

The scheduled is arranged so as to enable Germany, if her credit is reestablished, to provide interest and sinking fund on loans raised for redemption out of the saving effected on the interest of the canceled bonds, and to give special inducements for redemption in the earlier years.

In the event of Serbia optioning not to come into the group, her debts to France and Great Britain should, on transfer to the reparation commissioner, be written down by the amounts necessary to give her the compensation provided for in the Serbo-Franco-British percentage agreement of June 28, 1921—say, the equivalent in French francs of 70 per cent and the equivalent in sterling of 30 per cent of 250,000,000 gold marks.

Schedule B, supervision of German finance.—It will be necessary to establish machinery for effective supervision of German financial legislation and administration on behalf of the Allies—at any rate until the time when the new arrangements have come into full operation and Germany is regularly discharging her reparation obligations.

It is proposed that a foreign finance council should be set up with its seat in Berlin.

The council will consist of persons appointed by Great Britain, France, Belgium, and Italy, with two other members of American and neutral European nationality, respectively. The German Finance Minister will be ex officio chairman (without a vote except in the case of equality of votes), and will be required by law to act on the council's advice in regard to all matters affecting (1) currency legislation; (2) the budget, fiscal legislation, and public expenditure; (3) general treasury administration; and (4) financial prohibition, control of foreign remittances, etc.

This, of course, means a considerable measure of interference with German democratic independence in matters of finance, but such interference is the inevitable concomitant of any method of effective supervision or control.

The association of the Finance Minister with the council seems to be the only method by which foreign interference can be squared with the democratic machinery.

As regards the powers of the council, the main object to be aimed at is to leave German administration as far as possible in German hands and avoid direct responsibility for initiative in regard to details in the matter of legislation.

It is desirable to give the council very wide powers, but also wide discretion as to both the manner in which, and the extent to which, they are to be used.

It is not practicable to lay down beforehand any rigid rules in regard to such matters as the further degree of expansion of the note issue which can be permitted, or the further increase which may be allowed to take place in the floating debt, still less to insist on the raising of loans, the possibility of which depends on finding lenders.

Whatever form of local control may be decided upon, it should be responsible and independent; that is, not subject to a Reparation Commission sitting in Paris.

It will be necessary to provide that the German foreign finance council should sit without the German Finance Minister whenever occasion requires to exercise the executive powers at present possessed by the Reparation Commission and by the existing committee of guaranties.

If the Reparation Commission is retained at all, it should be as a purely judicial body with such changes of constitution as may appear desirable.

The special powers of the foreign finance council should expire on December 31, 1928, but the Allied Governments should have power, by unanimous decision, to renew them for a further period or periods, if they deem such renewal necessary.

After the expiry of the special powers, the council will cease to sit under the chairmanship of the German Finance Minister, but will continue to exercise the powers which have been transferred to it from the Reparation Commission and the committee of guaranties.

APPENDIX IV

FRENCH PLAN⁸ (JANUARY 2, 1923)

Sorely as she has been tried by the war, France will not adopt an attitude of indifference toward the relief of any of the nations now suffering from the general crisis. Only yesterday in regard to the Austrian question she gave a

⁸ See reference, Appendix III.