City was also dealt with by the Council and a full report on the subject will be found in the Chapter on the work of the Financial Committee in the present report.

The representative of Spain acted as Rapporteur for Danzig questions (with the exception of those concerning the financial situation of the Free City). The President of the Danzig Senate and the Polish Diplomatic representative at Danzig, both assisted by technical experts, the High Commissioner of the League in Danzig and the President of the Danzig Harbour Board were present at the sessions of the Council when Danzig questions were discussed. Poland was also represented by her permanent delegate to the League of Nations.

Members of the Secretariat have visited Danzig in order to acquaint themselves with conditions on the spot.

The Council has had submitted to it by the Secretary-General two general reports on Danzig questions dealing with the periods from April to October 1924 and October 1924 to March 1925 respectively. They have been published in the Official Journal of the League — issues of November 1924 and May 1925.

1. The Post of the High Commissioner.

In December 1924, Mr. M. S. MacDonnell (Irish) was re-appointed by the Council as High Commissioner of the League in Danzig for a third year as from February 22nd, 1925. His salary was maintained at the rate of 80,000 gold francs per annum. His office comprises a secretary, a chief clerk and a shorthand-writer. The expenses for the upkeep of the High Commissioner's post are borne by the Danzig and Polish Governments in equal shares.

2. The Post of the President of the Danzig Harbour Board.

In December 1924, the Council noted a statement of Colonel de Reynier (Swiss), President of the Danzig Harbour Board, that he was unable to accept re-appointment. The Council and the representatives of the Danzig and Polish Governments expressed their thanks for the work Colonel de Reynier had done during his four years of office in Danzig. As the Danzig and Polish Governments had not been able to reach an agreement regarding the choice of his successor, the Council, in accordance with the provisions of the Danzig-Polish Treaty of November 9th, 1920, appointed Colonel Hugues de Lois (Swiss) President of the Harbour Board for a period of three years from the date when he assumed his duties. His salary was fixed at 60,000 gold francs per annum and is paid out of the revenues of the Harbour Board as provided for by the above-mentioned Treaty. Colonel de Loës took up his duties on April 24th, 1925.

3. Appeals Against the High Commissioner's Decisions.

Since the time of the fifth Assembly, the High Commissioner has given ten decisions, most of which have been appealed against to the Council by either the Polish or Danzig Government, or by both. Besides these appeal cases the Council, at its sessions held in December 1924 and March 1925, also dealt with previous cases of appeal still pending. Certain cases which had come before the Council were again withdrawn, as the two parties had reached agreements for their settlement. The following are the cases on which the Council was actually giving a decision.

(a) Expulsion of Danzig Nationals from Poland.

The Polish Government had appealed against the High Commissioner's decision of August 1st, 1924, and in September 1924 the Council requested certain legal experts to give an opinion whether that part of the High Commissioner's decision dealing with four definite cases of expulsion was in conformity with existing treaties, with international law and with international practice.

The reply of the experts having been in the affirmative, the Council in December 1924 confirmed the High Commissioner's decision.

(b) Establishment of the Polish Railway Direction in Danzig.

The Polish Government had appealed against the Council against the decision of the High Commissioner of December 12th, 1922, under the terms of which Poland had no right, except by agreement with Danzig, to establish on Danzig territory a railway direction dealing with the management of railways other than those situated within the territory of the Free City. For nearly two years the parties had endeavoured to reach a settlement by direct negotiations. In December 1924, the Council invited its Rapporteur to appoint, in agreement with the Chairman of the Committee on Communications and Transit, three jurists, one of whom should have made a special study of State Railways, to give an opinion on the question whether the High Commissioner's decision was in conformity with the treaties, decisions and agreements in force. The jurists, M. van Eysinga, Professor at the University of Leyden, M. Niquille, Director-General of the Swiss Federal Railways, and M. Vivante, Professor at the University of Rome, having replied in the affirmative, the Council in March 1925 confirmed the High Commissioner's decision.
As a result of the Council's resolution of December 1924, the Rapporteur, assisted by two jurists and by the President of the Harbour Board, submitted to the Council a report on certain aspects of the question dealt with in the High Commissioner's decision of November 9th, 1924, against which both Governments had appealed. In March 1925, this decision was replaced by a resolution of the Council providing for an agreement to be concluded between the two parties on certain lines laid down, and, failing an agreement, for a final settlement of the dispute by arbitration.

(d) Harbour Board Police in Danzig.

The Council requested, in December 1924, the President of the Danzig Harbour Board to submit a proposal on the problem dealt with in the High Commissioner's decision of November 10th, 1924, against which Danzig had appealed, and made certain suggestions for the solution of the problem. By a resolution of March 1925, the High Commissioner's decision was replaced by the arrangement proposed in the report of the President of the Harbour Board.

(e) Participation of Danzig in the Stockholm Postal Conference.

In December 1924, the High Commissioner's decision of November 10th, 1924, against which Danzig had appealed, was confirmed by the Council with certain explanations given by the Rapporteur.

(f) Principles applicable to the Conclusion of Danzig-Polish Agreements.

The High Commissioner's decision of November 7th, 1924, against which Poland had appealed, was replaced by a report adopted by the Council at its session of March 1925.

(g) Transformation of Public Institutions: the Case of "Die Danzig".

In March 1925, the Council confirmed the High Commissioner's decision of November 15th, 1924, against which Poland had appealed. In this connection the Council had considered at its session in December 1924 the question of the expenditure of the High Commissioner to secure expert advice.

(h) Application in Danzig Territory of the Polish Customs Law, July 31st, 1924.

The High Commissioner's decision of November 6th, 1924, against which Danzig had appealed, was confirmed by the Council in March 1925, with certain explanations given by the Rapporteur.

(i) Polish Postal Service in Danzig.

The Council at its session in March 1925 considered an appeal by the Polish Government against the High Commissioner's decision of February 2nd, 1925, on the subject of the Polish postal, telegraph and telephone services in Danzig and particularly the installation of Polish letter-boxes and the employment of Polish postmen in Danzig.

In his report submitted to the Council on March 13th, 1925, the Rapporteur stated that the affair in question was not perhaps in itself of very great importance, but that it had given rise to a violent discussion in the Press and had finally assumed a certain political importance. He proposed that the matter should be submitted to the Permanent Court of International Justice at the Hague. This proposal was accepted by the Council.

At the request of the Council, an extraordinary session of the Court was convened to deal with this question on April 14th, 1925, and an advisory opinion was given on May 16th, 1925.


The Polish Government and the Danzig Senate, as well as the High Commissioner, having drawn the attention of the Council to the Polish-Danzig relations as a whole, the Council took up this general question at its session in March 1925. The Rapporteur recalled that the general question of the relations between Poland and Danzig had already been considered by the Council on July 7th, 1923 (a detailed record of the report adopted by the Council on that occasion was given in the Supplementary Report to the fourth Assembly on the work of the Council). The Council confirmed and emphasised certain of its findings, pointing out that the future of Danzig is closely bound up with that of Poland and that all antagonism between Danzig and Poland should be removed by mutual endeavours to understand one another and to cooperate in the common task of developing the port of Danzig to the great advantage of both countries. Reconciliation between the Free City and Poland is the only condition under which Poland's rights can be realised in their entirety and the Free City's interests entirely safeguarded.

On the same occasion in 1923 the Council also recommended the two Governments to institute direct negotiations under the auspices of the High Commissioner, in order to settle the large number of outstanding disputes. This recommendation was accepted and led to the agreement of September 1st, 1923, by which a large number of disputes were settled, but unfortunately the situation again became serious. In December, 1924, the High Commissioner...
drew the Council's attention to the number of decisions which he had to take and the number of appeals brought before the Council and, at the March session, new questions were added to the already long list of questions to be settled. The Council therefore found that it was essential to bring to an end a state of affairs by which it was constantly obliged to deal with a number of technical details of secondary importance, and which — a much more serious matter — was embittering the relations between Poland and Danzig. The High Commissioner had submitted detailed proposals and suggestions in order to remedy this state of affairs and the Council invited the Rapporteur to prepare, with the assistance of the High Commissioner and the Secretariat, for submission to it at its June session, detailed proposals with regard to the procedure to be followed in dealing with the disputes between Poland and the Free City.

With regard to the question of preventing a dispute between Danzig and Poland from being prejudiced by means of direct action of any kind, and of preventing such action from giving rise to incidents which might involve serious political consequences, the Rapporteur declared that it necessarily followed from the special relations created by the Treaties between Danzig and Poland that the two Governments should never resort to direct action against each other. The real difficulty, however, was to decide what constitutes direct action in any particular case. The Rapporteur expressed himself as follows:

"Such an action would, I consider, be one which might endanger or prove a serious obstacle to the maintenance of public security in Danzig or which might jeopardise good relations between Danzig and Poland. Such direct action might take the form of passive resistance as well as active measures.

"The Council, which is the final court of appeal in disputes between Danzig and Poland, is also, of course, the competent organ to decide whether either Government has resorted to direct action instead of employing the methods of redress provided for in the Treaties. If, however, any serious case of direct action arose, it might be dangerous to wait for a Council meeting. The Council should then, I think, leave it to the High Commissioner at Danzig to decide provisionally whether there has been direct action or not. The Government concerned would, of course, be entitled to appeal to the Council, but the High Commissioner's decision should be accepted until the Council has either confirmed, modified or rejected it.

"I need hardly add that the High Commissioner would naturally exercise his authority with great discretion, in order to avoid any undue restriction of the freedom of action either of the Polish Republic or the Free City."

The Council approved this statement, with which also the representatives of Poland and Danzig expressed their agreement.

6.

PROTECTION OF MINORITIES.

I. TREATIES AND DECLARATIONS RELATIVE TO THE PROTECTION OF MINORITIES.

Since the last report on the work of the Council to the Assembly the Council has decided to place under the guarantee of the League of Nations the provisions relative to the protection of minorities contained in two new international instruments.

By a resolution adopted by the Council on the proposal of the Rapporteur on September 26th, 1924, the provisions contained in Articles 1 to 15 of the Treaty of August 10th, 1920, between the Principal Allied Powers and Greece relative to the protection of minorities, in so far as they affect persons belonging to racial, religious or linguistic minorities, were placed under the guarantee of the League of Nations. It should be observed that in conformity with the Protocol signed at Lausanne on July 24th, 1923, the Treaty referred to came into force on August 6th, 1924, and that under the terms of the said Protocol the provisions contained in Article 7, paragraph 2, and Article 15 were abrogated.

As regards the provisions relative to the protection of minorities contained in the Treaty of Peace with Turkey, which was signed at Lausanne on July 4th, 1923, and which came into force on August 6th, 1924, the Council also decided on September 26th, 1924, to place the provisions contained in Articles 37 to 43 of that Treaty, in so far as they affect non-Moslem nationals of Turkey, under the guarantee of the League.

A list of the provisions relative to the protection of minorities by the League and contained in treaties and other international engagements at present in force may advantageously be given here:
A. Treaties.

(1) Austria.

Articles 62 to 69 of the Treaty of Peace with Austria, signed at St. Germain-en-Laye on September 10th, 1919, which came into force on July 16th, 1920. Articles 62 to 68 were placed under the guarantee of the League on October 27th, 1920.

(2) Bulgaria.

Articles 49 to 57 of the Treaty of Peace with Bulgaria, signed at Neuilly-sur-Seine on November 27th, 1919, and came into force on August 9th, 1920. Articles 49 to 56 were placed under the guarantee of the League on October 27th, 1920.

(3) Greece.

Articles 1 to 16 of the Treaty between the Principal Allied Powers and Greece, signed at Sévres on August 10th, 1920, which came into force on August 6th, 1924, subject to the modifications contained in the Protocol signed at Lausanne on July 24th, 1923. Articles 1 to 15 were placed under the guarantee of the League on September 26th, 1924.

(4) Hungary.

Articles 54 to 60 of the Treaty of Peace with Hungary, signed at Trianon on June 4th, 1920, which came into force on July 26th, 1921. Articles 54 to 59 were placed under the guarantee of the League on August 30th, 1921.

(5) Poland.

Articles 1 to 12 of the Treaty between the Principal Allied and Associated Powers and Poland, signed at Versailles on June 28th, 1919, which came into force on January 10th, 1920. Articles 1 to 11 were placed under the guarantee of the League on February 13th, 1920.

(6) Roumania.

Articles 1 to 12 of the Treaty between the Principal Allied and Associated Powers and Roumania, signed at Paris on December 9th, 1919, ratified by Roumania and came into force on September 4th, 1920. Articles 1 to 11 were placed under the guarantee of the League on August 30th, 1921.

(7) Kingdom of the Serbs, Croats and Slovenes.

Articles 1 to 11 of the Treaty between the Principal Allied and Associated Powers and the Kingdom of the Serbs, Croats and Slovenes, signed at St. Germain-en-Laye on September 10th, 1919, by the Principal Allied and Associated Powers and on December 5th, 1919, by the Kingdom of the Serbs, Croats and Slovenes, which came into force on July 16th, 1920. Articles 1 to 10 were placed under the guarantee of the League on November 29th, 1920.

(8) Czechoslovakia.

Chapters I and II of the Treaty between the Principal Allied and Associated Powers and Czechoslovakia, signed at St. Germain-en-Laye on September 10th, 1919, which came into force on July 16th, 1920. These two chapters were placed under the guarantee of the League on November 29th, 1920.

(9) Turkey.

Articles 37 to 44 of the Treaty of Peace with Turkey, signed at Lausanne on July 24th, 1923, which came into force on August 6th, 1924. Articles 37 to 43 were placed under the guarantee of the League on September 26th, 1924.

B. Declarations.

(1) Albania.

Albanian Declaration of October 2nd, 1921. By a resolution adopted by the Council on the same date, this Declaration was placed under the guarantee of the League as from the date of ratification by the Albanian Government. Ratification took place on February 17th, 1922, and the instrument was deposited with the Secretariat of the League on March 22nd, 1922.

(2) Esthonia.

Resolution adopted by the Council on September 17th, 1923, accompanied by a declaration by M. Pusta, representative of the Estonian Government, accepting the resolution of the Council and making certain proposals which were then accepted by the Council.
(3) Finland.

Guarantees in respect of the population of the Aaland Islands, adopted by the Council on June 27th, 1921.

(4) Latvia.

Declaration of July 7th, 1923, approved by the Latvian Government on July 19th, 1923. In a resolution adopted on September 1st, 1923, the Council took note of the Latvian Government’s approval of the Declaration.

(5) Lithuania.

Lithuanian Declaration of May 12th, 1922. At a meeting on December 11th, 1923, the Council adopted a resolution, according to which it agreed with the Lithuanian Government to regard this Declaration as having come into force and placed it under the guarantee of the League.

C. CONVENTIONS.

(1) Germany and Poland.

Convention between Germany and Poland relative to Upper Silesia, concluded at Geneva on May 15th, 1922. Part III: “Protection of Minorities”. The exchange of ratifications took place at Oppeln on June 3rd, 1922.

(2) Lithuania (Memel).

Article 11 of the Convention relative to Memel Territory and Articles 26 and 27 of Annex I (Statute of Memel Territory), signed at Paris on May 8th, 1924, which came into force, as regards Lithuania, in accordance with the transitory provision of the Convention consequent upon ratification by the Lithuanian Government. The instrument of ratification was deposited at Paris on September 27th, 1924.

II. MINORITIES IN ALBANIA.

On October 2nd, 1921, in the presence of the Council of the League, Albania signed a declaration relative to the protection of minorities in Albania. Article 5, paragraph 2, of the declaration reads as follows:

“Within six months from the date of the present Declaration, detailed information will be presented to the Council of the League of Nations with regard to the legal status of the religious communities, churches, convents, schools, voluntary establishments and associations of racial, religious and linguistic minorities. The Albanian Government will take into consideration any advice it might receive from the League of Nations with regard to this question.”

In the report on the work of the Council submitted to the fifth Assembly, it was stated that during 1922 and 1923 the Albanian Government submitted information on this matter to the Council, more particularly a report dated July 7th, 1922, dealing with the position of the minorities in Albania and the text of a law voted by the Albanian Parliament on June 5th, 1923, concerning the legal status of religious communities in Albania. The report also stated that the Council, at its meeting on September 17th, 1923, noted this information, and instructed the Secretary-General to proceed to an examination of the document with the representative of Albania, and to submit his conclusions to the Rapporteur, who would present a report to the Council at an appropriate moment.

A memorandum prepared by the Secretariat was communicated to the Members of the Council at the request of the Rapporteur. The Council has not yet decided to examine this document.

III. GREEK MINORITY IN BULGARIA.

On the proposal of the Rapporteur (the British representative), the Council, at its meeting on September 29th, 1924, accepted certain proposals made by the Bulgarian Government, with a view to ensuring equitable treatment to persons belonging to the Greek minority in Bulgaria in accordance with the clauses dealing with the protection of minorities in the Treaty of Neuilly-sur-Seine of November 27th, 1919.

In accordance with these proposals, Colonel Corfe and Major de Roover, appointed by the League of Nations as members of the Greco-Bulgarian Mixed Emigration Commission 1, were instructed, as special representatives of the League of Nations, to assist the Bulgarian Government, during the term of their appointment to the Commission, in its efforts to achieve the object mentioned above. For this purpose, these two members of the Greco-

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1 This Commission was set up under a convention between Bulgaria and Greece, signed at Neuilly-sur-Seine on November 27th, 1919.
Bulgarian Mixed Emigration Commission act as an advisory body to the Bulgarian Government for Greek minority questions in Bulgaria. They are entitled to give advice to the Bulgarian Government as to the rapid execution of the provisions of the Treaty of Neuilly-sur-Seine relating to the protection of minorities, and for this purpose will undertake an enquiry on the spot into the needs of persons belonging to the minorities, especially in the matter of education and public worship, and will jointly submit to the said Government reports on the measures to be taken.

The two special representatives of the League of Nations are not only at liberty to collect any information which may seem to them desirable or helpful in their work, but are also entitled to receive individual or collective petitions from persons belonging to the minority in question, who consider that the rights accorded to them under the Treaty have been infringed. These petitions must be directed towards the protection of the minorities in conformity with the Treaty, and must not be aimed at the sovereignty of the State. They must come from a well-known and established source and must not be written in violent language.

After examination of each petition, the two representatives of the League will give their joint opinion as to the manner in which the matter can be settled in accordance with the stipulations of the Treaty, and taking into consideration the methods of recourse, whether judicial or administrative, open to the petitioners in Bulgaria. This opinion will be forwarded to the member of the Mixed Commission representing the Bulgarian Government, and he will endeavour to settle the matter on the spot, for which purpose he will receive instructions and full powers from his Government. If he cannot settle the matter on the spot, he will send the opinion to his Government, which will inform the representatives of the League as quickly as possible of its decision thereon. This procedure will not in any way affect the procedure established by the Council of the League with regard to minority petitions.

The Bulgarian Government's proposals then lay down that the representatives of the League will be required to submit to the Secretary-General a detailed report on their work every six months in accordance with the said proposals. Before the expiration of the term of office of Colonel Corfe and Major de Roover on the Greco-Bulgarian Mixed Emigration Commission, the Bulgarian Government will come to an agreement with the League as to the measures to be taken to continue the work of ensuring the effective protection of the Greek minority in Bulgaria, in accordance with the spirit of the present scheme.

Finally, the Bulgarian Government stated that the stipulations of the scheme would come into force as soon as they had been approved by the Council of the League of Nations.

When accepting the Bulgarian Government's proposals, the Council authorised its President and the Secretary-General to sign, with the representative of Bulgaria, a Protocol embodying these proposals and their acceptance by the League of Nations. This Protocol was signed at the same meeting by the representative of the Bulgarian Government, the President of the Council and the Secretary-General.

IV. BULGARIAN MINORITY IN GREECE.

At the same meeting on September 29th, 1924, the Greek Government submitted to the Council proposals relating to the Bulgarian minority in Greece and identical with those submitted by the Bulgarian Government as regards the Greek minorities in Bulgaria.

The Council, again on the proposal of the Rapporteur, accepted the Greek proposals in a resolution framed in similar terms to that adopted as regards the Bulgarian Government's proposals. The representative of the Greek Government, the President of the Council and the Secretary-General also signed at the same meeting the Protocol provided for under the resolution.

In a note dated February 11th, 1925, the Greek Government intimated that the Greek National Assembly had unanimously decided to reject the Protocol signed at Geneva on September 29th, 1924. On the request of the Greek Government, the Council considered the question at its meeting held on March 14th, 1925. On the proposal of the Rapporteur, the Council expressed its deep regret at having proceeded to sign, through its President, an instrument which it felt justified in regarding as a contract between itself and the Greek Government. Although this document, at the moment of signing, so far as the Council is concerned, assumed the character of a complete legal agreement, the Council did not desire to impose on Greece any new obligations which were not provided for in the Treaties, and to which the National Assembly had already refused its consent.

The Council considered it necessary to rectify two contentions in the resolution of the Greek National Assembly, in which it was stated: (1) that the Protocol was at variance with the general provisions of the Minorities Treaties at present in force, and (2) that it instituted a procedure inconsistent with the generally recognised principle that the provisions relating to minorities precluded any interference in the internal affairs of the State. A letter embodying this decision was approved by the President and signed by the Secretary-General, and was despatched to the Greek Government on April 2nd, 1925.

Finally, the Council decided to address to the Greek Government a questionnaire under the following three headings:

(1) What has been done by the Greek Government since September 29th, 1924, up to date, in order to execute in practice the stipulations of the Minorities Treaty?
(2) What is the programme for the future action of the Greek Government, if it has not been possible up till now completely to execute in practice the stipulations of the Treaty?

(3) What, in the opinion of the Greek Government, are the needs of the Slav-speaking minority in the matter of education and public worship, and what special measures has Greece taken or does she propose to take in order to satisfy these needs?

This questionnaire was sent to the Greek Government under cover of the letter from the Secretary-General mentioned above.

M. Veniselos, representing the Greek Government, furnished the Council with explanations concerning the real purport of the resolution in which the National Assembly rejected the Protocol. He gave assurances as regards the Greek Government’s reply to the letter addressed to it by the Secretary-General on behalf of the Council. In reply to the first question above, he supplied certain statistical data relative to the situation of the minorities in Greece in so far as education is concerned, and expressed his confidence that the reply of the Greek Government to the two other questions would be of a nature to give the Council every satisfaction.

V. MINORITIES IN LITHUANIA.

In a telegram dated March 11th, 1924, and a letter dated June 1st, 1924, the “Committee of Polish Exiles from Lithuania” sent a petition to the League complaining of the attitude adopted by the Lithuanian authorities in respect of the rights of the Polish minorities in Lithuania, which were guaranteed by the Lithuanian Declaration for the protection of minorities of May 12th, 1922. The same petitioner also sent considerable supplementary information later.

The above-mentioned documents were communicated, for any observations it might care to make, to the Lithuanian Government, which replied by its letters of May 28th and November 4th, 1924.

The various documents in question were examined, in accordance with the Council’s resolution of October 25th, 1920, by the Czechoslovak, British and Spanish representatives on the Council, who suggested, in a note dated November 11th, 1924, addressed to the Council, that the Lithuanian Government might be invited to furnish explanations on certain points raised in the petition in order to facilitate an exchange of views with that Government. These points were:

1. The assertion of the petitioners that Polish publications are hardly ever permitted by the authorities.
2. The assertion of the petitioners that insurmountable obstacles are placed in the way of Polish private teaching in Lithuania.
3. Agrarian reform.—In order to appreciate the importance of the complaints of the petitioners on this matter, it would seem desirable that the Lithuanian Government should place at the disposal of the Council statistics showing how agrarian reform has been put into practice. The Lithuanian Government may perhaps also desire to furnish the Council with statistics concerning expropriation, without compensation, carried out in the course of agrarian reform, indicating at the same time the legislative provisions in virtue of which this expropriation was effected.

The question was placed on the agenda of the session of the Council held in March 1925. On March 6th, 1925, the Lithuanian Government submitted supplementary observations, more particularly with regard to the three points mentioned above, and during the discussion of the question by the Council on March 14th, 1925, its representative made a verbal statement defining his Government’s point of view.

On the proposal of the Brazilian representative, acting as Rapporteur, the Council took a decision requesting him to examine the information received and to communicate the results of this examination to the members of the Council. The question has again been placed on the agenda of the Council for its session to be held in June 1925.

VI. ACQUISITION OF POLISH NATIONALITY.

At a meeting on March 14th, 1924, the Council requested the Brazilian representative to invite the Polish and German Governments to continue their negotiations on the subject of the acquisition of Polish nationality under the presidency, in the capacity of mediator and arbitrator, of M. Kaeckebbeek, President of the Arbitral Tribunal of Upper Silesia. The negotiations took place at Vienna and resulted in the signature of a Convention on August 30th, 1924.

In a letter dated February 9th, 1925, the Polish delegate to the League of Nations communicated for registration by the Secretariat the text of the above-mentioned Convention, the instruments of ratification of which were exchanged at Warsaw on January 31st, 1925. The Convention was registered on February 10th, 1925.
MANDATES.

I. IRAQ.

(a) DECISION OF THE COUNCIL CONCERNING IRAQ 1.

In September, 1924, the Council, at its thirtieth session, considered a draft decision submitted by the British Government relating to Iraq. In this connection the British representative, on September 19th, made a statement drawing attention to the political development of Iraq since 1920. He observed that the Constituent Assembly, which was elected in Iraq in the course of 1924, had ratified the Treaty of Alliance with Great Britain and the agreements annexed to it (Protocol of April 30th, 1923, under which the Treaty will expire as soon as Iraq is admitted as a Member of the League of Nations and, in any case, after a period of four years; agreements of March 25th, 1924, relating to British officials in Iraq, military and financial questions, and matters of judicial administration).

The British Government considered that Iraq had advanced too far along the path laid down in Article 22 of the Covenant for the particular form of control contemplated in that article to be any longer appropriate and that the draft mandate submitted to the Council in 1920 should be replaced by another instrument. The representative of Great Britain explained that the draft decision and subsidiary documents covered all points contained in the original draft mandate. His Government considered that the proposed arrangement would place Great Britain in a position vis-à-vis Iraq to discharge its obligations towards the League.

On September 27th, 1924, the Council approved the decision submitted to it, as giving effect to the provisions of Article 22 of the Covenant.

Under the terms of this decision, the British Government assumes responsibility for the fulfilment by Iraq of the provisions of the Treaty of Alliance and undertakes to agree to no modifications of the terms of the Treaty without the consent of the Council. The decision also includes clauses similar to those incorporated in the mandates with regard to the submission of an annual report to the Council and the reference of disputes relating to the interpretation or application of the various texts to the Permanent Court of International Justice. Should Iraq not be admitted to the League before the expiry of the period for which the Treaty of Alliance was concluded, the Council will be invited to decide what further measures are required to give effect to Article 22 of the Covenant.

In conformity with the terms of the decision, certified true copies of that document 2 were sent by the Secretary-General to all Members of the League.

(b) JUDICIAL SITUATION OF PERSIANS IN IRAQ.

At its meeting held on September 27th, 1924, the Council considered a letter from the Persian Government asking it to recommend the British Government to include Persians in the judicial regime granted in the Treaty between Great Britain and Iraq to the nationals of certain European States, the United States of America and Japan. Prince Arfa-ed-Dowleh, representing Persia, made a statement on the matter to the Council.

On the proposal of the representative of Sweden, Rapporteur, the Council took note of the declarations of the representative of Great Britain, to the effect that the British Government would be prepared to use its good offices in promoting negotiations in the matter between Iraq and Persia. The Council also expressed the hope "that in accordance with these declarations, an agreement will soon be reached on the judicial situation of Persian nationals in Iraq".


The documents relating to the proceedings of the fourth session of the Permanent Mandates Commission were considered by the Council on August 29th, 1924.

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The Council in the first place adopted the following resolution:

"The Council of the League of Nations:

"Having noted the report on the work of the fourth session of the Permanent Mandates Commission, the observations of the accredited representatives of the mandatory Powers and the report submitted by the Swedish representative;

"Desires once more to express its satisfaction with the fact that the mandated territories, whose administration is dealt with in the reports submitted by the Mandates Commission, are in general administered in conformity with the spirit and letter of Article 22 of the Covenant and the terms of the mandates;

"Addresses its warmest thanks once more to the Mandates Commission for the great ability and zeal which it consistently displays in its difficult work."

Having next examined the general observations of the Commission, the Council took the following action:

(a) Equalisation of Import Duties on Alcoholic Liquors in certain Mandated Territories.

The Council endorsed the views of the Commission and decided to "thank the French and British Governments for giving effect to its recommendation of last year on this point, and to express the hope that the negotiations will lead to the conclusion of an understanding which will check the importation and consumption of spirituous liquors injurious to the material and moral welfare of the population of Togoland and the Cameroons."

(b) Frontier between the British and French Cameroons and between French and British Togoland.

The Commission had expressed its satisfaction at the French Government's readiness to enter into negotiations with the British Government in regard to the possibility of making certain rectifications in the frontier between the British and French Cameroons mentioned in its report on the work of the third session. The Commission had also noted the desire expressed by the French Government that negotiations should also be entered into with regard to certain slight frontier rectifications between French and British Togoland.

The Council decided:

"(a) To express its gratitude to the French Government for the readiness with which it has given effect to the Council's resolution of last year;

"(b) In conformity with the Commission's recommendation, to request the British Government to communicate to the Council its views on the subject."

(c) Military Recruiting 1.

On June 4th, 1924, the British Government informed the Secretary-General that they had "decided not to maintain their right to recruit natives of a mandated territory who may present themselves for enlistment in His Majesty's forces outside the boundaries of the mandated territory,"

and that instructions to that effect had been issued to the Governors of provinces adjacent to the territories under British mandate in East and West Africa. At the same time, the British Government expressed the wish that

"it should be clearly understood that they recede in no way from the attitude taken up by their predecessors as to British sovereign rights in British territory or British-protected territory."

The Commission noted with satisfaction the British Government's decision and also the supplementary declarations made by their representative on this subject. It also noted that, according to the declarations of the French Government's representative, the latter Government shared the views of the British Government on this point. The Commission proposed to the Council that the other Powers holding a B or C mandate should be asked to intimate their views on the question.

The Council decided,

"(a) To express its satisfaction to the British Government and to the Mandates Commission on the agreement they have reached in pursuance of the Council's recommendation of last year;

"(b) To note the French Government's declarations to the effect that it shares the British Government's views on this point;

"(c) To request the other mandatory Powers, in conformity with the Commission's proposal, to intimate their views to the Council."

(d) Loans, Advances and Investment of Private Capital in Mandated Territories.

See Section V, page 55.

1 See Report to the fifth Assembly on the work of the Council, Official Journal, Special Supplement No. 23, page 283
(e) Land Tenure (State domain).

After having fully considered the question, the Commission adopted the following text as expressing the opinion which it had formed on this matter:

"The mandatory Powers do not possess, in virtue of Articles 120 and 257 (paragraph 2) of the Treaty of Versailles, any right over any part of the territory under mandate other than that resulting from their having been entrusted with the administration of the territory.

"If any legislative enactment relating to land tenure should lead to conclusions contrary to these principles, it would be desirable that the text should be modified in order not to allow of any doubt."

The Council took note of the foregoing resolution and requested the mandatory Powers to forward their views on the subject to the Council.

(f) Education.

In its report, the Commission noted with satisfaction a growing tendency in several mandated territories in Africa to give prominence to the daily work and needs of the native boys and girls in the course of their instruction (character training and discipline, teaching of agriculture, arts and crafts, elementary hygiene).

In conformity with the request of the Commission, the Council decided to call the attention of all mandatory Powers to this system of education as being, in the opinion of the Commission, particularly suitable to the conditions of life of backward peoples.

(g) Liquor Traffic.

The Commission thought that it would be advantageous if an authoritative definition were given of certain terms relating to the traffic in spirituous liquors contained in the Covenant and in the Convention of St. Germain of September 10th, 1919.

Before taking further measures, the Council has requested the mandatory Powers to inform it of their views on the subject, as a basis for the work of the Mandates Commission.

(h) Contested Zone on the Northern Frontier of South-West Africa.

The Commission drew attention to the existence between the South-West African mandated territory and the Portuguese colony of Angola of a "neutral zone" which is not under effective control. In the interest of law and order, by bringing this zone under administrative control, and in the interest of the economic development and prosperity of the natives, by rendering possible a scheme for the utilisation of the waters of the Cunene River, the Commission recommended the Council to invite the Government of Portugal and the Government of His Britannic Majesty, for and on behalf of the Union of South Africa, to hasten the conclusion of an agreement which would put an end to the existing situation.

The Council, after taking note of the Commission's observations requested

"the Portuguese Government to inform the Council of its views on the desirability of concluding, at the earliest possible moment, an agreement with His Britannic Majesty's Government, for and on behalf of the Union of South Africa, for the purpose of abolishing the contested zone between Angola and the mandated territory of South-West Africa."

(i) Special Observations of the Commission.

With regard to the special observations of the Commission on the annual reports examined at its fourth session, the Council decided:

"1. To forward these observations to the Governments of the mandatory Powers and to request them to take the requisite action.

"2. To call the special attention of the other mandatory Powers to the considerations suggested to the Commission by the appointment of Mr. Hofmeyr as representative to the Mandates Commission, and to express the hope that they will find it possible in future years to send the officials personally responsible for the administration of mandated territories as representatives to the Mandates Commission.

"3. To request the mandatory Powers in future to make it a general rule to insert in their reports or annex thereto, in at least twelve copies, the complete text of all the general legislative or administrative decisions taken during the period to which the reports refer."

(j) Petitions.

In accordance with the procedure drawn up by the Council, the Chairman of the Commission submitted a report on certain petitions received from sources other than the inhabitants of the mandated territories. The Commission endorsed the conclusions of the report and
decided to take no further action. It also examined the following petitions and the observations on them of the mandatory Powers concerned:

1. French Cameroons — African Progress Union;
2. Syria — Emir Abdallah, son of Abd-el-Kader;
3. French Togoland — Various members of the Adjigo family;
4. South-West Africa — (a) Mr. E. J. Lange, (b) Mr. John Robertson.

The Council decided to approve the Commission's conclusions, which did not involve any further action except a request for additional information in one case.

III. WORK OF THE FIFTH SESSION (EXTRAORDINARY) OF THE PERMANENT MANDATES COMMISSION.

The Permanent Mandates Commission met at Geneva from October 23rd to November 6th, 1924, in order to complete, in the presence of the representatives of the mandatory Powers, the examination of eight reports which it had been unable to consider at its June session. At this extraordinary session, the Commission examined for the first time the administration of territories under A mandate — Palestine, Syria and the Lebanon. It also discussed the reports on the British Cameroons and British Togoland, New Guinea, Nauru, Western Samoa and the Islands under Japanese mandate.

The Commission's report was considered by the Council of the League on December 10th, 1924. The Swedish representative, who acted as Rapporteur, made special reference to some of the salient points of the report and expressed the hope that administrators in mandated territories would continue in the future to attend the meetings of the Commission in person, since the Commission had unanimously agreed that this system had proved of great practical value. After hearing a statement mainly regarding Palestine (see below), made by the British representative, the Council adopted the following resolution:

"The Council of the League of Nations,

Having taken cognisance of the report of the Permanent Mandates Commission on the work of its fifth (extraordinary) session, of the observations of certain of the accredited representatives of the mandatory Powers, and of the report presented by the Swedish representative:

Expresses itself once again satisfied that the mandated territories, the administration of which forms the subject of the report of the Permanent Mandates Commission, are in general administered in accordance with the spirit and letter of Article 22 of the Covenant and of the terms of the mandates;

Desires to repeat to the Permanent Mandates Commission its sincere thanks for the great competence and zeal which it has shown in the execution of its mission; and

Decides:

(a) To forward the observations of the Commission to the Governments of the mandatory Powers concerned, with the request that they will take the necessary action;

(b) To approve the conclusions of the Commission with regard to the petition of the Executive Committee of the Palestine Arab Congress, and to instruct the Secretary-General to bring them to the knowledge of the petitioner and of the mandatory Power;

(c) To request the British Government to furnish the Commission as far as possible with information on the question of the C mandates now under discussion between that Government and the Government of the United States, and also with information on the debates of the British Imperial Conference relating to the question of the acquisition of the nationality of the mandatory Power by the inhabitants of the territories under B and C mandates."

The observations of the Commission on the reports which it examined may be summarised as follows:

TERRITORIES UNDER A MANDATE.

(a) Palestine.

(Representative of the mandatory Power: Sir Herbert Samuel, High Commissioner for Palestine.)

In its report the Commission drew attention first of all to the dualism of principle on which the mandate is based. According to its terms, the mandatory Power is to establish in Palestine a national home for the Jewish people, safeguard the civil and religious rights of all the inhabitants of Palestine irrespective of race and religion, and at the same time develop the institutions of free government.
The Commission pointed out that it was not in any way its duty to contrast these two principles, but, in view of the complaints which had been raised by persons basing their case on one of these principles to the exclusion of the other, the Commission desired to draw the attention of the Council, by way of illustration, to a problem of special importance, namely, immigration. According to the terms of the mandate it is the duty of the Administration of Palestine to encourage — as well as to regulate — Jewish immigration, and the Commission observed that the policy of the mandatory Power as regards immigration gave rise to acute controversy. It also pointed out that the divergencies which bring Zionism and the Arab majority into conflict produced unfortunate results when an attempt was made to create an advisory or legislative council.

The Commission was happy to note that the consequences of this conflict of interests were mitigated by the wisdom and impartiality displayed by the High Commissioner, and expressed the hope that his persistent efforts to secure the co-operation of the Arab majority in the central administration of the territory would shortly be crowned with success, as had been the result in the case of the administration of the municipalities.

The Commission noted Sir Herbert Samuel's statement that his Government would not fail to submit to the Council in 1925 a special report on Transjordania. It also asked for fuller information as to the administrative organisation, immigration and emigration, the armed forces, labour, education and public finance.

In the matter of a petition from the Executive Committee of the Palestine Arab Congress in regard to the situation in the country, the Commission again pointed out that it was not competent to discuss protests against the terms of the mandate itself, and as regarded the complaints alleging administrative abuses, the Commission, after hearing the statement of the High Commissioner, was of opinion that there was no need to recommend the Council to take any action in the matter.

In the course of the discussion by the Council on December 10th, 1924, the representative of Great Britain stated that he was not quite certain that the Commission had entirely appreciated all the efforts made by the Administration in Palestine to fulfil its onerous duty, and that it had not perhaps done full justice to the results achieved by Jewish immigration during the past few years.

The Marquis Theodoli, Chairman of the Mandates Commission, who was present at the meeting, stated that the Commission had never had any idea of criticising the mandatory Power or the High Commissioner for Palestine, but had felt it to be its duty to draw the attention of the Council to the difficulties of the task of the High Commissioner.

(b) Syria and the Lebanon.

(Representative of the mandatory Power: M. Robert de Caix, formerly Secretary-General of the High Commissariat in Syria and the Lebanon.)

The Commission noted with satisfaction the success with which the mandatory Power had tried to conduct its administration in conformity with the terms of the mandate. In framing the organic law which it was endeavouring to set up, it had followed a method which enabled it to avoid difficulties of a political character and those due to the previous history of the country, while taking account of the organisation established by the authority which preceded it, and also the racial and geographical differences obtaining in various parts of the country. It had also aimed at applying the principle of collaboration with the inhabitants to the greatest possible extent, while retaining the power to enforce its will in order to carry out the trusteeship conferred upon it by the Covenant, " until such time as they are able to stand alone ".

The Commission noted the statement of the accredited representative to the effect that at present the number of persons whose presence was considered undesirable during the period of political organisation and who were not yet allowed to re-enter the country was very few. It hoped that conditions in the territory would make it possible for the mandatory Power to extend the acts of grace already carried out.

As regards the right of association and freedom to hold public meetings, the Commission hoped that the mandatory Power would ensure full liberty in this respect, subject only to the exigencies of public order and the application of the mandate.

In its special observations, the Commission asked for fuller information with regard to the judicial system, the application of international conventions, conditions of labour, education, public health, public finance and demographical statistics. It congratulated the mandatory Power on its humanitarian action for the relief of Christian refugees from Turkey, and took note of the explanations given by the accredited representative regarding the delay in the promulgation of the law concerning antiquities provided for in the mandate. The Commission hoped that it would shortly receive a copy of the law.

The attention of the accredited representative was drawn to certain clauses of a Customs Ordinance of April 3rd, 1924, which seemed to introduce, contrary to the principle of economic equality, differential treatment as between goods coming from countries adjacent to Germany and goods coming from other countries which are Members of the League.
TERRITORIES UNDER B MANDATE.

(c) The British Cameroons and Togoland.

(Representatives of the mandatory Power: — The Cameroons, Mr. G. J. F. Tomlinson, Assistant-Secretary for Native Affairs in Nigeria; Togoland, Mr. H. S. Newlands, Deputy Provincial Commissioner in the Gold Coast Administration.)

The British Cameroons and Togoland have been incorporated by the mandatory Power, for administrative and fiscal purposes, with its neighbouring colonies of Nigeria and the Gold Coast respectively. The Commission was prepared to admit that these measures might be the best calculated to ensure good administration, and that they were, moreover, expressly authorised by the mandate, provided that they did not lead to any infringement of the other provisions thereof. If, however, as a result of this incorporation, the mandatory Power found it impossible to submit a report which would enable the Commission clearly to appreciate the nature and character of its administration, such incorporation would ipso facto appear to be incompatible with the spirit of Article 22 of the Covenant.

The Commission noted that, in spite of the evident desire to comply with its wishes, the British reports on the Cameroons and Togoland still showed gaps, especially in financial matters. It was impossible for the Commission to gain a clear idea of the financial situation, or to ascertain whether the efforts made for the well-being of the natives, especially in matters of education and public health, were in full accordance with the principle of trusteeship to which the mandatory Power is pledged. Nevertheless, the declarations made by the representatives of the mandatory Power encouraged it to hope that an attempt will be made, when the next reports are drawn up, to indicate by estimates the approximate proportion of common taxes and expenditure which was attributable to the mandated territories.

The Commission drew attention to the unsatisfactory condition of public health in both territories, and, in particular, to the serious nature of the venereal danger. In view of the small number of medical officials employed in the Cameroons and Togoland, the Commission suggested that the mandatory Power should consider the possibility of calling in medical officers who were nationals of other countries, if it could not supply them itself.

(1) British Cameroons.

The Commission noted with interest the methods of indirect administration applied in the British Cameroons. Certain members of the Commission expressed doubts whether the very wide margin of freedom allowed to the native chiefs in part of the territory might not possibly result in the toleration of certain abuses and the perpetuation of practices which it is incumbent upon the mandatory Power, in virtue of its mission of civilisation, to suppress or modify. The Commission noted with satisfaction the replies of the accredited representative on these points. It expressed the desire, however, that the next report should contain more detailed information regarding the numbers and duties of the European staff entrusted with the supervision of native administration.

The Commission again expressed the hope that the closest possible co-operation would be established between the local administrations of the British and French Cameroons for the repression of the smuggling of spirits, and of the cases of slavery which still occur on the frontier.

The Commission wished to lay emphasis on the desirability of training, during the general reorganisation of the educational system in the territory, a larger number of schoolmasters and schoolmistresses.

It also requested fuller particulars as to the system of labour.

(2) British Togoland.

The Commission expressed the desire to have information concerning health conditions among workers recruited in Togoland for the Gold Coast mines, and also concerning the danger of the spread of venereal disease by workers returning home, and the possibility of the medical examination of such workers before their return.

Lastly, the Commission asked for fuller information regarding the numbers and types of the arms at present in the territory, and regarding the imports and exports of the mandated territory itself.

TERRITORIES UNDER C MANDATE.

(d) Western Samoa.

(Representative of the mandatory Power: the Right Honourable Sir James Allen, K.C.B., High Commissioner for New Zealand in London.)

The Commission congratulated the mandatory Power upon the satisfactory way in which it was applying the principles of Article 22 of the Covenant and of the mandate, particularly as regards public health, the liquor traffic, education and the regulation of labour conditions.

The Commission noted the excellent results obtained from the application of the Ordinance regarding free Chinese labour and the abolition of the system of contract or indentures labour, and of penal sanctions for breach of labour contracts.
(e) New Guinea.

(Representative of the mandatory Power: the Right Honourable Sir Joseph Cook, G.C.M.G., High Commissioner for Australia in London.)

The Commission again expressed its satisfaction with the form in which the report on the administration of the mandated territory had been presented. It requested the mandatory Power to be so good as to include in its next report fuller information regarding the administration of the Solomon Islands, and the other islands other than New Guinea itself. It also asked for further information as regards labour, the traffic in alcohol, education, land tenure and public finance.

The Commission expressed its appreciation of the evident care taken by the Administration to avoid the dangers arising from over-recruiting in certain districts and the transfer of workers to areas with a different climate. It also expressed a desire to receive information as to the present methods of recruiting labour and as to the conditions of work in the various plantations; in this connection it noted the statement of the Prime Minister of Australia that certain allegations recently made would be the subject of the fullest investigation.

(f) Nauru.

(Representative of the mandatory Power: the Right Honourable Sir Joseph Cook, G.C.M.G., High Commissioner for Australia in London.)

The Commission shared the hope of the accredited representative that it might be found possible to substitute, in cases of breach of labour contracts, a civil action in lieu of criminal proceedings, as was already the case in Samoa. The Commission welcomed the information that all the Kanakas recruited for employment in Nauru had been repatriated, as they had suffered in health as a result of the work.

The Commission asked for certain information regarding the administrative organisation of the Island, the use of alcohol, and public finance.

(g) Islands under Japanese mandate.

(Representative of the mandatory Power: M. Sugimura, Assistant Head of the Japanese Office accredited to the League of Nations, Paris.)

The Commission, while appreciating the difficulties with which the mandatory Power might be faced in the task of administering the 700 Islands of which the territory under mandate is composed, stated that it would nevertheless be glad to receive information regarding the general rules applied in the delegation of legislative and judicial powers among the various Japanese and native authorities.

The Commission expressed the desire that further information might be given in the next report regarding labour, the production and consumption of distilled and fermented liquors, education, the organisation of the Public Health Service, public finance and demographical statistics.

The Commission noted with satisfaction that the mandatory Power was investigating the question of protecting the interests of the natives in respect of the rules governing land tenure.

The Commission noted a passage in the report in which the Japanese Government expressed its views in regard to its rights on the revenues derived from public works in the mandated territories. While drawing attention to the fact that these views were hardly in conformity with the conclusions formed by the Commission or with the views held by the majority of the mandatory Powers, the Commission noted with satisfaction the declaration of the accredited representative that his Government was ready to agree to the same principles as those adopted by the other mandatory Powers in regard to this matter.

IV. COMPOSITION OF THE PERMANENT MANDATES COMMISSION.

(a) Resignation of M. Yanagita and Appointment of M. Yamanaka.

On September 9th, 1924, the Council took note of the resignation of M. Yanagita from the Permanent Mandates Commission. On the proposal of Viscount Ishii, M. Chiyuki Yamanaka (Japanese), former Counsellor of Embassy, was appointed to replace him.

(b) Appointment of M. Rappard as Supplementary Member.

At its meeting on December 11th, 1924, the Council, as the result of a recommendation made by the Permanent Mandates Commission, decided to appoint M. William Rappard, who was at that time Director of the Mandates Section of the Secretariat, as a supplementary member of the Commission. Professor Rappard entered upon his duties on January 1st, 1925, when he left the Secretariat of the League.
V. — LOANS, ADVANCES AND INVESTMENT OF PRIVATE CAPITAL IN MANDATED TERRITORIES.

(a) GENERAL ASPECTS.

In its report on the work of its third session, the Permanent Mandates Commission drew attention to certain existing or anticipated difficulties as regards the loans, advances and investment of private capital in mandated territories. At the same time, it suggested that the Council might perhaps think it advisable to take certain steps in order to put an end to these difficulties.

On December 12th, 1923, the Council, before taking further measures, decided,

"To forward the suggestions of the Commission with regard to these questions to the mandatory Powers, and to request them to inform the Council of the action which in their opinion it would be advisable to take."

In its report on the work of its fourth session, the Commission pointed out the urgency of arriving at a definite solution of the question.

The fifth Assembly also had earnestly recommended that a solution should be found as soon as possible for the question of loans, advances and investment of capital in the mandated territories, the present position of which is likely to prove a very serious hindrance to the development of these territories.

At its thirty-third session, the Council had before it the replies from all the mandatory Powers, and decided to request the Permanent Mandates Commission to prepare a draft decision on the subject.

(b) LOAN TO NEW GUINEA.

In a letter, dated July 28th, 1924, the Government of the Commonwealth of Australia informed the Council that it was prepared to make a loan of £67,000 sterling to the Administration of New Guinea for various public works in the mandated territory, but before doing anything which would result in the Administration being under a financial obligation to the Commonwealth the Government considered it desirable that the sanction of the Council of the League should be obtained. In a telegram of a later date to the Secretary-General, the Prime Minister of Australia gave certain explanations regarding the nature of the loan.

At its meeting held on September 25th, 1924, the Council, including Sir Littleton Groom as representative of Australia, proceeded to examine the communications of the Australian Government and a report by the Swedish representative. While recognising that the Australian Government had acted prudently and courteously in submitting the matter to the Council, various members of the Council pointed out that its role was to consider whether the terms and conditions of the mandate were being observed by the mandatory Power, and not to deal with questions of internal administration. They did not think, therefore, that it was within their competence either to sanction or to reject a proposal for a loan.

After an exchange of views the Council adopted the following resolution:

"The Council:

"Having taken cognisance of the request of the Australian Government conveyed in a letter to the Secretary-General, dated July 28th, 1924, that the Council should sanction a proposed loan of £67,000 to the Administration of New Guinea;

"Having noted from the telegram of the Australian Government, dated September 19th, 1924, that the Australian Government intends that the loan shall be a charge on the general revenue of the territory and does not intend to create any special mortgage to secure it;

"Resolves:

"To take note of and raise no objection to the proposed loan on the general terms indicated in the letter and telegram from the Australian Government;

"It being understood that the decision of the Council in this particular case does not prejudice in any way the decision which the Council may later take on the question of loans in mandated territories submitted to it by the Permanent Mandates Commission at its third session."

VI. MANDATES DOCUMENTS.

(a) REPRINTING AND DISTRIBUTION OF THE ANNUAL REPORTS OF THE MANDATORY POWERS.

In a resolution dated September 22nd, 1924, the Assembly requested:

"That the reports of the mandatory Powers should be distributed to the States Members of the League of Nations and placed at the disposal of the public which may desire to purchase them."
In accordance with this request copies of the reports of the mandatory Powers, examined by the Permanent Mandates Commission at its fourth and fifth sessions, were distributed to the States Members of the League.

The supplementary credit of 25,000 frs. appropriated by the Assembly to cover printing in respect of mandates will make it possible to reprint and place on sale the reports received by the Secretariat from the mandatory Powers in 1925.

(b) **Analytical Tables of Permanent Mandates Commission Documents.**

The Assembly also recommended:

"That analytical tables should be drawn up as an annex to the reports of the Permanent Mandates Commission."

Owing to increased staff, the Secretariat's Indexing Section has been able to begin the compilation of analytical tables of the reports and Minutes of the first five sessions of the Permanent Mandates Commission. These analytical tables will probably be ready by the end of 1925.

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### 8. Slavery

The Temporary Slavery Commission will hold its second session at Geneva beginning on July 13th, 1925. It will at that time consider the draft report which the General Rapporteur, M. Delafosse, has undertaken to prepare after having received the observations of the different members of the Commission on the matter.

A statement with reference to the work of this session will appear in the Supplementary Report to the Assembly.

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#### I. Economic and Financial Organisation.

##### A. Work of the Economic Committee.

1. **Protocol on Arbitration Clauses.**

Following ratification by Finland and Italy, the Protocol on Arbitration Clauses in Commercial Contracts came into force on July 28th, 1924. Since that date, ratifications have been forwarded to the Secretariat by Albania, Belgium, Denmark, Germany, Great Britain and Northern Ireland and Roumania.

Further, in addition to the signatures of the seventeen States which on August 13th, 1924, had adhered to the Protocol, the following signatures have since been appended: Austria, Chile, Latvia, the Netherlands (together with the Dutch Indies, Surinam and Curaçao), Portugal, Salvador, Spain and Switzerland.

Finally, the Secretariat has registered the adhesion of Southern Rhodesia.

2. **Convention for the Simplification of Customs Formalities.**

(a) **Signatures and Ratifications.**

The Convention, which was opened for signature at Geneva on November 3rd, 1923, has up to the present date been signed by the following thirty-seven States:

- Australia, Austria, Belgium, Brazil, the British Empire, Bulgaria, Chile, China, Czechoslovakia, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, India, Italy, Japan,
The Conference on Customs Formalities, in a resolution which appeared as No. 8 of the
Final Act, recommended that the possibility and details of action to be taken by States to put
an end to dishonest practices arising out of false declarations in Customs matters should be
studied by such technical organisation as might be designated for the purpose by the Council
of the League.

The Conference instructed the Economic Committee to deal with this question, and the Econo-
mic Committee has accordingly undertaken an enquiry with a view to obtaining information
in regard to the present position of the various relevant laws and Customs regulations. The
Committee has already succeeded in collecting detailed information in regard to some thirty
countries.

The Economic Committee appointed a special Committee of six members to examine a
draft prepared by M. Barboza Carneiro on the basis of Article 8 referred to above, the object
of the draft being the conclusion of an international agreement for the suppression of false
Customs declarations.

Several Central European countries have already concluded a “cartel” (agreement) for
this purpose, and many other countries — notably the Latin-American States —
would, in the view of the author of the draft, be very glad to see an international agreement concluded
on this subject, to put an end to practices which both deplete their fiscal revenues and are
harmful to the reputation of their import trade.

The question is a most difficult one, as it involves not merely Consular invoices and docu-
ments used for valuation purposes, but also false declarations as to the nature, origin and
composition of imports, and further entails the study of a large number of malpractices commonly
included under the term “contraband”.

The draft protocol submitted to the Committee enlarges the scope of the bilateral agree-
ments hitherto concluded on this subject. It provides that the importing country is entitled
to require from the Government of the exporting country the name of the court, the judicial
sentence passed and the measures of suppression, if any, taken in regard to the offence; for
this purpose the laws of the country making the claim and those of the exporting country
will be combined. The method of effecting the combination, however, will require exhaustive
legal investigation.

The Committee of six members specially appointed to study this draft consisted of M.
SERRUYS (Chairman), M. BARBOZA CARNEIRO, Sir HUBERT LLEWELLYN SMITH, M. DI NOLA
(in place of M. Pirelli), M. ENGELL (in place of M. Jensen) and M. BRUNET; it began its work
by examining the various kinds of acts constituting offences, and then proceeded, with the
help of the Legal Section of the Secretariat, to consider judicial procedure and the execution of
sentences.

4. UNFAIR COMPETITION.

The next periodical Conference of the Union for the Revision of the Paris-Washington
Convention for the Protection of Industrial Property is to be convened at the Hague on October
8th, 1925, by the Netherlands Government.

The proposals contained in the programme of revision drawn up by the Economic Committee
in respect of matters of unfair competition was submitted to the last Assembly and forwarded
individually to Members of the League and of the Union for the Protection of Industrial Property.
The Assembly in 1924 recommended that these proposals should be supported at the Hague
Conference by the States Members of the League. The Government of the Netherlands has
intimated that it attaches considerable importance to the Economic Committee participating
in the work of the Conference by sending representatives in an advisory capacity, and the

Lithuania, Luxembourg, the French Protectorate of Morocco, the Netherlands (Dutch
Indies, Curaçao, Surinam), New Zealand, Norway, Paraguay, Poland, Portugal, Roumania,
the Kingdom of the Serbs, Croats and Slovenes, Siam, South Africa, Spain, Sweden, Switzerland,
the Regency of Tunis (French Protectorate) and Uruguay.

The Convention has been ratified by the following twelve States:

Australia (March 13th, 1925), Austria (September 11th, 1924), Belgium (October 4th, 1924),
British Empire (August 29th, 1924), Denmark (May 17th, 1924), Egypt (March 23rd, 1925),
India (March 13th, 1925), Netherlands (May 19th, 1925), New Zealand (August 29th, 1924),
Siam (May 19th, 1925) and South Africa (August 29th, 1924).

Persia acceded to the Convention on May 8th, 1925.

The Convention, as a result of these ratifications, came into force on November 27th,
1924, in conformity with the provisions of Article 26.
Council, on March 10th, 1925, authorised the Committee to take steps to be represented at the Conference by three of its members.

5. Resolution of the Fifth Assembly for the Abolition of Import and Export Prohibitions and Restrictions.

The fifth Assembly, on September 25th, 1924, expressed the desire that the Council should invite the Economic Committee to consider the possibility and expediency of an agreement between States Members of the League and States non-Members, with a view to the final suppression of import and export prohibitions and restrictions, and, if necessary, to suggest the most suitable methods of achieving this object. A reservation was made concerning provisions "relating to the protection of the vital interests of States".

The Council, by a resolution adopted on September 29th, 1924, referred the Assembly resolution to the Economic Committee, and, at the same time, drew the attention of the States to the desirability of supplying the Economic Committee without delay with the information which would enable it to begin, as soon as possible, its study of the question.

A large amount of valuable information bearing on various aspects of the question has been obtained in reply to a circular letter of enquiry from the Secretariat addressed to the various States; this information has been supplemented by the personal investigation of the members of the Economic Committee.

As it appeared to the Committee that the practical problem is one which is specially interesting for the States of Central and Eastern Europe, it decided to invite the Governments of Austria, Germany, Hungary, and the Kingdom of the Serbs, Croats and Slovenes (of which no nationals are at present members of the Economic Committee) to give their views in the course of the discussion. Accordingly, the following experts, Dr. Schüller (Austria), M. Reinshagen (Germany), Dr. Pétery (Hungary), and M. Todorovitch (Kingdom of the Serbs, Croats and Slovenes), have been present at meetings of the Sub-Committee on the Equitable Treatment of Commerce and of the Economic Committee. The Economic Committee wishes to acknowledge cordially the very valuable assistance which it has received as a result of consultation with these experts.

There appears to be a sufficient consensus of opinion in favour of abolishing, or reducing to a minimum, the system of import and export prohibitions to warrant preparatory steps being taken with a view to some form of international action in accordance with the provisions of Article 23 (e) of the Covenant relating to the equitable treatment of commerce.

The system of import and export prohibitions, especially when coupled with a licensing system, has been repeatedly condemned by authoritative international conferences as constituting a method of restriction which is peculiarly liable to give rise to abuses and, in particular, to inflict on international commerce the grave evils of uncertainty, delay and the possibility of unfair discrimination. For these reasons, import and export prohibitions have been categorically condemned by resolutions of the Brussels Financial Conference (1920), the Porto Rosa Conference (1921), the Genoa Conference (1922) and the Geneva Conference on Customs Formalities (1923).

On the above grounds the Committee, while fully recognising that prohibition is only one of several methods by which international commerce may be unduly impeded, thinks that there is sufficient ground for considering that this particular method stands on a special footing, as one that has already been recognised as ripe for an effort at international limitation. It is therefore of opinion that the best prospect of a successful advance is to limit its consideration at the present stage to this particular question rather than to extend it to the more general and controversial problem of tariff policy.

Nevertheless, the Committee recognises the possibility that prohibitions, when abolished, might in some cases be replaced by prohibitive tariffs, which, though in some ways less open to objection, might still offer grave impediment to international commerce, and that the fear of this possibility may prove a considerable obstacle to the successful negotiation of a satisfactory agreement concerning prohibitions.

Confining itself to the subject referred to it by the Assembly, the Committee believes that the prohibitions within the scope of its terms of reference are what may be broadly termed prohibitions "of economic and fiscal defence", i.e., prohibitions having for their object the regulation of foreign trade.

It has therefore been one of the tasks of the Committee to endeavour to enumerate with precision the classes of prohibitions to be excluded from its study. It has accordingly prepared a list of these exceptions, which have always been recognised by international law as being indispen-sable, in certain cases, to safeguard States.

It would probably be desirable to add to these exceptions a provision making it clear that nothing in the proposed agreement restricts the right of a State to prohibit the importation or exportation of goods which do not conform to the conditions prescribed for the importation or exportation of these goods by its legislation or regulations.

In addition to the categories of prohibitions and restrictions which are to be entirely excluded from the agreement referred to by the Assembly, some exceptions will certainly have to be contemplated to meet the case of extraordinary or abnormal circumstances, or to permit a State to defend its commerce or shipping against unfair discrimination. Possibly some further exceptions may have to be made on other grounds, if the League of Nations desires to take into account the actual conditions existing in certain countries, and to facilitate their adhesion, which is particularly desirable. An agreement of this kind cannot, moreover, be successful, unless a large number of States adhere to it.
The Committee has spent much time in examining these aspects of the problem, some of which present great difficulty and are extremely complex. It is necessary, on the one hand, to avoid the danger of reserves intended to meet exceptional emergencies being used as the means of nullifying the main object of the agreement. It is equally necessary to avoid drafting any agreement so strictly and with so little regard to local conditions as to make it impossible to obtain general adhesion. The Committee is not yet in a position to submit to the Council concrete proposals for this purpose and it intends to continue to explore the matter at its next session.

The Committee considers that, until the problems alluded to above have been provisionally solved, it is premature to make any recommendation as to the precise form and scope of any international agreement to give effect to the conclusions which may eventually be reached.

6. TREATMENT OF FOREIGN NATIONALS AND ENTERPRISES.

In the report of the proceedings of the Economic Committee which was laid before the fifth Assembly (Document A. 52. 1924. II) an account was given of the progress made by the Committee up to that date in the study of the question of the treatment of foreign nationals and enterprises which had been referred to the Committee by the fourth Assembly.

That report fully explained the reasons for which the Economic Committee decided to confine its attention for the present to the question of the rights to be accorded to foreigners who have been legally admitted into a country to exercise therein any particular profession, industry or occupation. Briefly, the reasons are that the question of immigration had been expressly excluded from reference to the Committee and that certain other aspects of the question, including the fiscal treatment of foreigners and foreign enterprises, had already been dealt with in a previous report (Document A. 11. 1923. II). Yet another matter, viz. the application of social insurance to foreigners, is under consideration by the International Labour Office.

The report of the Economic Committee to the fifth Assembly concluded by classifying the various classes of professions, industries and occupations for the purpose of the present enquiry. The passage of the report which set out this classification reads as follows:

"A clear distinction must be drawn between the carrying-on of ordinary occupations the exercises of which do not affect State interest and those special professions and occupations which have a direct bearing on essential national interests and security. Within the former class, again, two categories are to be distinguished, viz. (a) the ordinary 'open' profession, industry or occupation; (b) the liberal professions or other occupations the exercise of which is limited to persons of specified qualification or training, or in the pursuit of which such persons occupy a privileged position; the second class may similarly be divided into two categories: (c) occupations the carrying on of which is conditional on obtaining a concession or permit from the State and occupations the exercise of which by foreigners is prohibited or subject to geographical restrictions for the protection of essential national interests; (d) occupations which are the subject of monopolies."

The conclusions and recommendations of the Sub-Committee on the Equitable Treatment of Commerce, which examined this question, have been approved by the Economic Committee and may be summarised as follows:

(a) The general rule for ordinary open professions, industries and occupations should be mutual national treatment, with or without the condition of reciprocity.

(b) In the case of professions, industries or occupations the carrying-on of which is dependent on compliance with a prescribed standard of qualification or of training, it is desirable that States should, so far as practicable, make arrangements by bilateral agreements or otherwise for the mutual recognition of such standards.

(c) The number of professions, industries and occupations into which the entry of foreigners is restricted on the ground of national interest should be limited to the essential minimum required by those interests.

(d) The restrictions placed on foreigners with regard to carrying on, industries and occupations of the above categories should be similarly limited to those which are bona fide necessary for the protection of national interests.

(e) In applying such restrictions, there should be no arbitrary or unjust discrimination between foreigners on the ground of nationality.

(f) If and when a State finds it necessary to restrict the carrying-on of an occupation to persons holding a special contract or licence, the right to tender for such contract, or to obtain a licence on fulfilling the prescribed conditions, should only be restricted to nationals of the State where such restriction is considered necessary to protect essential State interests, and where such restriction to its own nationals is not enforced there should be no arbitrary and unfair discrimination as between the nationals of different foreign States.

(g) Except in so far as the right of foreigners to reside or travel in certain exceptional areas (e.g., in the neighbourhood of forts, etc.) may be restricted in the national interest, the general rule should be that foreigners duly admitted into a country should be accorded the same freedom of travel and residence as is enjoyed by nationals, subject always to compliance with the national laws with regard to the registration of foreigners, notification of change of address, etc.
If, as a result of the special conditions obtaining in certain countries, and particularly in overseas territories placed under the sovereignty or authority of other countries, the above rules cannot be applied, such countries should still be governed by these principles in ensuring equitable treatment of foreign nationals in this respect.

7. ECONOMIC CRISIS AND UNEMPLOYMENT.

The Economic Committee has constituted a Mixed Committee, composed of its Sub-Committee on Economic Crises and of four experts appointed by the International Labour Office, to continue an investigation into the causes and the character of certain economic crises in their relation to unemployment.

The Mixed Committee met for the first time on January 26th and 27th, 1925, just before the fourteenth session of the Economic Committee. It examined the existing position in regard to the negotiations which were taking place concerning the publication of indices prepared by certain non-official organisations. It also discussed the possibility of improving the method of establishing economic barometers, and increasing the number of countries for which indices of this kind are prepared. The economic conditions of the various countries should, it was thought, determine the character of the indices prepared for each of them, it being understood that the scientific standard should not be below that of the best existing indices. The study of the development of the various forms of economic barometers was to be continued, including the question of their international comparability.

The resolutions adopted on these various points by the Mixed Committee were approved by the Economic Committee and the Council.

Moreover, under a resolution adopted by the General Labour Conference of 1924, the Mixed Committee was instructed to undertake the investigations of the different factors, such as the working of credit, general instability of prices and dislocation in the exchanges, which might interfere with the regular coincident expansion of consuming power and of production, and thus affect the stability of employment.

The International Labour Office has submitted to the Committee three memoranda dealing with certain aspects of these questions.

The Mixed Committee, without prejudice to a further examination of other causes or aspects of the economic crisis, has arrived at the following conclusions, which were approved by the Economic Committee:

(a) The Committee considers that it is proved beyond doubt that excessive fluctuations in trade activity as manifested in recent cyclical movements are highly prejudicial to stability of employment, and that it would be very desirable, if possible, to diminish the intensity of such fluctuations.

(b) The Committee also considers that, especially in certain phases of the upward movement of the cycle of trade, the principles on which credit facilities are accorded to industry and trade may be an important factor in accentuating or checking the fluctuation.

(c) The Committee is consequently of opinion that the evils caused to employment by excessive trade fluctuations might to some extent be mitigated if, in arriving at decisions governing credit policy, especially in the circumstances referred to above, due regard were invariably paid to all data as to relevant economic conditions, including the tendencies of employment and prices.

(d) The Committee therefore attaches great importance both to the improvement and extension of the data available, including various indices of economic conditions, and also to their wider diffusion and more general use by financial and other institutions determining or influencing credit policy. In this connection, it refers to the resolutions already arrived at with regard to economic barometers.

Finally, the Mixed Committee decided to invite the collaboration of the Financial Committee in order to study certain aspects of the problem which were outside its competence.

The Mixed Committee again met at Geneva on June 2nd and 3rd, 1925. In addition to the members of the Crises Sub-Committee and the four experts appointed by the International Labour Office, the Mixed Committee included three members appointed by the Financial Committee, namely, Sir Otto Niemeyer, M. L. Dubois and M. Warland (substitute for M. A. Janssen).

The Mixed Committee unanimously adopted the following resolutions:

1. “The Mixed Committee on Economic Crises, representing the Economic Committee and the Financial Committee of the League of Nations, as well as the International Labour Office, unanimously confirms the resolutions adopted at its last session, at which the Economic Committee and the International Labour Office alone were represented.

2. “The Mixed Committee, by a unanimous decision, also recalls and adopts the resolutions mentioned in the report of the Financial Committee of the Genoa Conference of 1922, being convinced that the principles laid down in these resolutions are equally applicable in the present circumstances.

3. “The Mixed Committee decides to ask the two Rapporteurs appointed by the Economic Committee to study the question raised in the report of the International Labour Office concerning the stabilisation of prices and economic problems connected therewith.
4. "The Mixed Committee, having noted the observations made by the delegates of the Financial Committee with regard to the financial and monetary questions raised by the problem of economic crises, requests the Financial Committee to be good enough to submit to the Mixed Committee a report dealing with the following points:

"(i) What financial and monetary measures other than credit control are likely to mitigate the intensity of economic crises?

"(ii) Considering that, in order to guarantee all the elasticity desired to the credit policy, the existence of adequate metallic reserves must be assured, what are the best means of avoiding, in the course of the process of re-establishing the gold standard, an excessive demand for this metal?

5. "The Mixed Committee is of opinion that it would be desirable at an early date to learn the views of the representatives of the different organisations dealing with the establishment of economic barometers as to the best methods of preparing such barometers, of introducing them into other countries and the question of their international comparability."

In accordance with the third resolution above, the Economic Committee appointed as Rapporteurs M. Serruys and M. Heer.

8. UNIFICATION OF METHODS IN ECONOMIC STATISTICS.

The Council, at its session in March 1924, approved the proposal put forward by the Economic Committee that the scheme of co-operation with the International Institute of Statistics on the subject of unification of methods in economic statistics, initiated at the end of 1922, should be continued and that a new programme covering industrial statistics should be submitted to the Preparatory Committee engaged upon the work.

This Preparatory Committee has since then been engaged upon the various problems submitted to it in the new programme, and has drawn up a number of reports for submission to the International Institute of Statistics at its meeting in September next. The whole programme has not yet, however, been fully exhausted, and the Economic Committee accordingly recommends that the existing system of collaboration should be continued during the year 1926 and that this Committee be requested to continue its study of the outstanding question of the existing programme.

B. WORK OF THE FINANCIAL COMMITTEE.

I. FINANCIAL RECONSTRUCTION OF AUSTRIA.

I. MEETINGS OF THE COUNCIL AND OF THE FINANCIAL COMMITTEE.

The discussions at Geneva during September 1924, subsequent to the enquiry conducted at Vienna by the Financial Committee of the League in collaboration with the Commissioner-General, resulted in the approval by the Council on September 16th, 1924, of an Agreement, fixing certain limits for the Austrian budget and enumerating a number of reforms which had to be accomplished before the control of the Austrian State finances by the League could be attenuated or terminated.

The fifth Assembly took note of this Agreement on September 25th, 1924, expressing its satisfaction at the progress made in the financial reconstruction of Austria.

In November 1924 the Austrian Cabinet, presided over by Mgr. Seipel, resigned. The new Government, in which Dr. Ramek is Chancellor, declared at the December session of the Council that it intended to conform, in the same spirit as its predecessors, with the Geneva Protocols and subsequent agreements.

In February 1925 the new Minister of Finance, Dr. Ahrer, as well as the President, the General Manager and the Adviser of the Austrian National Bank, attended the meeting of the Financial Committee.

In its report to the Council, the Committee observed that a number of the measures required under the September Agreement had been taken, but at the same time expressed sense of the extreme importance of the prompt and complete execution of the remaining requirements of the Agreement. The Committee urged the Government to take steps immediately to centralise the Government receipts and payments at the Austrian National Bank, which should be responsible for the cash transactions of the State. It also urged the reorganisation of the Austrian Ministry of Finance in such a way as to enable it to exercise adequate control over the spending departments.

With regard to the Federal Audit Office, the Committee pointed out the advantage of a control by that office over the State enterprises and of co-operation with the Commissioner-General. The Committee finally stated that it was glad to understand that the Austrian Government was renewing negotiations with the provinces in regard to the administrative, financial and fiscal relations of the State and the provinces. The Committee added that it regarded this as a question of great urgency and wished the Government all success in its negotiations.

On March 9th, 1924, the Council adopted the opinions and recommendations of the Financial Committee, adding that it attached the highest importance to their prompt execution.

1 Declaration made by M. Grünberger on December 8th, 1924, at the thirty-second session of the Council: Official Journal, February 1925, page 122.
II. The State Finances.

(a) The Budget for 1925.

In the Agreement of September 16th, 1924, the Austrian Government undertook to limit expenditure in the estimates for 1925 to a maximum of 495 million gold crowns, plus 50 million gold crowns for investments. The budget for 1925, which was voted by Parliament on March 24th, 1925, keeps exactly within these limits.

(b) Actual Expenditure.

The actual level of expenditure is at present higher than that estimated in the budget. The monthly closed accounts show the following figures:

<table>
<thead>
<tr>
<th></th>
<th>2nd half-year 1924</th>
<th>January 1925</th>
<th>February 1925</th>
<th>March 1925</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure</td>
<td>667.8</td>
<td>598.2 (44.0)</td>
<td>575.17 (55.2)</td>
<td>699.2 (40.8)</td>
</tr>
<tr>
<td>Receipts</td>
<td>580.5</td>
<td>664.3 (1.7)</td>
<td>544.92 (1.5)</td>
<td>637.2 (1.7)</td>
</tr>
<tr>
<td>Deficit</td>
<td>87.</td>
<td></td>
<td>30.25</td>
<td>62.</td>
</tr>
<tr>
<td>Surplus</td>
<td></td>
<td>66.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus, excluding investments</td>
<td></td>
<td>111.8</td>
<td>26.45</td>
<td>19.5</td>
</tr>
<tr>
<td>Deficit, excluding investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The preliminary budgets for the later months estimate:

<table>
<thead>
<tr>
<th></th>
<th>April 1925</th>
<th>May 1925</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure</td>
<td>649.6 (51.0)</td>
<td>657.0 (59.7)</td>
</tr>
<tr>
<td>Receipts</td>
<td>611.3 (3.7)</td>
<td>563.9 (4.7)</td>
</tr>
<tr>
<td>Deficit</td>
<td>38.3</td>
<td>93.1</td>
</tr>
<tr>
<td>Surplus, excluding investments</td>
<td></td>
<td>16.4</td>
</tr>
<tr>
<td>Deficit, excluding investments</td>
<td></td>
<td>28.7</td>
</tr>
</tbody>
</table>

(c) The Reconstruction Loan.

During the whole year of 1924 a sum of only 10 million gold crowns was liberated by the Commissioner-General to the Austrian Government from the proceeds of the Reconstruction Loan. During the first months of 1925 no liberations took place, though the Commissioner-General made some temporary advances to the Government for urgent cash requirements, which were regularly refunded to the loan account. A sum of 230.7 million gold crowns still remained as balance of the loan on April 30th, 1925.

The balance consisted of the following items:

(a) Holdings at the Austrian National Bank:
   - In foreign exchange, about 136.0
   - In Austrian currency .0.2

(b) Swiss Government loan 20.0

(c) Temporarily immobilised in bonds of the loan and in various credits 24.9

(d) Advance to the Postal Savings Bank for the end of the month 20.8

(e) Advance to the Tobacco Monopoly for purchases of tobacco 7.3

(f) Advance to the State 21.5

(d) The Pledged Assets.

The gross receipts from the Customs and the Tobacco Monopoly, which are pledged for the service of the loan, continue to come in most satisfactorily:

<table>
<thead>
<tr>
<th>Gross Receipts recalculated on annual basis</th>
<th>2nd half-year 1924</th>
<th>January 1925</th>
<th>February 1925</th>
<th>March 1925</th>
<th>April 1925</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs</td>
<td>93.6</td>
<td>130.7</td>
<td>119.6</td>
<td>123.2</td>
<td>126.5</td>
</tr>
<tr>
<td>Tobacco</td>
<td>184.6</td>
<td>176.</td>
<td>168.7</td>
<td>170.6</td>
<td>191.5</td>
</tr>
<tr>
<td>Total</td>
<td>278.2</td>
<td>306.7</td>
<td>288.3</td>
<td>293.8</td>
<td>318.0</td>
</tr>
</tbody>
</table>

1 The figures in the first column have been multiplied by 2 and those in the three other columns by 12, in order to make possible a comparison on an annual basis. The figures in parentheses indicate expenditure on investments which figures on the expenditure side of the budget or is deducted under certain headings on the revenue side.

2 The figures have been multiplied by 12 in order to make possible a comparison on an annual basis.
The service of the loan requires a sum of about 70 million gold crowns a year, and is therefore covered several times. The surplus is refunded to the Austrian Government by the Commissioner-General.

III. MEASURES OF REFORM.

At the moment of writing this report (end of May 1925) the majority of the measures of reform contained in the agreement of September 1924 have been carried out. In respect of several others, Bills have been laid before Parliament (the acceptance of which seems imminent), notably for the introduction of gold balance-sheets; the organisation of the State forests and salt mines on an autonomous basis; the reform of the financial and fiscal relations between the State and the provinces, notably by the establishment of a supervision by the Central Audit Office over the financial administration of the provinces. The Cabinet is also preparing a scheme for a further compression of the central services of the Government administration. At the end of April 1925, 73,874 officials had been dismissed, in addition to 10,369 officials formerly belonging to the "Südbahn".

IV. THE MONETARY SITUATION.

(a) Circulation.

The situation of the Austrian National Bank shows a great improvement since September 1924. It will be remembered that in order to overcome the crisis on the Vienna money market which occurred in April of that year, the Bank increased its holdings of bills discounted; these were increased from 1,733 thousand million paper crowns on March 31st, 1924, to 3,226 thousand millions on August 31st, whilst the circulation (including sight liabilities) increased from 7,897 to 8,999. On June 5th the Bank raised its rate of discount from 9 per cent to 12 per cent, and on August 13th to 15 per cent, whilst shortly afterwards it initiated a very strict discrimination as regards the bills submitted for discount. These measures did not fail to have effect, with the result that the bills discounted were reduced to 906 thousand million on May 15th, 1925, and the total circulation to 7,945 thousand million.

On this date the circulation (including sight liabilities) was covered by the gold and foreign exchange reserve up to 44 per cent, without reckoning the holdings of foreign exchange obtained through transactions in forward exchange the inclusion of which would raise the percentage to 63 per cent. The price level, which had been rising every month during the second half of 1924, reached its highest level at the beginning of 1925: wholesale prices 21,181 in January 1925; cost of living (housing included) 13,895 in February 1925 (1914 : 1). The level has since been falling.

(b) Monetary Reform.

In conformity with the September agreement, the Austrian Government has established a legal relation between the Austrian currency and a given weight of gold. A new currency has been introduced, the "Schilling", equal in value to 10,000 paper crowns and divided into 100 "Groschen". The Austrian National Bank is obliged to buy gold at sight at the rate of 0.2117208 grammes fine gold to the schilling in exchange for notes. It is not intended to bring gold coins into actual circulation. The Bank's obligation to buy gold at a certain price prevents a rise of the currency; while a fall is prevented by the Bank's foreign exchange policy, which during the past two and a-half years has successfully maintained the stability of the Austrian currency in relation to the dollar. By the introduction of the schilling, Austria definitely ranks in the group of countries which have returned to the gold, or gold exchange, standard.

(c) Foreign Exchange Market.

Another important step taken in execution of the September agreement is the reintroduction of free dealings in foreign exchange. The Bank maintains a daily clearing, but participation therein is merely optional. The abolition of the various restrictions tends to attract more business to the Viennese foreign exchange market and, by lowering the cost of transactions, will benefit commercial and industrial circles. But most of all it will increase confidence, in the country itself as well as abroad.

V. THE ECONOMIC SITUATION.

Austria continues to suffer from the consequences of the crisis which started in the spring of 1924 and from which it is recuperating only very slowly. The crisis shows itself most clearly in the number of unemployed, which rose from 74,000 in September 1924 to 189,000 in March 1925, the highest figure reached during the reconstruction period (167,000 in March 1923, 126,000 in March 1924). Owing to seasonal influences, the number of unemployed is at present diminishing (148,000 at the beginning of May 1925), but it still remains on a level which constitutes a most serious burden to the economic life of the country.

1 The rate was reduced to 13 per cent on November 6th, 1924, and to 11 per cent on April 25th, 1925.
The crisis does not affect all industries in the same degree. The metal and wood industries are suffering from a serious depression and show a certain chronic unemployment. On the other hand, the rubber, paper and chemical industries show hardly any unemployment and can be said to be in a good situation. Unemployment is chronic also amongst bank and clerical commercial employees.

The banking crisis which led to the failing of several smaller and one or two larger banks seems to have come to an end. No further serious failings are expected.

Bankruptcies still continue to be high amongst commercial firms, especially amongst small merchants (254 in 1913; 2,690 in 1924; 1,326 in the first four months of 1925).

On April 18th, 1925, the Austrian Government requested the Council of the League to arrange for an enquiry into the economic situation of Austria, to be carried out by non-political scientific experts, for the purpose of ascertaining the relations of the economic conditions of Austria with the financial reconstruction.
ANNEX.

The table on the following page, taken from the Twenty-Ninth Report of the Commissioner-General, gives the most recent statistical data in regard to public finance, economic life and the position of the Austrian National Bank.
### ANNEX

#### STATISTICAL DATA IN MILLI

<table>
<thead>
<tr>
<th>1925</th>
<th>4th Stage</th>
</tr>
</thead>
</table>

#### (1) Public Finances.

**Gross receipts**

<table>
<thead>
<tr>
<th>May</th>
<th>April</th>
<th>March</th>
<th>From January 1st, 1925</th>
<th>2nd half-year 1924</th>
</tr>
</thead>
<tbody>
<tr>
<td>—</td>
<td>126.5</td>
<td>123.2</td>
<td>125.0</td>
<td>93.6</td>
</tr>
<tr>
<td>—</td>
<td>191.5</td>
<td>170.6</td>
<td>176.6</td>
<td>184.6</td>
</tr>
<tr>
<td>—</td>
<td>318.0</td>
<td>293.8</td>
<td>301.6</td>
<td>278.2</td>
</tr>
</tbody>
</table>

**Estimated receipts**

<table>
<thead>
<tr>
<th>invest.</th>
<th>invest.</th>
<th>invest.</th>
<th>invest.</th>
</tr>
</thead>
<tbody>
<tr>
<td>657.0</td>
<td>563.9</td>
<td>702.3</td>
<td>642.5</td>
</tr>
<tr>
<td>(59.7)</td>
<td>(4.7)</td>
<td>(41.2)</td>
<td>(51.3)</td>
</tr>
<tr>
<td>646.0</td>
<td>611.3</td>
<td>650.5</td>
<td>578.3</td>
</tr>
<tr>
<td>(51.0)</td>
<td>(3.7)</td>
<td>(3.2)</td>
<td>(3.7)</td>
</tr>
</tbody>
</table>

**Total investments**

<table>
<thead>
<tr>
<th>—</th>
<th>—</th>
<th>—</th>
<th>—</th>
</tr>
</thead>
<tbody>
<tr>
<td>93.1</td>
<td>38.3</td>
<td>97.3</td>
<td>64.2</td>
</tr>
<tr>
<td>(64.4)</td>
<td>(54.7)</td>
<td>(44.4)</td>
<td>(55.0)</td>
</tr>
</tbody>
</table>

**Surplus or deficit excluding investments**

<table>
<thead>
<tr>
<th>—</th>
<th>—</th>
<th>—</th>
<th>—</th>
</tr>
</thead>
<tbody>
<tr>
<td>+16.4</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>28.7</td>
<td>—</td>
<td>9.2</td>
</tr>
<tr>
<td>—</td>
<td>+16.4</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

#### II. Reduction in the Number of Officials

**Personnel discharged In April 1925**

<table>
<thead>
<tr>
<th>Central Administration and State Undertakings</th>
<th>—</th>
<th>73,874</th>
<th>(Südbahn 14)</th>
</tr>
</thead>
</table>

#### III. Trade and Industry.

<table>
<thead>
<tr>
<th>Value of imports</th>
<th>360.5</th>
<th>180.25</th>
<th>199.55</th>
<th>160.0</th>
<th>146.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of exports</td>
<td>253.7</td>
<td>126.85</td>
<td>114.04</td>
<td>93.5</td>
<td>75.3</td>
</tr>
<tr>
<td>Trade deficit (excl. of movements of precious metals)</td>
<td>— 106.8</td>
<td>— 53.4</td>
<td>— 85.51</td>
<td>— 66.5</td>
<td>— 64.0</td>
</tr>
</tbody>
</table>

#### FINANCE OTHER THAN PUBLIC

<table>
<thead>
<tr>
<th>April</th>
<th>March</th>
<th>Fourth Stage Dec. 1924</th>
<th>Third Stage June 1924</th>
<th>Second Stage Dec. 1925</th>
</tr>
</thead>
<tbody>
<tr>
<td>148,503</td>
<td>175,581</td>
<td>154,493</td>
<td>63,556</td>
<td>98,600</td>
</tr>
<tr>
<td>(28,524)</td>
<td>(106,908)</td>
<td>(98,980)</td>
<td>(92,780)</td>
<td>(117,144)</td>
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<tr>
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<td>38,966</td>
<td>38,067</td>
<td>41,186</td>
<td>38,740</td>
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<td>(10,651)</td>
<td>(14,003)</td>
<td>(13,012)</td>
<td>(12,201)</td>
<td>(12,400)</td>
</tr>
<tr>
<td>1,5830</td>
<td>1,6225</td>
<td>16,248</td>
<td>14,457</td>
<td>12,860</td>
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<tr>
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<td>2,1685</td>
<td>21,578</td>
<td>20,634</td>
<td>18,673</td>
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<tr>
<td>0,1300</td>
<td>0,1300</td>
<td>1,326</td>
<td>1,002</td>
<td>724</td>
</tr>
<tr>
<td>1,4969</td>
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<td>14,673</td>
<td>12,525</td>
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<td>13,650</td>
<td>12,442</td>
<td>11,249</td>
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<tr>
<td>1,6534</td>
<td>1,6820</td>
<td>16,810</td>
<td>15,376</td>
<td>13,948</td>
</tr>
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<td>1,9567</td>
<td>20,012</td>
<td>16,765</td>
<td>16,216</td>
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<tr>
<td>2,2205</td>
<td>2,2751</td>
<td>22,416</td>
<td>21,679</td>
<td>22,522</td>
</tr>
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<td>2,0058</td>
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<td>18,181</td>
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<tr>
<td>1,44</td>
<td>1,44</td>
<td>14,400</td>
<td>14,400</td>
<td>14,400</td>
</tr>
<tr>
<td>7,0935</td>
<td>7,0935</td>
<td>70,935</td>
<td>70,935</td>
<td>70,935</td>
</tr>
</tbody>
</table>

**Mean parity of dollar in Sch. (or paper crowns) (pre-war gold parity 4,935 paper crowns) | 7.0935 | 7.0935 | 7.0935 | 7.0935 | 7.0935 |

**Stock Exchange index (first half 1914 = 1) (or else 10,000) | 0,1085 | 0,1124 | 1,194 | 1,376 | 2,586 |

**National Bank of Austria | 255,55 | 240,7 | 175,9 | 86,9 | 41,3 |

| 23,44 | 23,6 | 13,55 | 213,9 | 105,3 |
| 249,08 | 230,14 | 339,0 | 282,8 | 305,0 |
| 553,90 | 548,47 | 582,5 | 533,9 | 555,0 |
| 45 % | 41,9 % | 58,2 % | 42,2 % | 55 % |

**State Debt to the National Bank (advances during period of inflation) | 1,456 | 146,4 | 151,3 | 155,4 | 197,4 |

**Holdings of bills | 73,44 | 72,6 | 130,5 | 219,9 | 105,3 |

**Gold reserve and foreign currency holdings | 248,08 | 230,14 | 339,0 | 282,8 | 305,0 |

**Value of notes in circulation | 533,90 | 548,47 | 582,5 | 533,9 | 555,0 |

**Percentage of circulation covered by metal reserve | 45 % | 41,9 % | 58,2 % | 42,2 % | 55 % |

---

2 At the end of the month. 3 During the month. 4 In the middle of the month.
R APRIL 1925.

ANNEX

GOLD CROWNS

3rd Stage 2nd Stage 1st Stage Beginning of Scheme

1st half-year 1924 2nd half-year 1923 1st half-year 1923 Dec. 1922

103.1 83.7 58.3 48.3 44.8
158.9 139.6 99.2 72.5
262.0 223.3 157.5 120.8

533.7 525.2 561.9 672.5
499.1 366.9 284.5 215.1
262.0 223.3 157.5 120.8

34.6 158.3 277.4 457.4

544.8 (50.0 invest.)
504.1 (4.2 invest.)

$1 = about 23.5 gold crowns.
$1 = about 5 gold crowns.

3rd Stage 2nd Stage 1st Stage Beginning of Scheme

Ad. I (b). The Programme drawn up in 1922 and modified for 1925 by the Geneva Agreements of September 1924 provided for an 

3rd Stage 2nd Stage 1st Stage Beginning of Scheme

Annual basis of (in millions of gold crowns)

<table>
<thead>
<tr>
<th>Draft Budget 1925</th>
<th>Fourth stage</th>
<th>Third stage</th>
<th>Second stage</th>
<th>First stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure</td>
<td>544.8</td>
<td>439.0</td>
<td>478.0</td>
<td>536.0</td>
</tr>
<tr>
<td>Receipts</td>
<td>504.1</td>
<td>461.0</td>
<td>435.0</td>
<td>378.0</td>
</tr>
<tr>
<td>Deficit</td>
<td>—</td>
<td>+ 22.0</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Surplus</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Total investments: 54.2

Excluding investments, surplus equals + 13.5

1 The figures in parentheses indicate investments expenditure reckoned under the heading of expenditure, which is thereby increased, or under the heading receipts, in which case the net amount to be collected is reduced to the figures indicated (similarly as regards (c)).

Ad. I (c) § Excluding temporary movements of funds advanced and subsequently repaid (current account transactions).

Ad. II. The Reform Programme provided for the discharge of a total of 100,000 officials before July 1st, 1924.

Ad. III. The Austrian Federal Statistical Office only publishes inclusive figures of the balance of trade for January and February 1925.

End of Begin. of Reform Scheme

First Stage 1923

<table>
<thead>
<tr>
<th>December 1922</th>
<th>September 1922</th>
</tr>
</thead>
<tbody>
<tr>
<td>65,594</td>
<td>120,525</td>
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<tr>
<td>(33,308)</td>
<td>51,223</td>
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<tr>
<td>30,132</td>
<td>22,301</td>
</tr>
<tr>
<td>(12,244)</td>
<td>In P. C.</td>
</tr>
<tr>
<td>14,132</td>
<td>In P. C.</td>
</tr>
<tr>
<td>15,333</td>
<td>—</td>
</tr>
<tr>
<td>498</td>
<td>—</td>
</tr>
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<td>14,364</td>
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<td>11,513</td>
<td>9,375</td>
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<td>14,338</td>
<td>11,371</td>
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<tr>
<td>17,124</td>
<td>—</td>
</tr>
<tr>
<td>21,061</td>
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<td>14,380</td>
</tr>
<tr>
<td>70,985</td>
<td>15,100</td>
</tr>
<tr>
<td>71,068</td>
<td>74,976</td>
</tr>
</tbody>
</table>

| 23.5         | 7.7            |
| In P. C.     | In P. C.       |
| 1,479        | 2.1            |
| 719          | 502            |

| 12,834       | January 7th, 1923 |

As the Parititary Commission for fixing the cost of living came to an end at the beginning of May, there will be no official index numbers in future.

x =

All the indices in this table are calculated according to the present prices in schillings (1 schilling = 10,000 paper crowns) compared with pre-war prices in crowns (co-efficient of high cost of living).

What cost 1 crown in 1914 cost x schillings in the months indicated.

Having regard to the relation between the gold crown and the schilling (1 gold crown = 1.44 schilling), the index number of wholesale prices corresponds to a gold price index number of 1.37.

U.S.A.: March 1925 = 1.61)

1.9854

1.44

The Stock Exchange index was 1.059 at the beginning of May (compared with the schilling).

The National Bank of Austria began operations on January 2nd, 1923. In accordance with the Statutes, the sums in gold crowns are calculated on the basis of the average rate of exchange for the second half of the preceding year, viz.:

For 1923: 12,834
For 1924: 14,400

As from March 1st, 1925, 1 gold crown = 1.44 sch. (1 sch. = 0.2117 grammes of fine gold = 0.604 gold cr. = 10,000 paper cr.).
2. FINANCIAL RECONSTRUCTION OF HUNGARY.

The report submitted to the last Assembly gave a summary of the scheme for the financial reconstruction of Hungary, and the supplement to that report gave an account of its progress up to the end of June 1924. The Commissioner-General ended the report covering the first month of his work in Hungary, May 1924, with the following observation: "There is no reason apparent why the execution of the Reconstruction Plan should not produce the expected results and instil in the Hungarian people that spirit of confidence and hope for the future which is one of the essential features of the plan".

The progress made during the year which has passed since these words were written has only confirmed this first impression, and, if the following account shows that some difficulties (such as the permanent reform of the State administration) still remain to be overcome, there have been, on the other hand, certain favourable results far surpassing the expectations formed at the time when the Financial Committee first framed its scheme nearly two years ago.

The administration of the plan has worked smoothly, and at its session in March of this year the Council noted that the collaboration between the Hungarian Government and the Commissioner-General had been a conspicuous factor in its successful prosecution.

PUBLIC FINANCE.

It will be remembered that, as in the Austrian plan, provision had been made for a loan to be floated, the proceeds of which were to be used to meet budget deficits during the reform period of two years and two months. This loan, amounting net to 250 million gold crowns, or about ten million pounds sterling, had been successfully floated in the summer of 1924. Of this amount no less than 185 million gold crowns will be available at the end of the first year of reconstruction, the balance having been used to cover the deficit existing for the financial year ending June 30th, 1924. In the five half-yearly budgets covering the reform period from May 1924 to June 1926 and set up in agreement between a delegation of the Council and the Hungarian Government, it had been estimated that out of this 250 million gold crowns about 60 million would be required during the first two months, i.e. up to June 1924. This sum was, in fact, used.

During the next half-year, July to December 1924, it had been estimated that the net receipts would amount to about 143.8 million gold crowns, net expenditure to 186.3 million gold crowns, leaving a deficit of 42.5 millions to be met out of the loan. Actually, there was no deficit and no part of the loan was expended. This is due to the fact that, although expenditure was higher than had been contemplated in the Reconstruction Budgets (205.9 million gold crowns) the revenue showed an even greater increase (approximately 40 per cent) over the estimates, and even exceeded the receipts estimated for the end of the period of reconstruction. The Commissioner-General pointed out that the estimated maximum had thus been reached much sooner than was anticipated and that, especially having regard to the fact that this period included some of the best months of the year from the revenue-producing standpoint, it was unlikely that further large increases in revenue could be expected.

This opinion is likely to be confirmed by the results of the next period of six months, January-June 1925, so far as can be judged from the information regarding the first four months at present available, which will be included in the Supplementary Report to the Assembly. During this half-year it had been estimated that the receipts of the Hungarian Government would amount to 150.3 million gold crowns, its expenditure to about 207.8 million gold crowns, thus leaving a deficit of 57.5 million gold crowns to be met out of the proceeds of the loan. Judging by the preliminary estimates which are submitted every month to the Commissioner-General and which approximate closely to the actual results, the first half of this period, instead of showing a deficit, will, in fact, show a slight surplus. This may be said with confidence, in view of the fact that under the system described in detail later, by which all Government receipts and expenditures are made through the Hungarian National Bank, the Commissioner-General is in a position at any moment to check the cash position of the Treasury from statements supplied by the National Bank. April, for the first time, shows a slight deficit of half a million gold crowns, and the estimates for May show one of about 2 1/2 million gold crowns; but, as the Commissioner-General points out in his last report, the deficits for these months are to a considerable extent seasonable, were anticipated at the present stage and will be met from revenue accumulated during some of the best months of the year from the revenue standpoint.

At the present stage, therefore, there remains out of the Reconstruction Loan a sum of 185 million gold crowns, i.e. more than double the sum of 90 million gold crowns which would have been left on the conservative estimates originally made.

The level of net expenditure has been in excess of the amounts fixed in the Reconstruction Plan by about 60 million gold crowns, chiefly because the pay given to State employees has been in excess of that amount fixed in the Budget. The details of the revenue of the budget are given monthly in the reports of the Commissioner-General. They show that receipts have been substantially 40 per cent in excess of what had been estimated, the revenues pledged for the service of the loan (Customs, sugar, salt monopoly, tobacco monopoly), in particular, largely exceeding the very conservative estimates made. They reached their highest point in November of last year. The Customs have since then declined; it is perhaps not desirable
that they should continue at the present rate, as many factors, including the commercial agreements now under negotiation with neighbouring countries, will probably tend to diminish them. On a yearly average, their yield has never been less than four times, and sometimes more than six times, the amount necessary to meet the service of the loan, and there is no reason to expect that in any quarter they will fall below the former level.

Another marked feature on the revenue side of the Budget has been the fact that indirect taxes have shown a much greater excess over the estimates than direct taxes. The two most striking features which emerge from the above account are, first, that the Budget, instead of showing, as contemplated, a deficit of more than 100 million gold crowns during the first year of the reconstruction period, is, in fact, likely to balance; but, secondly, that the general level of the budget is considerably higher than had been planned. This is not due to the larger amount of paper crowns expended but to the appreciation of the paper crown in terms of gold, amounting to about 16 per cent increase.

In view of the larger favourable position, the Hungarian Government, in February, desired to grant a permanent increase of salary to the Civil Service, involving additional expenditure of 18 million gold crowns per annum and thus raising the permanent level of the budget to 488 million gold crowns instead of 410.4 millions provided for in the Reconstruction Plan.

Before assenting to any new burden of a permanent nature, however, the Council, on the advice of the Financial Committee, in view of the fact that the fiscal burden already involved in the present expenditure was higher than the level fixed for the end of the reconstruction period, desired to have more ample experience of the progress of reconstruction and its effect upon the taxable capacity of the country. At the same time a provisional and temporary increase of 15 per cent in officials' salaries was admitted and has since been given by the Hungarian Government.

The system under which the Commissioner-General of the League has carried out his duties was set up by July of last year, and has been working satisfactorily. It has involved a considerable internal reform in the establishment of a control by the Finance Ministry over the spending departments. Monthly budgets are submitted to the Commissioner-General in the middle of the preceding month, together with a provisional closed account for the preceding month and a monthly statement of liabilities, incurred but unpaid, for each department and each State undertaking. These arrangements, taken in conjunction with statements from the Hungarian National Bank, into which all Treasury receipts are paid and through which all expenditures are disbursed, in accordance with the provisions of the Protocol (Article XIII, paragraph 4), have been of great assistance in the execution of the programme.

This arrangement, which enables the public finances to be administered on a practically a cash basis, and supplies complete daily information as to the cash position of the Treasury, has been an extremely valuable feature of the plan and one which permits the Commissioner-General to ascertain at all times the exact position of the Treasury.

**National Bank of Hungary.**

As in the case of Austria, an essential part of the Reconstruction Plan was the foundation of a National Bank independent of State influence. The Statutes of the National Bank of Hungary were drawn up on the Austrian model, with the difference that special provision was made for the representation of agricultural interests on the Board, and for the granting of privileges to agricultural bills in regard to discount facilities. The State debt to the Bank was fixed at an initial maximum of 110 million gold crowns, and the State participation in the profits of the Bank must be applied to the reduction of this debt.

The National Bank came into active existence on June 24th, 1924, and took over the position of the State Note Institute, which it replaced. Among the liabilities of the State Note Institute was a debt contracted towards the Bank of England at the time of the issue of the Reconstruction Loan. When negotiations for American participation in the Loan broke down, the Bank of England bridged the gap by advancing four millions sterling to the Hungarian Note Institute. The Hungarian crown was at the same time stabilised on sterling, and the stabilisation rate on London was so chosen that, when sterling reached parity in New York, Hungarian and Austrian crowns would be, for all practical purposes, interchangeable crown for crown.

For maintaining this rate the National Bank commanded, at the outset, apart from its share capital — which could only be used for exchange purposes in the last resort — a modest stock of less than one million pounds sterling, inherited from the Devisenzentrale, which formed part of the late Note Institute. Nevertheless, a new Exchange Ordinance was published at once, which abolished many of the existing restrictions on dealings in foreign exchange, and, although a certain concentration of exchange business in the hands of the National Bank is still maintained, the fact is that anyone who has a debt to pay abroad has no difficulty in obtaining exchange from the National Bank against Hungarian crowns, promptly and for the full amount. By the end of the year 1924 the National Bank was able to show that, after meeting all demands in full, including the arrears of the Devisenzentrale, the reserves of gold and foreign exchange had risen from less than one million to over seven millions sterling. An interesting difference between the reserve policy of the National Banks in Austria and Hungary is that the National Bank of Hungary has chosen to accumulate a fair proportion of actual gold, in spite of the fact that, while sterling was rising to parity in New York, this stock of gold was consequently depreciating in terms of Hungarian currency.

The liquidation of the State Note Institute resulted in a large and somewhat unexpected surplus, amounting to some three-quarters of a million sterling, which is to be applied to the
reduction of the State debt to the Bank. But by an agreement between the Bank and the State, the reduction is to be spread over a period of four years, so that the State may, in the meantime, have funds with which to promote an issue of mortgage bonds on which loans to agriculture can be secured.

The Helwege restoration of the value of Hungarian money, the note circulation rapidly increased, so that before the end of 1924 it had risen by fully 50 per cent. That this expansion was in part seasonal may be seen from the figures of the National Bank's discounts, which were almost doubled between the middle of July and the end of November, only to fall again by nearly 30 per cent of the maximum before the end of May. That both movements were natural and healthy is shown by the course of retail commodity prices, which have fallen gradually but steadily, since reconstruction began, to a level at which they appeared to be practically stable in the spring of 1925. The National Bank may therefore be said, so far, to have fulfilled its primary function, which is to maintain the internal and the external value of Hungarian money. The bank rate was raised on September 17th from 10 per cent (the rate inherited from the Note Institute) to 12 1/2 per cent and was reduced to 11 per cent and 9 per cent respectively in the last week of March and May 1925.

At the end of the first six months of its existence, the National Bank struck a profit and loss account which showed a net profit of 25 1/2 millions of crowns (roughly £75,000) after writing off all the exchange losses incurred as a result of the steady rise in the gold value of the currency. A dividend of 8 1/2 per cent was distributed to the shareholders. The report of the National Bank to the end of 1924, with a number of detailed statistical annexes, has been published and is available in French, German and English.

Administrative Reform: State Undertakings.

It has been seen that the payments to State officials and employees have had an important influence on the budget position. The original reconstruction scheme made a provision for the reduction of personnel (by 15,000 employees), which further experience has shown to be of very modest dimensions in comparison with the possibilities — and indeed the necessities — of the situation.

The situation at present shows that, whereas before the war there were 313,000 State employees, there are now over 182,000. On July 1st, 1924, there were 188,000, although Hungary has approximately one-third of the geographical area and 40 per cent of the population as it existed before the war.

In connection with the above-mentioned desire of the Hungarian Government to make a permanent increase in the salaries of State officials, the Financial Committee, in March, called attention to the importance of revising and radically reducing the whole personnel establishment; noted the seriously disproportionate increase in the higher categories of officials and stated that it had become clear that a reduction in personnel much greater than that required among the original conditions of the Reconstruction Plan was practicable, and that nothing could so substantially assist the establishment of Hungarian finances on a sound basis.

The Council, at its March session, confirmed the opinion of the Financial Committee, expressed the hope that the Hungarian Government would devote earnest attention to this question of administrative reform, which would have the effect of placing the budget on a more sound basis, and believed that the Reconstruction Plan would thus be brought to a successful conclusion.

The Hungarian Government had already, in October of last year, appointed an Advisory Committee, consisting, among others, of the Cabinet Ministers or their substitutes, certain members of the National Assembly and special commissioners to be chosen from independent persons who have taken part in public life, to enquire into the administration of the Government departments and consider possible reductions of expenditure and simplification of administration.

The interim report of this Committee is on the point of being issued, and the proposals of the Government in this matter will be contained in the Supplementary Report to the Assembly.

Meanwhile, a certain number of administrative reforms have been accomplished: the Food Ministry, the Refugees Office, the Office of the Coal Commissioner, the Office for the Regulation of the Government mining industry, the Hungarian Insurance Institution, and several small departments have been discontinued; the financial reorganisation of the “Comitats” and “Communes” has been undertaken. Finally, the last report of the Commissioner-General, covering the month of April, states that an important reform in the Public Accountancy Department has been undertaken, under which a Central Accountant Department under the Finance Ministry will be set up for the recording of all salaries and pensions authorised by all branches of the Hungarian administration.

The “personnel” problem arises also in connection with the State undertakings. The State Railways, for instance, which come under the Ministry of Commerce, show a deficit; the refusal of the Government to make an imperial loan and the increase in the cost of the railway services make it necessary to reduce the railway services. But the Commissioner-General has concluded from a preliminary enquiry that, if the railways are to be able to provide for their capital expenditure, the operating expenses, which at present amount to 97 per cent of the gross receipts, must be reduced. Of these, no less than 65.2 per cent go for the wages and pensions of permanent and non-permanent employees, pensions alone amount to 29 million gold crowns or 16.7 per cent, whereas the pre-war figure was between 3 per cent and 4 per cent. There are, in fact, actually...
as many pensioners as there are active employees on the permanent staff, whereas in 1913 the number of pensioners was only 16 per cent of the number of employees.

The other important State undertaking is the ironworks. Here the salaries of officials, not including permanent workmen, and pensions together reach 13.9 per cent of the operating expenses, as compared with 6.4 per cent in 1913, in spite of the fact that the annual cost per head amounts in gold crowns to about half of what it was before the war. At the present moment there is some tendency to accumulate stocks rather than to curtail production, which would involve the dismissal of staff; but until economic conditions in Central Europe are more settled it is impossible to determine whether, with their high and long-established reputation, they will not be able to sell at their present rate of production.

It will be seen from the above account that one of the most serious problems confronting modern Hungary is how to deal with this army of civil servants and employees. Out of the total of 15,000 dismissals provided for in the two years covered by the reconstruction plan, about two-thirds had been effected by the end of 1924, but no substantial relief either for the budget or the administrative situation will be afforded by a reduction limited to 15,000. On this subject the Commissioner-General sums up his opinion in his eighth report as follows:

"Under present conditions, a wholesale dismissal could not well be undertaken, and it is probable that there is no rapid or immediate remedy for the existing situation. It is possible, however, to prepare a plan which, through the abolition of posts as vacancies occur, will in course of time effect a reduction of the number of State employees to proportions consistent with the present needs of the country. In the end this should prove to be of great benefit to the public finance; funds now devoted to the payment of employees might be used for more constructive purposes or it might be possible to effect decreases in the total expenditures of the Government, with a consequent reduction in taxation."

**Economic Life.**

The progress in the reform of public finance and the return of confidence (due, in particular, to the stabilisation of the crown) has had, on the whole, a favourable effect on economic life. In a country like Hungary, a great deal — the volume of trade, and therefore the yield of many important revenues, the level of prices — depends on the harvest. In 1924 the harvest of maize, sugar-beet, potatoes and other late crops was excellent and nearly half as good again as that of the previous year, thus compensating to some extent for the harvests of wheat, rye, oats and barley, which were below the very large crop of the previous year, but not much below the average of other post-war years. On the whole, therefore, the harvest of 1924 was about an average one. This year, in spite of unusually dry and mild weather in the first half of February, the prospects for winter wheat have considerably improved with the change of weather in the middle of the month. The weather has been favourable to spring sowing, and meadows and pastures are going on well. It is satisfactory to learn from the last available report of the Commissioner-General, covering the month of April, that reports as to the state of winter and spring wheat and other sowings are on the whole favourable.

Apart from the success of the harvests, the factor most likely to influence the volume of trade is commercial and industrial policy. On this subject the Financial Committee had said in its original report that the most vital thing for Hungary was that she should achieve the best production of — and find markets for — the products for which her natural resources and her natural aptitudes best fitted her, that her agricultural production, and to some extent the industries based upon it, were far from attaining their full development and that markets for her surplus, particularly of wine, were not available; while, on the other hand, she was developing certain new industries, under cover of inflation and prohibitions, which had no affinity to her natural resources. The Committee considered it essential that commercial treaties should be arranged allowing of the freer interchange of commodities between Hungary and her neighbours, that all direct impediments to exports — prohibitions, taxes, the maintenance of an artificial rate of exchange which operates as an extra tax on exports — should at once be abolished; and that a rapid reduction of restrictions and prohibitions on imports should also take place. By January of this year, all import and export restrictions were abolished, and restrictions on dealings in foreign currencies had gradually been removed with the constitution of the new Bank. But in the same month a new tariff was introduced which has fallen heavily on manufactured articles and particularly on textiles.

The effects of this new tariff have not so far been mitigated by the conclusion of commercial treaties, except in the case of Poland, with which country a treaty was concluded in March. This treaty includes the reciprocal grant of the most-favoured-nation treatment and for the first time agrees to a reduction by Hungary of her new tariff. Hungarian wines will enter Poland, which was formerly one of the best markets for the heavy wines of the Tokay type, but has latterly been closed to them, on the same terms as wines from other countries with which Poland may have treaties. Prolonged negotiations with Czechoslovakia have also taken place and are continuing. Negotiations with the Kingdom of the Serbs, Croats and Slovenes, Greece and Austria have been begun, and preliminary conversations with other countries are also taking place.

Retail prices reached their highest point in July of last year and have gradually decreased since then, and by the end of April showed a decrease of 12.5 per cent as compared with July of last year. But the prices of textiles, clothes and some manufactured articles are still higher.
than in France, Italy and Austria, and, in many cases, than in England and the United States of America. The wholesale price index continued to rise long after the currency was stabilised and reached its highest point in December. Since then it has decreased rapidly, the figure for the end of March of this year being 10 per cent lower than for December 31st, 1924. In both cases the decrease has taken place chiefly in articles of food. The wholesale index for March figured in gold at 145 (1913 prices being 100); of this total, food stands at 139 per cent and textiles at 221 per cent of the pre-war gold level. This is some indication of the effect which the new protective tariff has had upon the prices of clothing.

FOREIGN TRADE.

The gradual reduction in the adverse trade balance which had taken place during the four years 1920-23 was not maintained in 1924, but the total volume of trade increased greatly. In 1924, in comparison with the previous year, imports increased 66 per cent, exports 70 per cent, the adverse trade balance increasing 50 per cent. But the adverse balance is partly explained by the fact that the progressive removal of import prohibitions from one group after another of goods, accompanied by the stabilisation of the Hungarian currency, tended to encourage imports on credit. Since January 1925, the tide of imports has ebbed. As regards the first quarter of this year, the Commissioner-General states in his last report that the totals point to an increased volume of trade, while, though the adverse balance is nearly twice what it was in the first quarter of 1924, it was less in March 1925 than it was in March 1924, and has diminished in a striking manner since the beginning of the present year.

As regards industry, some attention has been aroused by the marked increase in commercial failures which has taken place since the middle of last year. The number of bankruptcies and compulsory liquidations have risen in this period from 199, the monthly average in the second half of 1924 (as compared with 63, the monthly average in the first half of the year), to 286 in the month of April of this year. This may be partly due to the burden of taxation borne by industry, and it is generally agreed that the tax on commercial transactions, for instance, will have to be revised. But, as the Commissioner-General has explained in his last report, it is also due to the large increase in the number of merchants carrying on business in comparison with the pre-war period (9,440 in 1911, 18,370 in 1924). An examination shows that the bankruptcies have occurred chiefly among businesses founded since the war, so that what has happened is to a large extent the disappearance of enterprises based not upon the normal economy of Hungary but upon the artificial conditions attendant upon a period of inflation.

Doubtless the same cause has operated to bring about some increase in unemployment. A favourable effect of stabilisation is shown, on the other hand, in the increase of deposits in the postal savings banks, which have approximately quadrupled in the same period.

Some detailed comparative figures connected with the above account will be found in the annexed table of statistical information for the month of April extracted from the Commissioner-General's twelfth monthly report (Annex).

CONCLUSION.

In conclusion it may be said, at a point half-way through the reconstruction period, that most of the expectations of the original programme have so far been fulfilled or surpassed. While the level of the budget is at a point which may give cause for some doubt as to whether the fiscal burden involved can or should become permanent, it is nevertheless true that the budget has, in fact, been balanced long before equilibrium was contemplated. The Bank of Issue has been successfully founded and, by a prudent policy, has re-established confidence in the currency, which, after slowly appreciating with the sterling, is now stable. The general economic and industrial life of the country has been slow to adapt itself to new conditions, but, based as it is, in a self-supporting country, on agriculture, it is fundamentally sound, and, with a gradual resumption of more normal conditions of commerce and the interchange of goods, industry should revive.

If, during the next year of reconstruction, the problem of the excessive personnel burdening the finance both of the State and its undertakings can find a comprehensive solution, and if the reform of public finance is accompanied by a development of free economic relations involving, as the Hungarian Prime Minister stated at the last meeting of the Assembly, "an increased exchange of goods and the consequent strengthening of economic ties", there is every reason for Hungary to look forward with confidence to a prosperous future.
ANNEX.

STATISTICS.

1. RETAIL PRICE INDEX (from the *Pester Lloyd*)
   (July 1914 = 1.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1924</td>
<td>January 31st</td>
<td>8,167</td>
</tr>
<tr>
<td></td>
<td>April 30th</td>
<td>18,340</td>
</tr>
<tr>
<td></td>
<td>July 31st</td>
<td>22,018</td>
</tr>
<tr>
<td></td>
<td>October 31st</td>
<td>21,222</td>
</tr>
<tr>
<td></td>
<td>November 29th</td>
<td>21,098</td>
</tr>
<tr>
<td></td>
<td>December 30th</td>
<td>20,884</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925</td>
<td>January 31st</td>
<td>20,503</td>
</tr>
<tr>
<td></td>
<td>February 28th</td>
<td>19,740</td>
</tr>
<tr>
<td></td>
<td>March 31st</td>
<td>19,281</td>
</tr>
<tr>
<td></td>
<td>April 30th</td>
<td>18,805</td>
</tr>
</tbody>
</table>


2. WHOLESALE PRICE INDEX (issued by Hungarian Statistical Bureau).
   (1913 = 1.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Change over preceding month</th>
<th>Comparison with 1913 gold prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1924</td>
<td>January 31st</td>
<td>+29.7 %</td>
<td>1.23</td>
</tr>
<tr>
<td></td>
<td>April 30th</td>
<td>+ 2.8 %</td>
<td>1.25</td>
</tr>
<tr>
<td></td>
<td>July 31st</td>
<td>+ 3.9 %</td>
<td>1.45</td>
</tr>
<tr>
<td></td>
<td>October 31st</td>
<td>+ 2.2 %</td>
<td>1.49</td>
</tr>
<tr>
<td></td>
<td>November 30th</td>
<td>+ 1.0 %</td>
<td>1.54</td>
</tr>
<tr>
<td></td>
<td>December 31st</td>
<td>+ 1.6 %</td>
<td>1.60</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Change over preceding month</th>
<th>Comparison with 1913 gold prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925</td>
<td>January 31st</td>
<td>- 1.7 %</td>
<td>1.59</td>
</tr>
<tr>
<td></td>
<td>February 28th</td>
<td>- 3.9 %</td>
<td>1.52</td>
</tr>
<tr>
<td></td>
<td>March 31st</td>
<td>- 4.5 %</td>
<td>1.45</td>
</tr>
<tr>
<td></td>
<td>April 30th</td>
<td>- 2.0 %</td>
<td>1.44</td>
</tr>
</tbody>
</table>

3. STOCK EXCHANGE INDEX
   (Ten important Securities quoted on the Stock Exchange).
   (1914 = 100)

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1924</td>
<td>End of July</td>
<td>22.2</td>
</tr>
<tr>
<td></td>
<td>End of August</td>
<td>22.8</td>
</tr>
<tr>
<td></td>
<td>End of September</td>
<td>17.4</td>
</tr>
<tr>
<td></td>
<td>End of October</td>
<td>19.6</td>
</tr>
<tr>
<td></td>
<td>End of November</td>
<td>23.93</td>
</tr>
<tr>
<td></td>
<td>End of December</td>
<td>25.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925</td>
<td>End of January</td>
<td>23.0</td>
</tr>
<tr>
<td></td>
<td>End of February</td>
<td>21.4</td>
</tr>
<tr>
<td></td>
<td>End of March</td>
<td>21.7</td>
</tr>
<tr>
<td></td>
<td>End of April</td>
<td>20.7</td>
</tr>
</tbody>
</table>

4. DEPOSITS IN THE POSTAL SAVINGS BANKS AND IN THIRTEEN OF THE MOST IMPORTANT BANKS IN BUDAPEST.
   (Current Accounts and Savings Deposits).

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Deposits (Gold Crowns)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1924</td>
<td>June 30th</td>
<td>2,661,210</td>
</tr>
<tr>
<td></td>
<td>Sept. 30th</td>
<td>7,931,319</td>
</tr>
<tr>
<td></td>
<td>Dec. 31st</td>
<td>23,882,286</td>
</tr>
<tr>
<td></td>
<td>Jan. 31st</td>
<td>29,967,265</td>
</tr>
<tr>
<td></td>
<td>Feb. 28th</td>
<td>34,722,200</td>
</tr>
<tr>
<td></td>
<td>March 31st</td>
<td>44,163,006</td>
</tr>
<tr>
<td></td>
<td>April 30th</td>
<td>50,002,337</td>
</tr>
<tr>
<td>1925</td>
<td>June 30th</td>
<td>55,355,130</td>
</tr>
<tr>
<td></td>
<td>Sept. 30th</td>
<td>114,133,211</td>
</tr>
<tr>
<td></td>
<td>Dec. 31st</td>
<td>160,662,446</td>
</tr>
<tr>
<td></td>
<td>Jan. 31st</td>
<td>166,687,770</td>
</tr>
<tr>
<td></td>
<td>Feb. 28th</td>
<td>194,720,043</td>
</tr>
<tr>
<td></td>
<td>March 31st</td>
<td>231,397,087</td>
</tr>
<tr>
<td></td>
<td>April 30th</td>
<td>263,382,811</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>767,298,826</td>
</tr>
</tbody>
</table>

5. UNEMPLOYED
   (Figures relate only to members of the Union of Socialist Workers).
   *Total membership approximately: 224,000.*

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1924</td>
<td>End of July</td>
<td>31,134</td>
</tr>
<tr>
<td></td>
<td>End of August</td>
<td>30,401</td>
</tr>
<tr>
<td></td>
<td>End of September</td>
<td>26,020</td>
</tr>
<tr>
<td></td>
<td>End of October</td>
<td>30,120</td>
</tr>
<tr>
<td></td>
<td>End of November</td>
<td>30,568</td>
</tr>
<tr>
<td></td>
<td>End of December</td>
<td>33,095</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925</td>
<td>End of January</td>
<td>36,641</td>
</tr>
<tr>
<td></td>
<td>End of February</td>
<td>36,764</td>
</tr>
<tr>
<td></td>
<td>End of March</td>
<td>36,873</td>
</tr>
<tr>
<td></td>
<td>End of April</td>
<td>36,360</td>
</tr>
</tbody>
</table>
3. INTERNATIONAL LOAN AND WORK FOR THE SETTLEMENT OF GREEK REFUGEES.

The Refugees Settlement Commission, which was created to give effect to the Protocol of September 29th, 1923, began its work in December 1923 under the chairmanship of Mr. Morgenthau. Thanks to the temporary advances made by the Bank of England, it was in a position to do a good deal of work even before the issue of the international loan.

The Greek Government wished, however, to obtain certain technical and financial modifications in the Protocol signed in 1923. During September 1924, these modifications were submitted to the Financial Committee by M. Tsouderos, Minister of Finance, and M. Andreades. The modifications were approved by the Council on the recommendation of the Financial Committee, and the Protocol, as well as the Statute of the Commission, was amended by means of an Additional Act signed on September 19th, 1924. The British, French and Italian Governments at the same time signed a declaration respecting the duties of the “International Financial Commission”.

Certain terms of the Protocol affecting the lands allocated to the refugees had, from the technical point of view, appeared too narrow. Articles I and II of the Protocol and Articles XII and XV of the Statute were therefore amended.

As regards the financial aspect of the question, the Hellenic Government had pointed out that the maximum of six million pounds sterling laid down for the loan by the former Article IV of the Protocol was insufficient. The Financial Committee and the Council agreed to the increase of the maximum from six to ten millions. On the other hand, with the text of the former Article VI as it stood, the Hellenic Government might have found it difficult to assign public revenues to guarantee a loan which it might wish to contract for the improvement of the economic situation of the country, and to do so at a low interest.

The new points, as compared with the situation in 1923, were the following: The Greek Government offered, for administration by the International Financial Commission, receipts to a much greater value than in 1923; the value of the land might be put at about ten million pounds sterling, according to the calculations of the best authorities, whereas in 1923 it was impossible to have any idea of the value of this guarantee. The financial situation has also improved.

Taking into account these different considerations, the Financial Committee approved certain modifications in the text of Article VI, at the same time admitting the principle of increasing the maximum amount of the loan. While requesting the Hellenic Government only to assign its revenues for a productive purpose or in order to comply with its Treaty obligations, the Financial Committee thought that the Hellenic Government might, for such a purpose, again be at liberty to accord a second mortgage on the revenues appropriated to the refugees loan. With regard to the other receipts, the Government undertook only to mortgage them if the Financial Committee came to the conclusion that the nature of these receipts was such that it in no way compromised the proceeds of the guarantees attributed to the refugees loan.

The Assembly adopted a resolution on September 25th, 1924, a few days after the signature of this Additional Act, “expressing the hope that the loan might be successfully issued and that the whole of the undertaking, so vital to the economic and political stability of Greece, might be carried through to a successful conclusion”.

The international loan was placed on the markets of London, New York and Athens in December 1924, with complete success and under the conditions contemplated by the 1923 Protocol and the Additional Act of 1924. The total of the loan amounts to a net capital sum of £10,000,000 sterling, and a nominal capital sum of £12,300,000. Of this total, seven and a-half millions were subscribed in London at 88 per cent, nominal interest 7 per cent; two and a-half millions were subscribed in Greece and Egypt at 88 per cent and 7 per cent interest; the remainder, eleven million dollars, was issued in New York at the price of 81 per cent and 7 per cent interest. The success of this loan shows that the financial world had clearly under-estimated the economic and political stability of Greece, which might be carried through to a successful conclusion.

The guarantees given by the Hellenic Government for the loan are of three kinds:

(1) Fiscal revenues attributed to the service of the loan (monopolies of salt, matches, etc., Customs, tobacco and stamp duties, alcohol and various other receipts of the Greek budget). Part of these revenues was entirely free of any burden, while part was already encumbered with a first mortgage for the service of former loans. These different revenues are all placed under the control of the “International Financial Commission”, which has existed in Greece since 1898.

Composed of representatives of Great Britain, France and Italy, this Commission is entrusted with the duty of collecting the revenues assigned as guarantee for various Greek loans. The three States have agreed to entrust the Commission with the duty of collecting the revenues assigned to the refugees loan also. The total of the various revenues in question is calculated at about 1,200,000,000 drachmae.

(2) As stated above, the Hellenic Government has undertaken to assign land and buildings for the settlement of the refugees. These form a supplementary guarantee, representing a value of about £10,000,000 sterling.

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(1) Fiscal revenues attributed to the service of the loan (monopolies of salt, matches, etc., Customs, tobacco and stamp duties, alcohol and various other receipts of the Greek budget). Part of these revenues was entirely free of any burden, while part was already encumbered with a first mortgage for the service of former loans. These different revenues are all placed under the control of the “International Financial Commission”, which has existed in Greece since 1898.

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(2) As stated above, the Hellenic Government has undertaken to assign land and buildings for the settlement of the refugees. These form a supplementary guarantee, representing a value of about £10,000,000 sterling.
(3) In addition to the above, the fact that the concessions of land are granted by the Commission to the colonists on the basis either of repayment of the purchase price or payment of rent, constitutes a further guarantee in favour of the loan.

Finally, the Hellenic Government places the amount of the taxes payable by the refugees at the Commission's disposal. These guarantees exceed very considerably the needs of the service of the loan, always supposing that there is no danger either of political difficulties or of general financial difficulties arising in Greece.

THE WORK OF SETTLING THE REFUGEES.

Having acquired the necessary financial means, the Refugees Settlement Commission has drawn up its programme for 1925. Its aim for this year is to afford the agricultural refugees not yet settled the means of leading an independent existence, namely, dwellings, seed, cattle, ploughs, etc. — and the urban refugees, as far as possible, a roof.

The accounts up to December 31st, 1924, will shortly be submitted to the League of Nations and the Hellenic Government.

A. Agricultural Settlement.

(1) The Work of the Refugees.

In the plains of Macedonia and on the coast, the villages are in process of development and are already surrounded by fields in full cultivation. The refugees show considerable energy and a real desire to improve their position.

The cultivation of vines and silkworms is rapidly developing. The cultivation of tobacco has given most satisfactory results.

(2) Statistics regarding the work of settlement for 1924.

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Families established in Macedonia, Thrace and the other provinces between January 1st and December 31st, 1924</td>
<td>62,583</td>
</tr>
<tr>
<td>Families established by the State prior to the creation of the Commission, between September 1922 and December 1923</td>
<td>72,581</td>
</tr>
<tr>
<td>Houses constructed</td>
<td>11,359</td>
</tr>
<tr>
<td>Animals distributed</td>
<td>98,416</td>
</tr>
<tr>
<td>Ploughs</td>
<td>34,615</td>
</tr>
<tr>
<td>Wagons</td>
<td>3,697</td>
</tr>
<tr>
<td>Seed Grain</td>
<td>11,965,447 okes</td>
</tr>
<tr>
<td>Forage</td>
<td>11,239,139</td>
</tr>
<tr>
<td>Subsistence grants in kind (corn)</td>
<td>17,890,765</td>
</tr>
<tr>
<td>Subsistence grants in money</td>
<td>26,739,220 drachmæ</td>
</tr>
</tbody>
</table>

(3) Transfer of Land.

By a decree of the Minister for Agriculture dated February 6th, 1924, 64 estates, with a total area of 358,053 stremmata, were transferred in full ownership to the Commission.

(4) The Refugees' Bank and the Commission.

Certain difficulties which arose with the Commission at the time of the proposed creation of a refugees' bank are now the subject of negotiations with the Government (these difficulties are especially connected with the endowment granted to the bank, forests, pastures and fisheries, which are indispensable to the Commission).

(5) The Health Situation.

A proposal is now under discussion for establishing a certain number of dispensaries — about 250 — in Greece. The American Red Cross has sent five tons of quinine and the Commission is shortly to order about eight tons more. It has received information that unless energetic measures are taken to procure fresh milk for the children, infantile mortality, which is already considerable, will greatly increase.

B. Urban Settlement.

The Commission has so far devoted its resources to finishing work already begun and, in many cases, in an advanced state. Later, the success of the loan justified it in contemplating the general question of the settlement of the urban refugees and in drawing up a detailed plan, which took into account, on the one hand, the requirements of the urban refugees and, on the other hand, the funds available. A sum of £1,500,000 was set aside for the purpose. In accordance with the new agreement between the Commission and the Hellenic Government, the former will no longer have to build in the large centres (Athens, Piraeus, Salonica and Patras).

1 1 oke = 1,280 gr.
and all its efforts will be aimed at co-ordinating the work of urban and of agricultural colonisation. According to experience, every settlement of an agricultural population in a territory granted for that purpose has the effect of increasing in a certain proportion the absorbing capacity of the towns in that territory.

By December 31st, 1924, 17,685 rooms were completed, of which 8,722 were in the urban districts in Athens and the provinces.

C. General Questions.

(1) Agreement of January 25th, 1925, between the State and the Settlement Commission.

An agreement was signed on January 25th, 1925, between the Hellenic Government and the Commission; it came into force after being approved by the Chamber.

Intended to further the progress of colonisation it modifies in various points the Greek decree law, which, together with the Geneva Protocol, forms the basis of the Commission's activities. Article 1 gives the Government the right of choosing the land appropriate for the settlement of refugees and of fixing the categories to be established there. Articles 8 and 9 set up a joint Council, which is, if necessary, to vote for the solution of certain questions and will constitute a connecting link between the Government, the refugees and public opinion. Article 10 contemplates the publication of an official bulletin. Article 11 facilitates the transfer of land in full ownership to the Commission.

(2) Composition of the Commission.

M. Argyropoulos, the Greek member, has resigned and been replaced by M. Eustathopoulos.

Mr. Morgenthau, Chairman of the Commission, has resigned and been replaced by Mr. Charles Howland, who entered on his duties in February 1925. M. Bonzon (Swiss) has held for six months, in a temporary capacity, the post of member of the Commission vacant by the departure or absence of leave of other members.

(3) Conclusions on the Work as a Whole.

To sum up, it may be said that the work of colonisation is in full development and that the results are very favourable, both for the refugees and for the country as a whole.

The Commission, however, which is obliged by the Protocol to keep strictly within the limits assigned to its task, which is, above all, economic and collective, cannot tread the humanitarian path. The health situation is precarious, especially in the Northern provinces, where malaria is particularly rife. Moreover, a great number of the refugees have come to the end of their savings and are destitute, not only of a permanent shelter but even of clothing. Finally, the proportion of widows and orphans is high. The situation is therefore an anxious one both from the humanitarian and the social point of view, and the State is not in a position to deal with it by itself.

It is to be hoped that charitable societies may, once again, be led to take an interest in the lot of these unhappy people.

4. DANZIG MUNICIPAL LOAN

In pursuance of the Council resolution of June 1921, the Financial Committee had already, on several occasions prior to 1925, investigated certain questions connected with the economic and financial position of Danzig.

At the beginning of February 1925, it considered a request from the representatives of Danzig that it should recommend the Council to authorise the association of the League of Nations with a foreign loan which the Municipality wished to raise. After consulting M. Avenol, Deputy Secretary-General of the League, and Mr. Loveday, Head of the Economic Intelligence Service of the Secretariat, who had recently visited Danzig, the Committee stated in a special memorandum the conditions under which it would be willing to give a favourable reply to this request, assuming that the necessary negotiations between Danzig, the Harbour and Waterways Board and the Polish Government were brought to a satisfactory conclusion.

With the Financial Committee's memorandum as a guide, the representatives of the Municipality of Danzig made, in February, an agreement with certain London issuing houses for the raising of a 7 per cent loan of £1,500,000. At the same time, they opened negotiations with the Polish Government, which had to be consulted under the terms of the Paris Convention of November 9th, 1920, and with the Harbour Board, because a portion of the projected loan was to be devoted to harbour development.

Agreements were concluded as the outcome of the negotiations, which came to an end at Geneva during the March session of the Council, and the assent of the League of Nations High Commissioner at Danzig was also obtained. Finally, in March 1925, being satisfied that the various essential terms of the loan would meet the views of the Financial Committee, M. Avenol and Sir Arthur Salter, on the Committee's behalf, recommended that the Council should authorise the issue of the loan under the auspices of the League.

For further details, see Document C. 204, dated March 18th, 1925, with its annex, Document C. 225, dated April 1st, 1925.
The representative of Belgium, Rapporteur, drew special attention to the collaboration between the Polish Government, the Harbour Board and the High Commissioner, and the Council adopted the Financial Committee's proposal. The main clauses of its resolutions adopted on March 14th, 1925, are as follows:

"The Council authorises the issue, under the auspices of the League, of the proposed Municipality of Danzig 7 per cent Mortgage loan of 1925 of £1,500,000 (nominal), which it considers to be essentially of a constructive character, in that it is to be devoted to sound economic development, which is in the interest of Danzig.

"The Council agrees to undertake the responsibilities (including that of appointing a trustee) which it is requested to assume in the agreement for the loan made on February 19th, 1925, between the Municipality of Danzig and the British Overseas Bank, Ltd., and Messrs. Helbert, Wagg and Co., Ltd.

"On the recommendation of the Financial Committee, the Council appoints as trustee for the loan M. C. E. ter Meulen, the Chairman of the Financial Committee."

The programme for the expenditure of the loan consists of two distinct parts.

The first portion, which amounts to £957,000, relates to the extension of the Radaune water-power electric station, the development of the electric and water supply systems, the acquisition of land for the construction of works on the Niederer front and of dwelling-houses at Brösen, and the construction of sewage filter-beds.

The second part of the projected expenditure amounts to £320,000. This sum will be devoted to harbour works. Under the agreement, signed on Geneva on March 14th, 1925, the Municipality offers £320,000 to the "Harbour and Waterways Board" on the same terms on which it is itself receiving the larger loan from the London banks, but with the single difference that the £320,000 lent by the Municipality is to be repaid in ten years. The Harbour Board at first provisionally accepted this offer, and gave a definite acceptance on April 1st, 1925. The funds which the Municipality will receive from the Harbour Board on the occasion of this earlier repayment, and which will be available for investment, will be paid back into the loan account under the supervision of the trustee and will be used solely for productive works, such as the second portion of the projected operations at the Radaune water-power electric station and for the development of the gas-works, or for other purposes under the terms laid down in clause 18 of the loan contract.

The agreement, including the detailed conditions for the grant of advances by the Municipality to the Harbour Board, has been examined by a representative of the banks of issue, who has certified that it does not adversely affect the security given to the lenders of the main loan.

The principal duties of the trustee are to examine the accounts showing the income derived from municipal undertakings and to satisfy himself that the yield from the loan is not expended on any object other than those for which the loan was issued. The mortgages securing the loan will also be in the name of the trustee.

The trustee will be appointed, and his fees determined, by the Council of the League of Nations. The Council will also decide on any changes in the programme of expenditure. The reason for the insertion of this clause was that the Financial Committee did not feel that the responsibility of authorising such changes should be left to the sole discretion of the trustee.

Such, in outline, is the scheme for the municipal loan as approved by the Council. On the Council's approval being given, the loan was placed on the London market on April 3rd, 1925, and was a complete success.

This is the fourth loan issued under the auspices of the League of Nations.

5. ALBANIA.

The question of the cancellation of M. Hunger's contract as financial adviser to the Albanian Government was laid before the Council on September 8th, 1924. The Albanian Government observed that it fully appreciated the great value of M. Hunger's advice to Albania and was already engaged in effecting the economies recommended by him.

The Government had decided to reduce the number of officials and their salaries, and to increase taxation, with a view to balancing the budget. It deplored the action of its predecessors towards M. Hunger, to whom it begged to tender, through the agency of the Council, its sincere regret and its cordial thanks. In view, however, of its financial situation, the Government regretted that it could not ask M. Hunger to resume his duties.

The Council took note of this communication and made a point of expressing its own appreciation of the value of M. Hunger's services to Albania.

6. ESTHONIA.

In September, 1924, the Financial Committee received, through the Council, a request from the Estonian Government that it should send experts to Estonia to study the situation and enable the Committee to advise it as to the policy which it should follow, in view of the economic and financial difficulties with which it was beset.

M. Avenol, Deputy Secretary-General of the League, and Mr. Loveday, Head of the Economic Intelligence Service of the Secretariat, went to Estonia in January, 1925. The Estonian Government readily placed at their disposal all the information required.
The Financial Committee was specially requested to advise on certain problems of immediate financial policy. At its seventeenth session, held at Geneva in February, 1925, it considered the results of the mission as set forth by M. Avenol, and examined the documents which had been obtained regarding the economic situation of the Esthonian Republic. It discussed what suggestions should be made to the Esthonian Government, more particularly with reference to the reform of the Central Bank.

At its thirty-third session, in March 1925, the Council noted with satisfaction the semi-official collaboration which had been established between the Esthonian Government and the Financial Committee, and authorised the publication of the Financial Committee's report (Document C. 240. 1925), which has been forwarded to all States Members of the League.

This report contains a survey of the first five years of the Esthonian Republic's history, a general description of the economic situation, and an examination of public finance, the monetary situation and credit policy. It recapitulates the measures which have been taken since the autumn of 1923 with a view to controlling the crisis.

The Committee observes that the present situation is not without signs of strength. Thus, by the end of 1924, Esthonia had for three years been able to maintain a budget equilibrium, and could see some possibility of reducing certain items of capital expenditure in 1925. The organisation of new agricultural estates and the export of dairy products were steadily growing; the exploitation of the shale deposits appeared to present interesting possibilities; and the harvest of 1924 was greatly superior to that of 1923. In the last quarter of 1924, for the first time in 18 months, the trade balance showed a surplus, amounting to over 383 million Esthonian marks. It was expected that the proposed Convention with Latvia would assist Esthonian industries to increase their markets very considerably.

In conclusion, the Financial Committee, in its letter of February 12th to the Esthonian Government (published after the Council session), offered recommendations on two special points:

2. Foundation of a Mortgage Institute.


The Financial Committee suggested that the Esthonian Government might perhaps consider amending the existing statutes of the Bank so as to make it completely independent of the State and to separate it entirely from the Ministry of Finance; this reorganisation might be made on the same principles as governed the foundation of the banks of issue of Austria, Hungary and Danzig. The services of experts acquainted with central banking might be secured.

Handing over the metallic reserve of the State to the Bank of Esthonia, transferring the note circulation to the Bank, and amalgamating the two circulations might perhaps all be considered. The Bank should examine drastically its holdings of bills. Advances and bills not recoverable within ten months should be transferred to another institution quite separate from the Bank.

2. Foundation of a Mortgage Institute.

The Government might also consider the question of founding a Mortgage Institute to take over all long-term loan operations; its endowment might consist of such of the Bank of Esthonia's claims and bills as are not recoverable within ten months.

The institute might be given, in the form of fixed or permanent annuities, the credits which the State at present devotes to its long-term loan operations, and these credits might be granted against mortgage bonds duly guaranteed.

The Financial Committee were of opinion that, with the conservative economic policy of the Government, with the foundation of an independent Central Bank, and with the constant determination to maintain a budget equilibrium, Esthonia might make steady progress in her economic policy.

7. DOUBLE TAXATION AND TAX EVASION.

1. Recapitulation of Previous Work.

In 1922, in pursuance of one of the resolutions adopted by the Brussels Financial Conference, the Financial Committee undertook the study of the problem of double taxation. It began by calling upon four economists, M. Bruins, M. Einaudi, M. Seligmann and Sir Josiah Stamp, to report on the question. Their report (Document F. 19) was forwarded to the States Members in 1923. At the suggestion of the Financial Committee, made with the approval of the Council, seven Governments appointed high officials in their financial departments to investigate, from the administrative and practical side, both the problem of double taxation and that of tax evasion, which had been brought to the notice of the League by the Genoa Conference. These seven technical experts held several meetings at Geneva and, at their session in February 1925, completed the drafting of their resolutions and report, which they then handed to the Financial Committee.

The Financial Committee will examine their work at its session in June 1925. It has meanwhile given permission for this work to be published and transmitted to all the Members of the League (Document F. 212).
2. ANALYSIS OF THE REPORT OF THE TECHNICAL EXPERTS.

Guided by the previous investigations of the International Chamber of Commerce, by the report drawn up in 1923 by M. Bruins, M. Einaudi, M. Seligmann and Sir Josiah Stamp, and by the treaties which various States have concluded with a view to the avoidance of double taxation, the Committee drew up resolutions indicating possible solutions of the problem, which they divided into the two following sections:

(1) **Impersonal or schedular taxes.** — The principle adopted is that only the State in which the source of income is situated is entitled to impose these taxes. This principle is applied in succession to various kinds of income: movable property, agricultural undertakings, industrial and commercial establishments, mortgages, directors' fees, earned income, transferable securities and various credits.

When an industrial or commercial establishment is carried on in several countries, the profits will be divided by agreement between the various States concerned. In the case, however, of shipping enterprises, the Committee is prepared to grant that the tax should be imposed only by the country in which the real centre of management and control of the undertaking is situated (this exception being made subject to reciprocity).

As regards interest on transferable securities, the State in which the payer is domiciled shall, as a rule, be entitled to levy the impersonal tax, but the Committee recommends the conclusion of agreements whereby, under certain conditions, reimbursement of or exemption from the tax would be allowed, or whereby the tax would be levied either wholly or in part by the State in which the owner is domiciled.

(2) **Personal (income) tax and succession duties.** — The principle adopted is that the general income tax should be imposed only by the State of domicile of the taxpayer.

Provision is made, however, for certain exceptions; thus bilateral conventions may be concluded whenever, for certain reasons, a State other than the State of domicile finds it necessary to impose an income tax, in particular, on income derived from the immovable property of industrial, agricultural and commercial undertakings (excluding dividends on shares).

In this event, the Committee suggests two methods which it thinks may be of assistance in obviating double taxation:

(1) Deduction by the State of domicile of the taxpayer.

(2) Taxation of only a portion of the income in the country in which it arises, the other portion being taxed in the State of domicile of the taxpayer at the rate applicable to his total income from every source.

(3) The Committee applies the same rules to permanent taxes on the taxpayer's total wealth and to succession duties.

(4) The Committee has endeavoured to offer a definition of the State of domicile without, however, wishing to suggest to Governments any change in their own conceptions on the matter in their civil, administrative and fiscal laws. The fiscal domicile of individuals is defined as the normal residence in the sense of the permanent home (subject to special regulations governing taxpayers who have residences in, or make other than occasional visits to, different countries).

For the purposes of succession duties, the State of domicile is the State in which the deceased had, at the time of his death, chosen to take up his residence with the manifest intention of remaining there. In the case of companies or corporate bodies, the State which has the right to levy the tax is the State in which the head office is situated or the State in which the real centre of management and control of the undertaking is situated.

3. TAX EVASION.

The Committee distinguish two possible forms of evasion:

(1) **Evasion in the assessment of taxes.** — The taxpayer invests his capital or receives his income abroad without informing the Treasury in his own country of his financial position. The Committee is of opinion that the revenue authorities should undertake to supply the necessary information to other countries on a basis of reciprocity; such information to be limited to any particulars which are in their possession and which they are in a position to obtain in the exercise of their ordinary fiscal procedure.

The most serious difficulty is connected with the inviolability of banking secrecy. This cannot be remedied unless public opinion in the country concerned is sufficiently advanced and unless the Government can see its way to adopt measures which will not outrage public opinion, but will fit in with the requirement of its tax-colllecting system.

Another difficulty is that, if only two States conclude agreements, there is some danger of an exodus of their capital to another country which has not signed any convention. The Committee, therefore, considers that the question of tax evasion cannot be satisfactorily solved unless the majority of countries are grouped in an international arrangement and unless these arrangements are concluded simultaneously.

(2) **Evasion in the collection of taxes.** — This is the case of a taxpayer who, being legitimately taxed in his own country, makes collection impossible by living in another country.
The Committee suggest that the administrative and judicial authorities of the State might take action on behalf of another State with a view to recovering any fiscal duties which can be regarded as res judicata.

4. General Conclusions

(1) Moral and material connection between the two problems. — The experts' report contains the following passage dealing with this point:

"Taxpayers alarmed by proposals for fiscal control do not understand that, before or during the forming of measures which may prove embarrassing to them, States do not come to some agreement in order suitably to define their respective jurisdictions as regards taxation and to avoid double taxation. On the other hand, if States, in concluding agreements to avoid double taxation, are driven to make sacrifices in the matter of the yield from taxation owing to the granting of exemption or relief, or a reduction of the rates of their taxes, they may properly endeavour to find compensation for what they thus surrender in measures against tax evasion. Essentially, however, the connection between the two problems is much more a moral than a material one; the idea of justice in the production of taxes is the predominant consideration in all the investigations which the experts have adopted.

"The proposed measures against tax evasion are in the interest of all honest taxpayers.

"The Committee adds that by making good the loss suffered by any Treasury through the concealment of income, States can not only indemnify themselves for the sacrifices necessitated by the abolition of multiple taxation but can also reduce the rates of their taxes."

(2) Creation of an international organisation. — The experts are of opinion that it might be possible to consider the formation of an international organisation which would undertake the duties of conciliation or arbitration on disputed points in international conventions on these questions.

(3) The experts feel that it would be highly desirable to hold another conference of technical experts, the composition (number of States represented) and the terms of reference of which would be enlarged. This Conference should be instructed to ascertain whether it would be possible, on the basis of the present resolutions, to prepare preliminary draft conventions and to draw up a programme for an international conference.


(1) In accordance with the instructions contained in the resolutions of the third Assembly, the Economic and Financial Organisation prepared during 1923 a memorandum on the Balance of Payments and Foreign Trade Balances. In the second edition of this memorandum, greater uniformity in the statements showing the invisible balance of payments of the different States has been attained, the synoptic trade tables have been brought up to the end of 1924 and the special chapters in Volume II have been extended to include different States.

(2) In accordance with the general instructions laid down by the Brussels Financial Conference and the recommendations made by the Economic and Financial Commission and subsequently approved by the Council and Assembly of the League of Nations, the Secretariat has this year published, or has in the course of publication, the following documents:

(a) Memorandum on Currency and Central Banks.
(b) Memorandum on Public Finance.
(c) Monthly Bulletin of Statistics.

(a) Memorandum on Currency and Central Banks.

Owing to the close connection between the subjects dealt with in the previous memoranda on Currency and Central Banks, it has been thought preferable to combine them into a single document. The first volume contains an introduction summarising the most important developments in currency and banking during the year 1924 and synoptic tables with reference to note circulation, gold reserves, rates of exchange, deposits in commercial banks, wholesale prices, etc. The second volume contains an analysis of the balance-sheets of the central banks in all countries in which such institutions are operating, together with notes recording the most important recent monetary and banking changes.

(b) Memorandum on Public Finance.

It is hoped in the memorandum on Public Finance, which will be published during the coming autumn, to review a greater number of countries than in the previous volumes and that it will be possible to give detailed notes on the subject of the balancing of the budget accounts, changes in the fiscal systems and the development of expenditure (especially capital expenditure) in the various States.

1 Treaties establishing a procedure of this nature have recently been concluded in Central Europe.