, which I assume will promptly follow the treaty of peace if it shall provide, as it should, for the final disposition of all this property."

POLK

033.1140/161 : Telegram

The Commission to Negotiate Peace to the Acting Secretary of State

PARIS, January 10, 1919—6 p. m.
[Received 11:42 p. m.]

233. For Rathbone from Davis.

1. Conference for renewal of armistice will take place at Spa on 14th and last for two or three days. A conference will also be held and continued at Mayence near Spa with representatives of German Treasury and Imperial Bank for purpose, as I understand, of obtaining information regarding: (*a*) German securities and credits outside Germany, (*b*) internal financial condition and Germany's ability to pay indemnity, (*c*) compliance with financial conditions of armistice, and (*d*) possibly for recommending method of obtaining payment for food sold to Germany. It was for this latter conference that French Government especially recommended appointment of American delegate, but as we have not had a representative on Armistice Commission our Peace Commission now considers it very important for you to be represented here.

2. I will leave Monday for Spa and Mayence but as it will be necessary for me to remain [*return*] here within a few days to attend meetings of Relief Council and as Peace Commission also desires my presence here, I am, at suggestion of Peace Commission, taking Goodhue with me in order that he may remain at Mayence for above purpose [and report] to me from time to time for instructions. If this does not meet with Secretary's approval please advise me immediately.

3. The President has in accordance with the Secretary's recommendation appointed me Commissioner. Please send cables for me through State Department to American Mission.

AM[ERICAN] MISSION

[24] 40 Stat. 423.

Paris Peace Conf. 185.001/24 : Telegram

The Minister in Norway (Schmedeman) to the Commission to Negotiate Peace

CHRISTIANIA, January 11, 1919—1 p. m.
[Received January 12—4:10 p. m.]

9. Following telegram sent Department:

"French Legation here sent to the local press a communiqué published yesterday calling attention to the fact that by supplementary clauses to the agreement for extension of the armistice signed at Trèves, December 14th [*13th*] last, Germany bound herself not to transfer or permit the transfer abroad by German citizens of any kind of property or securities belonging either to the State or German citizens without formal permission of the Allies represented by a special delegate. In consequence thereof the Norwegian public is warned that the Allies will regard as null and void all transactions concluded since this agreement was made pertaining to property, securities, mortgages and all sort of values belonging to Germany or German citizens. The same restrictions are announced as applying to property or securities et cetera belonging to the former Austrian Empire or Kingdom of Hungary or citizens of these States.

Does the Department desire me to make a similar announcement to the Foreign Office? Ammission advised; repeated London."

SCHMEDEMAN

763.72119/3380 : Telegram

The Chargé in Denmark (Osborne) to the Acting Secretary of State

COPENHAGEN, January 11, 1919—5 p. m.
[Received 11:20 p. m.]

3448. French Minister here on January 3rd sent note to Danish Minister for Foreign Affairs referring to financial protocol signed at Trèves December 14th [*13th*] whereby Germany pledged herself not to dispose without previous agreement with Allies of her bullion, funds, securities etc., through foreign countries, and to make certain regulations together with Allied Governments concerning restoration of deeds lost or stolen in the invaded regions, etc. Note then draws attention to importance of these arrangements and states that my Government informs me that measures will be taken to deprive contracting parties of the benefit of cessions of [*or?*] transfers which shall be held to be fraudulent. The Royal Danish Government will no doubt deem it fitting to put Danish subjects on guard against operations of this kind, and against the eventual consequences to which contracting parties, even if acting [in ignorance and?] in good faith might find themselves exposed. A second note of January 9th from

the French Chargé d'Affaires states that French [authorities] have decided to treat Austro-Hungarian property on the same principle. While not specifically speaking on behalf of the Allies, the notes give the impression that they are a pronouncement of the policy of all the Associated Governments. The Danish press has accepted the action in this sense, and its first comments indicate irritation at the measure as unwarranted interference with Danish internal affairs, particularly in respect to Germans long resident in Denmark. The British Chargé d'Affaires and the Italian Minister are also without instructions in the matter.

Respectfully request instructions or information. Repeated to Ammission, Paris.

OSBORNE

033.1140/178 : Telegram

The Commission to Negotiate Peace to the Acting Secretary of State

PARIS, January 11, 1919—7 p. m.
[Received January 12—3 a. m.]

252. For the Secretary of the Treasury from the President.

1. With regard to the first 4 paragraphs of your number 66, January 2nd, 4 p. m. I suggest that Crosby's resignation as Special Finance Commissioner be accepted and that he be told that I trust his plans will make it possible for him to hold himself available for consultation on financial matters as the occasion may arise during the Peace Conference.

2. As you know I am in entire agreement with you concerning the matters mentioned in paragraph number 5 of your telegram number 66 of January 2nd, 4 p. m.

3. The Acting Secretary of State has been furnished by cable with the text of letters which I have written Mr. Norman Davis pursuant to the suggestions made in paragraph numbers 6 and 7 of your cable number 66 of January 2nd, 4 p. m.

4. I think it hardly necessary at the present time to create a United States Treasury Commissioner in Europe as suggested in your number 112, January 6th, 6 p. m. Davis has entered upon his work in a manner entirely satisfactory to me and the other members of the Commission and as the official Treasury representative can, I think, give such advice on financial question as we may require. He will need assistants particularly in connection with armistice discussions and in handling Treasury problems and I am satisfied to adopt your suggestion respecting Lamont to help in this work, that the services of Goodhue, Loree and Harris as assistants should be retained if possible.

5. I concur in the suggestion that Strauss should come to Europe to advise with the Commission on general question of international finance as distinguished from Treasury matters. I believe, however, that his services in conjunction with his work on the Federal Reserve Board in Washington (on which there are only four members at the present time) would not permit him to remain here any length of time. It seems to me that Strauss's wide knowledge of international finance makes it desirable that he should return to the United States at the earliest practical moment in order that the Federal Reserve Board may avail itself in full of his services. Secretary Lansing and Colonel House share views.

6. I entirely concur with you that so far as the Peace Commission or Mr. Hoover or others in Europe are in need of financial advice they should obtain it from persons acting under your general direction and responsible to you.

AM[ERICAN] MISSION

Paris Peace Conf. 855.51/3

The Special Commissioner of Finance in Europe (Crosby) to the Secretary of State

PARIS, 11 January, 1919.

MY DEAR MR. SECRETARY: I enclose herewith a copy of a portion of a cablegram sent by me to the Secretary of the Treasury, referring to the Belgian Army.

I shall be glad to transmit to Secretary Glass any suggestions that may be made to me, unless they reach him independently, in which latter case I should be glad to be advised of them.

Cordially yours, OSCAR T. CROSBY

[Enclosure]

Extract From a Telegram From the Special Commissioner of Finance in Europe (Crosby) to the Secretary of the Treasury (Glass)

[PARIS,] January 9, 1919.

. . . . . .

Thirteenth. Belgian agent here not yet ready to submit new estimates for army, but states that his Government expects to increase its army by approximately 100,000 men. This will result from demobilization of approximately 100,000 who have served at the front, but taking on approximately 200,000 young men of military age who have not served. There are domestic reasons for this procedure, but it seems

to me impossible to suppose that such an increase of military strength is required for the prosecution of the war against Germany. British Treasury disturbed by similar considerations, but will probably pass Belgian requisition for increased number of uniforms, supplying same from old British stocks otherwise of small value.

Fourteenth. The independent determination by European governments of demobilization and generally of their military organizations must present questions of great difficulty in so far as support of these organizations by United States funds is concerned. In conformity with views expressed in my No. 920,[24a] I will report to our political representatives in Paris, as I now report to you, proposed increase in Belgian army strength. My present personal recommendation would be against support of increased numbers, but I hesitate to express a final opinion on this subject, since it is connected with political considerations not in my hands.

Paris Peace Conf. 855.51/4

General Tasker H. Bliss to the Secretary of State

PARIS, January 13, 1919.

MY DEAR MR. SECRETARY: I beg to acknowledge receipt of your note of January 11th [25] in which you enclose a note addressed to you by Mr. Crosby on the subject of a telegram received by him from the Secretary of the Treasury [26] and which refers to the Belgian Army. You ask me to give you my views in regard to Mr. Crosby's communication.

First, I am decidedly of the opinion that the United States should not finance, in whole or in part, any increase in any military establishment in Europe. I know of no reason, nor is there any presented in the papers handed to me by you, why the United States should finance an increase of 100,000 men in the Belgian Army.

Second, I am inclined to think (as I understand the law) that we should not further finance any part of any military establishment in Europe except that which may be necessary in connection with carrying out the conditions of the armistice to which the United States is a party along with its associated powers. I understand that Italy has indefinitely postponed any demobilization of her military forces. If she desires to keep an army on foot in order to prosecute a war for her own interests in Africa, or in order to be

[24a] Telegram No. 6614, Jan. 3, 1919, 6 p. m., from the Chargé in France, p. 550.
[25] Not printed.
[26] Apparently a reference was intended to the extract from Mr. Crosby's telegram to the Secretary of the Treasury, *supra*.

prepared for a war to enforce her claims east of the Adriatic, I do not see why we should give her financial support in so doing.

Of course there may be political reasons for our indefinitely continuing our financial assistance for military purposes. But these do not concern me. I know of no military reason for the maintenance of military establishments beyond the usual capacity of the respective countries to support except the necessity of maintaining a sufficient Allied force to guarantee that the Peace Conference can continue its work without interruption by a resumption of hostilities on the part of the Central Powers.

If the allied powers in Europe did not feel that they have (largely due to the financial support of the United States) a military force sufficiently large to enable them to enforce any will they may choose to form, it is possible that they would take a different view as to the prompt rehabilitation of Europe. Therefore, it seems to me that a gradual, but at the same time rather prompt limitation of our financial aid in the maintenance of these military establishments would be a way in which we might exercise benevolent pressure.

Sincerely yours, TASKER H. BLISS

102.1/1607 : Telegram

The Chargé in France (Bliss) to the Acting Secretary of State

PARIS, January 13, 1919—12 midnight.
[Received January 13—7:19 p. m.]

6721. For Secretary of Treasury from Crosby. Number 927. Harris reports as follows concerning Italy:

Recommend total credits for foodstuffs be reduced at once by say 24 percent from rate of shipment for last 3 months, but at same time absolute and proportionate amount milk, condensed and fats be increased. Food credits should be further reduced, say in April, and taper off to complete end, say in September. The Italian Government should be informed of our program in this regard. The maintenance of present food shipments merely sustains present very large Italian military establishment; but, in my opinion Italy can soon feed herself and thus relieve Treasury of this burden, provided Italian Army is substantially demobilized.

Port of Genoa now has 500,000 tons of congested merchandise against a low point of 200,000 tons last summer. Five million lire worth of rotted food supplies recently dumped into harbor. Congestion almost entirely caused by lack of rolling stock on the railways. Am of opinion that Italy overestimates railway supplies to enable railways to reach reasonable conditions as soon as possible. See no reason why Treasury should continue to support of or even aid in control of exchange. Italian Government may as a matter of domestic policy, control imports and exports, which would influence

fluctuations in exchange. Investigations among private manufacturers disclose no urgent demand for raw material at this time except for coal. Believe this demand urgent and legitimate but British Government or producers are apt to care for this. Italy could probably satisfactorily use considerable amounts of raw material during this year but I do not believe that there would be necessarily dire distress among civil population if our credits except for foodstuffs be entirely and forthwith stopped, which I recommend be done with possible exception of credits for railway materials the manufacturing program of which, both in Italy and America I am not familiar with.

Should the Treasury decide to make advances for purposes other than those above mentioned, I strongly recommend such advances be made only after prior investigation and approval, in each case particular attention afforded by a representative of the Treasury in Italy. There is a demand among cotton goods firms for Italian Government to lift embargo on export of this commodity, of which there appears to be a present surplus. This has just been done to a limited extent. See no immediate prospect of exports to any great extent above recommendations made without reference to statutory restrictions on loans, but only on substantial merits of situation.

Harris ready to return to the United States. Shall await your next cable on Italy before finally determining his plans. He reports that sale of Federal Reserve notes mentioned paragraph 6, my number 912,[27] should be sale of gold certificates.

BLISS

Paris Peace Conf. 855.51/3

The Secretary of State to President Wilson

PARIS, January 14, 1919.

MY DEAR MR. PRESIDENT: I received the enclosed letter of January 11th from Mr. Crosby [28] relative to certain requests for loans which had come to him in regard to the expansion of the military establishment of Belgium.

As it appeared to be chiefly a matter as to which General Bliss' advice would be most valuable I submitted it to him and have received the enclosed letter of the 13th on the subject.[29]

If it meets with your approval I purpose to answer Mr. Crosby accordingly. At the same time I would direct your attention to the last paragraph of the letter as a matter which should be given careful consideration.

Faithfully yours, ROBERT LANSING

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[27] Not printed.
[28] *Ante*, p. 564.
[29] *Ante*, p. 565.

033.1140/182 : Telegram

The Commission to Negotiate Peace to the Acting Secretary of State

PARIS, January 14, 1919—11 a. m.
[Received January 14—10 : 07 a. m.]

278. For Secretary Glass from Colonel House. Your 163, January 9, 7 p. m. I have seen the President's cable to you in answer to yours respecting Treasury representation. The general opinion among the Commissioners seems to be that at the present time it would not be wise to have a Treasury commission appointed. They may, however, change their views in the future. I personally believe you have made wise selections in Davis, Strauss and Lamont and I have no doubt they will act for you in a manner entirely satisfactory to you. Warmest regards.

AM[ERICAN] MISSION

Paris Peace Conf. 185.001/28 : Telegram

The Chargé in Denmark (Osborne) to the Commission to Negotiate Peace

COPENHAGEN, January 14, 1919—7 p. m.
[Received January 15—10 a. m.]

102. Following despatched Secretary of State, Washington, as Legation Number 3457.

"January 14, 6 p. m. Legation's 3448, January 11, 5 p. m. According to information press, many banks and members of bourse ceased all business with German firms or individuals as result of French Legation's step. This morning's papers published text of circular letter sent by French Legation direct to all financial institutions. This letter corresponds almost exactly to the notes to the Foreign Office already reported. *Politiken* states that the French Legation yesterday 'Verbally and unofficially' informed the banks that it was not intended 'to place obstacles in the way of normal business connections between Danish financial institutions and German subjects'. Paper adds that this modifies greatly the sharp terms of the circular letter in banking circles; an official commentary on the letter is expected in the near future from the government in Paris, but in any case the matter is regarded with greater calmness than a few days ago. Repeated to Ammission, Paris."

OSBORNE

Paris Peace Conf. 868.20/2 : Telegram

The Chargé in France (Bliss) to the Acting Secretary of State

PARIS, January 15, 1919—12 a. m.

6746. For Secretary of Treasury from Crosby. No. 930.

First. Understand from Venizelos that he will urge necessity of further credits for maintenance of his army practically on lines of last year. French and British will also ask that we join them. British have continued to support Greek Army since January first; but Chancellor informed me in London that, before going much further, they would endeavor to learn more than they now know as to the objects to be served by maintenance of the Greek Army on a war footing. It is understood that this maintenance is due to the views of another power as to the military situation. I consider highly probable that Venizelos will appeal to the President on this subject as soon as he has an opportunity of seeing British and French in Paris, where he has but lately arrived.

Second. My own view still is that no advances should be made to the Greek Government until you and the President are satisfied as to the objectives of their military situation and approve of them. Please wire any instructions on this subject.

BLISS

763.72119 P 43/48 : Telegram

The Acting Secretary of State to the Commission to Negotiate Peace

WASHINGTON, January 15, 1919—4 p. m.

242. For Lansing from Glass. Delayed answering your cable 137 of January 3, 1919 pending exchange of cables with President. I am sending Strauss to Europe almost immediately for a short stay. He is familiar with my views and with Treasury policies in determination of which he has taken an important part.

POLK

033.1140/178 : Telegram

The Acting Secretary of State to the Commission to Negotiate Peace

WASHINGTON, January 15, 1919—5 p. m.

244. For the President from Glass. Your message 252 January 11, 7 p. m. has been received.

First: I am cabling Crosby as you direct,[30] am instructing Davis [31] to retain if possible the services of Goodhue, Harris and Loree, and will endeavor to secure Lamont for service in Europe to aid Davis.

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[30] Cable not printed.

[31] Telegram No. 246, *infra*.

Second: I feel with you the disadvantage of Strauss being absent and unable to fulfill his duties as a member of Federal Reserve Board for any extended period. I was reluctant to approve his going to Europe but felt that the opportunity for service as the head of the Commission I suggested would justify the sacrifice. As you do not consider such Commission advisable I entirely agree that Strauss' stay in Europe should be short. In accordance with paragraph 5 of your cable Strauss will leave almost immediately and I hope that during his short stay in Europe his wide experience, judgment and intimate knowledge of Treasury war and post-war policies, in the formation of which he has taken an essential part, will be availed of to the fullest extent. I am cabling House approving Davis serving on the Council.[31a]

POLK

Paris Peace Conf. 102.1/5 : Telegram

The Acting Secretary of State to the Commission to Negotiate Peace

WASHINGTON, January 15, 1919—6 p. m.
[Received January 16—noon.]

246. For Davis from Glass, Treasury 706.

First. In accordance with word received from President I am accepting Crosby's resignation as special finance commissioner in Europe and advising him that the President trusts his plans will make it possible for him to hold himself available for consultation on financial matters as occasion may arise during Peace Conference.

Second. President has approved your retaining Goodhue, Loree and Harris to assist in Europe. Please express to them my hope that this will be agreeable to them. Approve of Goodhue's assisting you in armistice negotiations.

Third. Are there any others of Crosby's organization whom you need in Europe? Please ask those whom you need to remain, the others whose names please cable, I assume Crosby will direct to return. Crosby's 777 repeated in his 690 [*903*][32] agrees to release of Walter A. Peck, code clerk attached to his staff. Please cable whether you need him, if not will have directions sent him to return. I am arranging to send Sawyer to Paris in accordance with your suggestion.

Fourth. I hope to be able to arrange for Lamont to go to Europe to assist you in connection with armistice discussions and other matters that may arise.

Fifth. I have indicated to President my approval of your serving on council, which Peace Mission advises me by cable 186 of January 7, 4 p. m. has been formed.

[31a] Cable not printed.
[32] Neither printed.

Sixth. At the request of Mission, approved by the President, I am sending Strauss for short stay in Europe to advise on financial matters. He has assisted in formulating Treasury's policy in regard to various problems which have arisen with cessation of hostilities and will be in a position to explain my personal views on these subjects.

Seventh. Except as our future loans are related to purchases of food in the United States I do not desire that there should be negotiations or discussions in Europe concerning our making further advances. The conversion of or other dealings with the demand obligations which we hold, or the tax on maturing interest rate quantities on any long time obligations which we may receive in exchange for demand obligations, or regarding any claims for dollar reimbursement, should be discussed only in Washington. See our 687.[33]

Eighth. I am in receipt of a message from President in which he states that he entirely concurs with my view that so far as the Peace Commission or Mr. Hoover or others in Europe are in need of financial advice they should obtain it from persons acting under my general direction and responsible to me.

Ninth. Considerable confusion will be avoided if you will number your cables to the Department.

POLK

Paris Peace Conf. 855.51/5

President Wilson to the Secretary of State

PARIS, 17 January, 1919.

MY DEAR MR. SECRETARY: I would be obliged if you would, as you suggest, reply to this [34] in the sense suggested by General Bliss.

Cordially and sincerely yours, WOODROW WILSON

Paris Peace Conf. 855.51/3

The Secretary of State to the Special Commissioner of Finance in Europe (Crosby)

PARIS, January 21, 1919.

MY DEAR MR. CROSBY: Upon the receipt of your letter of January 11th enclosing a portion of a cablegram sent by you to the Secre-

[33] Department's telegram No. 6881, Jan. 7, 1919, 5 p. m., to the Chargé in France, p. 709.

[34] See Secretary Lansing's letter of Jan. 14, regarding proposed loans to Belgium, p. 567.

tary of the Treasury regarding the Belgian Army, I consulted General Bliss and the President in the matter, and we are in accord that the United States should not finance in whole or in part, any increase in any military establishment in Europe and that we should not further finance any part of any military establishment in Europe, except that which may be necessary in connection with carrying out the conditions of the armistice, to which the United States is a party along with its associated Powers.

Sincerely yours, ROBERT LANSING