the Council might usefully take immediate steps authorising the Secretary-General in advance, in agreement with the Financial Committee, to request certain Governments to appoint experts to the future conference. This request would be addressed in the first place to the Governments whose representation from a technical point of view would appear to be indispensable in accordance with the opinion expressed by the authors of the report during their discussions with the Financial Committee. But other representation may also be required, and the Financial Committee will have to take all general and technical considerations into account in making these appointments.

5. I will not go into details regarding the adoption of the Committee's report regarding Esthonia. The Council will remember that, at the fifth Assembly the representative of Esthonia asked the Council that his country might be allowed to avail itself of the advice of the Financial Committee. After making enquiries on the spot, the Committee considered certain aspects of the banking policy and stated that, if the Esthonian Government so desired, it was prepared to continue this work; this is a new and an auspicious form of co-operation between one of the organisations of the League and one of its Members, which the Council will doubtless approve.

6. Negotiations regarding a loan to be raised by the Municipality of Danzig were entered into at Geneva, under the auspices of the Financial Committee, between the representatives of the Free City of Danzig and those of Poland. This question forms the subject of a separate report.

RESOLUTIONS ADOPTED BY THE COUNCIL ON THE WORK OF THE FINANCIAL COMMITTEE (APART FROM AUSTRIA, HUNGARY AND DANZIG).

1. "The Council authorises the Secretary-General and the Financial Committee, if the latter thinks fit, to invite certain Governments to appoint experts with a view to holding a conference of experts on double taxation and fiscal evasion."

2. "The Council has noted the opinions expressed by the Financial Committee, at the end of its seventeenth session, on monetary and banking questions connected with the application of the resolutions of the Conference of Genoa."

3. "The Council notes with satisfaction that informal co-operation has been established between the Financial Committee and the Esthonian Government in the form of advice to be given to this Government at its request with regard to the banking and financial policy of the country."

WORK OF THE FINANCIAL COMMITTEE DURING ITS SEVENTEENTH SESSION HELD AT GENEVA FROM FEBRUARY 6TH TO 12TH, 1925.

The Financial Committee have the honour to submit to the Council the following report of their work at the Seventeenth Session held at Geneva from February 6th to 12th, 1925. There were present:

M. TERMEULEN, Chairman (Netherlands).
M. BIANCHINI (Italy).
M. DE CHALENDAR (substitute for M. PARMENTIER) (France).
M. DUBOIS (Switzerland).
M. JANSEN (replaced at end of session by M. WARLAND) (Belgium).
Mr. LEITH ROSS (substitute for Sir Otto NIEMEYER) (Great Britain).
Dr. POSPISIL (Czechoslovakia).
Sir Henry STRAKOSCH (South Africa).
M. TORNQUIST (Argentine Republic).
M. USAMI (substitute for M. SEKIBA) (Japan).

The subjects discussed included:

(a) Austria. Progress in reconstruction and execution of Agreement of September 1924 (see note by Committee, page 522).
(b) Hungary. Progress in reconstruction, specific problems as to official salaries, "Treaty Charges" tobacco monopoly, investment of loan money (see letter to Commissioner-General, page 522).
(c) Austrian and Hungarian National Banks. Monetary policy co-operation between Central Banks (see resolution, page 525).
(d) Monetary Policy. See resolution as to Gold Standard (page 526).
(f) Danzig. Discussion of loan proposed (page 526).
(g) Double Taxation and Fiscal Evasion. Publication of Experts' Report.
(h) Miscellaneous.
(a) The Financial Reconstruction of Austria.

Dr. Ahrer, the Austrian Minister of Finance, accompanied by Dr. Grünberger, the Director of the Section for Foreign Affairs of the Federal Chancellery and Dr. Zimmermann, the Commissioner-General for Austria, were present. The Austrian representatives and the Commissioner-General made statements to the Committee with regard to the progress of the plan of reconstruction including the execution of the Agreement of September, 1924. A note by the Commissioner-General as to the execution of the latter Agreement is contained in the Appendix. The observations made by the Committee during the meeting were summarised as follows:

The Committee note that a number of the measures required under the September Agreement, not including, however, all the more important measures, have now been taken. They observe that the Budget for 1925 has not yet been passed by Parliament, and that the laws required to give effect to certain of the financial and fiscal reforms, while presented to Parliament, have also not yet been passed (for example, the diminution of the Körperschaftsteuer which should have been passed before the end of 1924). They observe, too, that, in general, the administrative reforms have not yet been effected. The Committee desire to express their sense of the extreme importance of the prompt and complete execution of the remaining requirements of the Agreement.

The Committee must remark, however, that the specific and detailed requirements of the September Agreement in no way modify those provisions of the Protocol and other agreements which are not expressly dealt with.

In this connection, the Committee note that the provision in 6 (c) of Protocol III, viz.,

"The bank should be responsible for the cash transactions of the State, and should centralise the Government receipts and payments, and should furnish periodical financial statements at the dates and in the form which may be determined in agreement with the Commissioner-General"

has not been given effect to by the Austrian Government.

They feel bound to press the Government strongly to take immediate steps to give effect to this provision, the more because the failure to establish the system seriously impedes the efficiency of the system of control and the success of the plan of reconstruction. This action will result in all resources of the Austrian Government being centralised under the control of the Commissioner-General.

In the next place, the Committee notice that the Austrian Ministry of Finance is still not organised in a way to enable it to exercise adequate control over the spending Departments. A reform of this character has been urged upon the Government from the very beginning of the reconstruction period in 1922.

In addition, the Committee desire to point out the great advantage of the collaboration of the Cour des Comptes in controlling the accounts both not only of the State Departments but also of the State enterprises, including the railways, and the enterprises in which the State has an important financial interest.

The Committee feel also sure that it should be possible, with the good-will of the Government, to arrange for the willing co-operation of the Cour des Comptes with the Commissioner-General.

The Committee would point out with regard to the last three paragraphs:

(i) That the Commissioner-General's organisation has intentionally been established on a modest basis because it was understood that he would have the cordial and effective collaboration of the Austrian controlling institutions. It need hardly be remarked that an effective control by the Commissioner-General without the help of such collaboration would involve a large and expensive organisation under his own direct orders.

(ii) It is also of the utmost importance that Austria should be developing, during the period of the Commissioner-General's control, a system which can give an assurance of a proper control of expenditure by the Austrian Government after his control shall have come to an end. For this purpose, effective powers of control by the Treasury, as in other countries, are obviously necessary.

(iii) As from January 1st, 1925, the loan funds can only be issued to cover deficits due to productive capital expenditure, and it is absolutely necessary in order that the Commissioner-General may make any issue, that he should have not only a programme of such expenditure, but verified accounts of the progress of approved schemes.

The Committee are glad to understand that the Austrian Government is about to renew negotiations with the provinces as to administrative, financial and fiscal relations of the State and the Provinces.

The Committee regard this as a question of great urgency and they wish the Government all success in the negotiations. They think it well, at this stage, to point out that one of the principal objects of the Agreement of September was to limit the budget expenditure of the State to its fiscal capacity. The Committee have frequently pointed out the serious effects upon the economic...
life of the country of taxation which would strain its fiscal capacity having regard to the total burdens weighing on the economic life of the country. They trust therefore that the negotiations, whatever be their result, will not have the effect of any increased encroachment on the present taxbearing resources of the State.

The Financial Committee attaches the greater importance to all the above measures of reform because, in addition to their direct effect upon the restoration of Austria, they will increase the confidence of the external world upon which the successful development of the economic life of the country so largely depends.

(b) HUNGARY.

Count Bethlen, the Prime Minister, accompanied by Baron Koranyi, the Hungarian Minister in Paris, and M. Szaboky, the Under-Secretary of State at the Ministry of Finance, discussed with the Committee certain points arising out of the Reconstruction Programme. Mr. Jeremiah Smith, the Commissioner-General for Hungary took part in the discussions, at the end of which the Committee addressed to him, for communication to the Hungarian Government, the following replies to the questions which had been put:

1. Tobacco Monopoly.

"The Financial Committee have considered the request of the Hungarian Government that the privilege of the home-growing of tobacco may be extended during the financial year 1925-26. It should be noted that the abolition of this privilege was not only contemplated at the time when the reconstruction plan was framed but was one of the conditions upon which the Financial Committee framed its estimate in 1923 of the yield of the tobacco monopoly—an assigned asset under the plan and one of the securities upon which the loan was issued. As stated in the Report of the Financial Committee of December 20th, 1923, paragraph VII (b), an increase in the previous yield was expected because 'the privilege of home-growing (exempt from tax) is being withdrawn.'

"The Financial Committee further understand that the Italian expert who has recently conducted an exhaustive enquiry into the working of the monopoly has definitely concluded that this privilege is harmful to its profits and management and should be abolished.

"Without giving any opinion as to the increase in the State receipts which may derive from the abandonment of the privilege, the Committee consider that for the above reasons it should now be definitely withdrawn."


"The Financial Committee, after having considered the proposals of the Hungarian Government relating to the creation of a single munitions factory have come to the conclusion that this matter has not arrived at a stage at which the Financial Committee could usefully give an opinion."

3. Increase of Salaries of State Officials.

"The Committee have carefully considered the proposals of Count Bethlen with regard to officials’ salaries. The Financial Committee are, of course, specially interested in any new commitment which would be likely to increase the normal and permanent level of the budget above that contemplated in the reconstruction plan. It is mainly from this point of view that the Committee have examined the present proposals.

"The Committee desire to express their sincere sympathy with the Hungarian Government in its desire to ensure that official salaries should be reasonably adequate.

"They have had before them the information showing the extent of reductions in salary, in terms of gold and of purchasing value, as compared with pre-war standards. They recognise that these reductions are of serious dimensions, though they would observe that (a) officials have suffered serious reductions in salaries in practically all parts of Europe, certainly in all those where finances have been weakened by the war; (b) that the hardship in the case of Hungarian officials is to some extent mitigated by the provision as to rent and lodging allowances and certain privileges, as to free transport, etc. (c) that the proportion of officials in the higher as compared with the lower categories has been substantially increased as compared with the pre-war proportion—i.e., officials have benefited by an abnormally high rate of promotion.

"The Committee further notice that an increase of about 20 per cent. was given in July of last year, in addition to the provision (in accordance with the Reconstruction plan) of compensation for the discontinuance of certain allocations in kind."

1 The questions raised by the Hungarian Government are elaborated in five memoranda which are attached to the Minutes of the Committee and were supplemented by oral statements which are summarised in the Minutes themselves.
"They notice, moreover, that the gold value of their salaries has also been increased by the fact that, during the appreciation of the Hungarian crown, officials' salaries have in fact been paid, since August last, on the basis of a stationary multiplicator of 17,000. The real multiplicator has now fallen to 14,600. Salaries are therefore at the present time higher by 16 per cent. than they would have been under an exact multiplicator. It is true that prices in crowns have not declined in correspondence with the external appreciation of the crown. Officials have, however, at least been saved from the loss which has fallen upon officials elsewhere in recent months through rising prices.

"Already, therefore, the charge upon the gold budget in respect of official salaries has increased by about 26 per cent."

"The Committee had under serious consideration whether this increased charge—in particular that resulting from the use of an unreal multiplicator—was justified. Taking all the facts into consideration, however, they have decided to make no objection to this extra charge being incurred, i.e., to the salaries being so adjusted, when the multiplicator is put on to a real basis, as to secure that the payments in Hungarian crowns shall not be simultaneously reduced."

"With regard to the further proposal of an additional increase of the rates of salary of 25 per cent., the Committee regret that, on their present information, they are unable to take the responsibility of giving a consent which would imply that, in their view, the permanent stability of the budget will not be compromised by the addition of such a new commitment."

"They could only consider such an increase to be justified if they were satisfied that the Government were in a position to take action which would avoid any danger of the stability of the budget being compromised. In this connection, they would point out that, in the view of the Commissioner-General (vide Eighth Report, pages 1, 3, and 4), there is no reason to believe that the yield of the Hungarian taxes will continue to increase; and that, in that case, the Hungarian budget cannot bear the extra charge proposed."

"From figures supplied to the Committee, it appears that, after the abolition of the arbitrary multiplicator (which would result in no reduction in expenditure), the level of permanent expenditure would already be 470 million gold crowns for the fiscal year 1925-26, instead of 410.4 provided for the same stage by the Plan. The Hungarian Government's proposal of increase of salaries would still further raise the permanent level to 488 million gold crowns, whilst the figure which, according to the Reconstruction Plan, was not to be exceeded at the end of the period of control and which even left, in accordance with Protocol II (paragraph I, sub-paragraph 2) an adequate margin for safety of 13 million gold crowns per annum, was 400 million gold crowns."

"The Committee appreciate that the increase in the present level of budgetary expenditure over that contemplated in the Plan has in large part been due to the external appreciation of the crown, in correspondence with sterling, whose movements it has followed since June last, and that gold prices have risen both in and outside of Hungary. Making every allowance, however, for these considerations, it remains true that the fiscal burden already involved in the present expenditure is higher than the level fixed for the end of the reconstruction period, and therefore it would, of course, be the clear duty of the Committee to be definitely assured, before assenting to any new burden of a permanent nature, that the additional taxation entailed would be within the fiscal capacity of the country.

"The Hungarian Government will realise, therefore, that the Committee find themselves unable to consent to such a departure from the original provisions of the scheme without having had more ample experience of the progress of reconstruction and its effect upon the taxable capacity of the country. Nor could the Committee in any way feel justified in assenting to a permanent commitment of the kind proposed without ascertaining whether additional economies cannot be made.

"In particular, the Committee desire to take the opportunity of calling attention (even apart from any question of increased salaries) to the importance of revising and radically reducing the whole personnel establishment. They call attention to the passages in the Commissioner-General's report relating to this subject (Eighth Report, paragraph C, and Third Report, paragraph B) and to the seriously disproportionate increase in higher categories of officials. It has become clear that a reduction in personnel much greater than that required among the original conditions of the reconstruction plan is practicable; and that nothing could so substantially assist the establishment of Hungarian finances on a sound basis. In any case, the Committee could not consider any further permanent commitment as to salaries (apart from compensation for change in the multiplicator) except in conjunction with a detailed and effective scheme of additional reduction in personnel which, though not giving a proportionate relief to the budget of the reconstruction period itself, would make a vital difference to the permanent budget position of Hungary."

"The Committee understand that a Commission has been set up to frame a scheme for the comprehensive reform of the Hungarian administration which could secure such a reduction of personnel, and to establish a public service commensurate with the present needs of Hungary. The Committee hopes that the work of this Commission may be expeditious and effective, and that it will seek every means of securing economy in administration, including that of an adjustment of the standard hours of work."

1 See Official Journal, March 1925, pages 397, 399 and 400
"If renewed proposals are made for any permanent increase in officials' salaries, it is essential
that they should be accompanied by proposals for immediate reduction of the kind referred to
above and by all relevant data, including information enabling a comparison to be made between
the position of State officials and that of private employees.

"The Committee have, in the above observations, explained why they feel unable, in present
circumstances, to express their agreement with an increase in the permanent rates of salary If,
however, there are at the present moment such special difficulties resulting from the recent move-
ment of prices as to make some measure of immediate relief essential, the Committee make no
objection to the Commissioner-General's authorising a temporary expenditure for the purpose,
of such amount and under such conditions as he may decide."


"The Financial Committee have given the most careful consideration to the representations
made by the Hungarian Government to the effect that expenditure for capital purposes in the
interest of the general economic life of the country and in particular of agriculture, is urgently
required.

"The expenditure proposed is not provided for in the reconstruction budgets agreed between
the Hungarian Government and the Provisional Delegation of the Council, and the Committee
feel precluded from giving an opinion as to whether such expenditure should be incurred until
they have had the opportunity to examine the closed accounts of the first year of financial recon-
struction ending on June 30th of this year.

"Nevertheless, if the closed accounts of the financial year 1924-1925 show a continued prospect
that the budget deficits provided for in the original plan before the end of the reconstruction
period will not materialise, and if the Hungarian Government, in agreement with the Commiss-
ioner-General, has arrived at a definite plan for expenditure on capital purposes, the Financial
Committee will not be averse to considering whether additional capital expenditure of a clearly
productive character cannot be included in the budget."

5. Treaty Charges.

"The Financial Committee have had under consideration the questions referred to them
by the Commissioner-General and arising out of a letter addressed to him by the Reparation Com-
mission on December 3rd as to the inclusion of certain items in the annual sum payable by Hungary
in accordance with the documents incorporating the League Reconstruction Scheme and the deci-
sion of the Reparation Commission of February 21st, 1924.

"The Financial Committee, while referring to their report of December 20th, 1923, Chapter X,
paragraph (a) to the covering letter from the Council of the League of Nations to the Reparation
Commission dated January 21st, 1924, paragraph 1 to the reply of the Financial Committee to
certain questions put to them by the Hungarian Committee of the Council dated January 21st, 1924,
and in particular to the answer to question 6 and, finally, to paragraph 4 of the second decision
of the Reparation Commission of February 21st, 1924, think it may be useful to add the following
observations:

"The dominating idea in the Committee's provision as to Treaty charges was to limit defi-
nitely during the period of twenty years contemplated in the plan of the League of Nations and
the decision of the Reparation Commission the total of all burdens falling upon the Hungarian
budget as the result of obligations arising out of the Treaty which the Hungarian Government
performs after the commencement of the reconstruction scheme. Being thus concerned with the
equilibrium of the Hungarian budget, they had not in mind, in referring to 'charges upon Hungary'
any distinction between charges upon the budget involving internal and those involving external
payments.

"With regard to the respective priority of different claims, the Committee stated that it
does not matter how the Reparation Commission or the Governments may distribute the sums
within the total of the maximum referred to or what priority is arranged. The Committee notice
that the Reparation Commission's decision requires that the prior consent of the Commission
should be obtained before payments are made. It is for the Reparation Commission to decide to
what extent it can approve payments which Hungary has made during the past year, but the
Committee trust that the Reparation Commission will admit, to the fullest possible extent, all
payments made, in good faith, in execution of Treaty obligations which the Hungarian Govern-
ment has been pressed to effect.

"As regards the future, the Commissioner-General has pointed out the extreme importance
of the Hungarian Government's knowing beforehand what payments it is authorised to make
in the ensuing year, and the Financial Committee feel sure the Reparation Commission will
agree with him in this, and that it will take steps, after such consultation with the Governments
as it may consider desirable, to notify the Hungarian Government in sufficient time what pay-
ment it should make and to preclude further demands being pressed upon that Government which
there are no funds to meet. The Reparation Commission will doubtless realise that it is the duty
of the Commissioner-General (particularly in view of the fact that the conditions of the scheme
form the basis on which the bondholders subscribed the loan) to object to payments in respect
of Treaty charges, within the meaning of the scheme, which may exceed the annuity: the blocking
of payment of such excess claims following automatically from the instructions of the Commission as to what payments are to be made within the annuity.”

(c) THE AUSTRIAN AND HUNGARIAN NATIONAL BANKS.

The Committee also had the advantage of conversations with Dr. Reisch, President of the Austrian National Bank, accompanied by Dr. Brauneis, General Manager, and Dr. van Gyn, Adviser of the Bank, and with M. Popovics, President of the National Bank of Hungary.

The Committee consider that personal contact from time to time between the Presidents of the Banks and members of the Committee will be a useful assistance to the future progress of reconstruction in the two countries.

(i) The Committee discussed with M. Popovics two proposed amendments to the Statutes of the Bank with regard to the formation of an Executive Committee and to the financial provision for the pension fund.

In reply to the questions put by M. Popovics, the Committee addressed to him the following letter:

“With reference to your letter to the Financial Committee yesterday and the mem-

orandum which you circulated (Document F...
note that the exceptional credits granted by the Austrian National Bank as a consequence of last year’s Stock Exchange crisis have already been reduced appreciably and that the Bank will continue its efforts in that direction with a view to their complete liquidation at the earliest possible moment.

The Financial Committee were glad to hear that the Austrian National Bank intends to propose to the Austrian Government the abolition of the restrictions which are still in existence with regard to transactions in foreign exchange.

The Committee desire to express their opinion that nothing will so much stimulate confidence in the stability of the Austrian exchange as the complete liberation of the Austrian foreign exchange market from all restrictions.

They note, therefore, with satisfaction that the Austrian National Bank envisages the maintenance of the foreign exchange clearing as only a transitional measure, and intends to abolish it in due course.

(4) The Committee listened with great interest and appreciation to the statement by M. Popovics as to the present position of the National Bank of Hungary the progress which has been achieved in establishing and maintaining the monetary policy of the country on sound lines, and the principles of the policy on which it is proceeding. They are confident that the continuance of this policy will help to secure the country the banking credit it needs, to maintain stability of the currency internally and externally and thus afford the essential basis for the whole work of reconstruction.

(5) The Committee wish to state that they consider that the best means for ensuring monetary stability is an active co-operation between the central banks of the different countries of the world, as contemplated in the resolutions of the Conference of Genoa. For this reason, the Committee greatly appreciated hearing from the Presidents of the Austrian and Hungarian National Banks that they were in entire agreement with this policy and were prepared to give it their cordial co-operation.

(d) Monetary Policy.

M. Heer, member of the Economic Committee, attended one of the meetings to invite the Financial Committee to nominate some of their members to take part in the discussions of the Joint Sub-Committee on Economic Crises, with particular reference to financial and monetary questions.

The Committee passed the following resolution.

"The Financial Committee desire to express their appreciation of the Economic Committee’s invitation to take part in the discussions of the Mixed Committee for the Study of Economic Crises, with particular reference to financial and monetary questions. The Financial Committee decide to designate three of their members—viz. M. DuBois, M. Janssen and Sir Otto Niemeyer—to take part in these discussions.

"The Financial Committee also wish to express their satisfaction with the statement made by M. Pospisil, on behalf of the Czechoslovak Government, that it is the aim of Czechoslovakia to create an independent bank of issue and to stabilise its currency at the present level, with a view to determining later on the exact gold content of its monetary unit.

"The Committee take this occasion to express their opinion that nothing is likely to be more helpful to the economic recovery of the world than a return to an effective gold or gold exchange standard (as recommended in the resolutions of the Conference of Genoa), at least in those countries which have succeeded in stabilising their currency.”

(e) Estonia.

In consequence of the request of the Esthonian Government, made at the meeting of the Council in September 1924 (see Official Journal, October 1924, page 2399), a delegation, consisting of M. Avenol and Mr. Loveday went to Tallinn during January of this year. The delegation have made a valuable report 1 on the economic and financial situation of the Esthonian Republic, on the basis of which the Committee examined the situation with a view to submitting suggestions to the Esthonian Government for the reform of the Central Bank. Correspondence on this subject is continuing; a report will be addressed to the Council at a later date.

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1 An oral statement by M. Avenol is contained in the Minutes of the Committee and is supplemented by fourteen annexes attached thereto.
(f) **Danzig.**

As mentioned in previous reports, and since the Council resolution of June 1924, the Financial Committee have considered various questions connected with the economic and financial position of Danzig.

The Committee were consulted by representatives of the Free City and of the Municipality of Danzig — Dr. Volkmann, Senator in charge of the finances of the Free City, accompanied by M. Maissner, President of the Bank of Danzig — with regard to a foreign loan proposed to be raised by the Municipality for certain development purposes. The Committee were requested to recommend to the Council to allow the League to be associated with the scheme. After hearing M. Avenol and Mr. Loveday, who visited Danzig on their return from Estonia, the Committee indicated under what conditions they would be willing to comply with this request.

Before reaching their conclusions, the Committee had the benefit of hearing the observations of M. Marchlewski, the special representative of the Polish Government, accompanied by M. Woytkiewicz, an expert from the Ministry of Finance, who stated that the Polish Government had no objection to, and indeed welcomed, the issue of such a loan as was contemplated, subject to the condition (with which the Committee fully agreed) that the proposals as to port development must be agreed between the Danzig authorities and the Harbour Board.

Negotiations in connection with the loan are at present being pursued by the representatives of Danzig.

If the negotiations are sufficiently advanced, a separate communication will be presented to the Council at its March meeting.


(g) **DOUBLE TAXATION AND FISCAL EVASION.**

The technical experts appointed by the Council, on the nomination of the Governments of seven European countries, to study the question of double taxation and fiscal evasion, completed their report at the beginning of the present session of the Financial Committee and submitted to the Financial Committee the resolutions on which they agreed, preceded by a general explanatory report (Document F.212). The seven members of the Committee of Experts—M. P. d'Aroma (Chairman), M. Blau, M. Borduge, Mr. Canny, M. Clavier, M. Sinninghe-Damste and Dr. Valnick—were present at the meeting devoted to this question.

The Financial Committee's agenda was particularly heavy and consequently the members were not able to discuss the important questions raised in the technical experts' report. The Financial Committee had to confine themselves to taking note of this work and to authorising the printing and publication of the report and resolutions with the reservation that they only represented the personal views of their authors and not those of the Financial Committee, which have not yet come to a decision on the contents of the report and on the action to be taken.

The Committee wish, however, to draw the attention of the Council to the following passage in the expert's report:

"During our discussions, we fully realised the invaluable assistance which we would have derived in our investigations from the presence of experts belonging to certain countries, both on account of the economic and financial importance of these countries and the peculiarities of their legislation."

The Financial Committee fully agree with the proposal that the composition of the Committee of Experts should be widened. During the discussions, the experts suggested that, from the technical point of view it would be desirable to obtain the co-operation, in particular, of the United States of America, one of the South American countries, Germany and Poland.


(h) **MISCELLANEOUS.**

x. **Co-ordination Commission.**

In accordance with the Council resolution of October 3rd, 1924, the Financial Committee appointed two of their members to take part in the first session of the Co-ordination Commission, which was convened for February 16th, with the following two questions on its agenda: control of the private manufacture of arms, and statistics on traffic in arms.

The Financial Committee appointed M. Pospisil and M. Wallenberg for this first session, the latter to be replaced in case of absence by M. Bianchini.¹

¹ Unfortunately, neither M. Wallenberg nor M. Bianchini was able to attend, and M. Dubois, who was asked at the last moment to fill the gap, was also prevented from attending.
2. Staff Provident Fund.

On October 3rd, 1924, the Council decided to instruct the Financial Committee of the League of Nations to act as the Investments Advisory Committee for the Staff Provident Fund. In accordance with this resolution, the Board of Management of the Provident Fund, represented by its Chairman, M. ATTOLICO, and one of its members, M. KERN, asked the Financial Committee's opinion with regard to the employment of the credit balance of the Fund.

The Committee examined a list of proposed short-term and long-term investments and agreed upon certain principles which should serve as a guide in placing investments; and further nominated M. DUBOIS to give detailed advice to the Board of Management as occasion might require.

Appendix.

EXTRACT FROM A MEMORANDUM ADDRESSED BY THE COMMISSIONER-GENERAL FOR AUSTRIA TO THE FINANCIAL COMMITTEE.

February 4th, 1925.

My Twenty-second, Twenty-third, Twenty-fourth and Twenty-fifth Reports (the last of which deals with the period from December 15th, 1924, to January 15th, 1925) indicate the various measures adopted by the Government and Parliament as a result of the meetings of the Financial Committee in September last.

It will therefore be seen that the Government has certainly shown proof of its intention to carry out the Geneva Agreement as soon as possible. Various points have already been satisfactorily dealt with, but it cannot be denied that effect has still to be given to other recommendations, some of which are highly important.

In short, the following provisions of the Agreement (Document F 186) still await execution:

1. The 1925 budget has still to be voted.
2. The Körperchaftsteuer has not yet been reduced to 25 per cent.
3. The measures intended to expedite the Abbau have yet to be put into effect. The work of preparing these measures has now been begun by a series of weekly conferences (referred to below) under the chairmanship of the Chancellor. At these meetings the reforms to be carried out will be discussed.
4. Before July 1st, 1925, the forests and salt-mines must be transformed into autonomous organisations.
5. Free dealing in foreign exchange must be re-established.
6. The law on gold balance-sheets has yet to be voted.
7. The seven points of Annex II of the Agreement of September 16th, 1924 (Document F 186) have still to be carried out (Nos. 6 and 70 before July 1st, 1925). The Chancellor has begun to take preparatory steps in connection with working hours in the public services; that is to say this question will be discussed at the weekly conferences.

I had sincerely hoped that by January 1st the conditions making it possible to reduce the control would have been fulfilled, but the above shows that this was not the case. In the meantime, I am communicating my draft monthly reports to the Minister of Finance, and, as far as possible, am taking his observations into account.

1 See Official Journal, December 1924, page 1814; February, 1925, page 181; March 1925, pages 347 and 368.