



"Those who say it cannot be done should not interfere with those of us who are doing it"© - S. Hickman

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Against the Grain

207,172

The Informer

71st Congress, 3d Session House Document No.
825, Vol. III

Papers Relating to the
Foreign Relations
of the
United States
1930
(In Three Volumes)
Volume III
United States
Government Printing Office Washington: 1945

96 FOREIGN RELATIONS, 1930, VOLUME III
ment, aiming at the same goal, have always been ready to join action that might help to promote international goodwill and facilitate effective disarmament. If, therefore, the alleged suggestion of some further extension of the Pact of Paris towards consultation should be discussed, the German Government, being one of the original signatories of the Pact, would gladly cooperate and assume that it would be given the opportunity to express their views.

WASHINGTON, November 20, 1930.

LOANS BY AMERICAN BANKS TO THE GERMAN GOVERNMENT (16)

862.51/2848: Telegram
The Agent General for Reparation Payments (Gilbert) to the Secretary
of State

Paris, March 22, 1930
[Received 7: 45 p.m.]

Supplementing my brief message of last evening, (16a) I understand that a three-cornered transaction has been arranged between Lee Higginson and Company, the German Government, and Krueger Toll, according to which American credits are to be provided for German Government to the amount of 50 million dollars on March 31st for a period of five months and to the further amount of 75 million dollars on June 1st for a period of one year, all by way of anticipating the loan of 125 million dollars which the German Government is to get under its contract with the Swedish Match Trust. Notwithstanding repeated inquiries I have not yet been able to any information in the matter from the German Government, George Murnane ,(17) called late Friday afternoon to tell me that agreement had been reached Friday morning and that the contract was about to be signed. He added that the contract would expressly subject to the consent of the Department of State. In order to avoid any possibility of misunderstanding, I am cabling to advise you as follows:

First, that the Agent General and the other reparation authorities have not been consulted in any way with regard to this transaction by either the German Government or the Reichsbank.

Second, that the first charge in favor of reparations still remains in full force and effect under Article 248 of the Treaty of Versailles (17a)

16. For previous correspondence regarding the flotation of German loans in the United States, see Foreign Relations, 1928, vol. ii, pp. 898 ff.
16 a., Not printed.

17. Member of the firm of Lee, Higginson & Co.

17a. Treaties, Conventions, etc., 1910-1923, vol. m, pp. 3329, 3439.

and that the Agent General and the transfer committee under the Dawes Plan maintain in all respects the position taken in the matter of September 20, 1926, with regard to the Prussian external loan. is already in possession of this letter,(18) which applies to external loans or credits of the Reich.

Third, that in my opinion the fundamental question on the merits the purpose for which the proposed credits are to be used. I immediately raised this question with Mr. Murnane, who believes 50 million dollars of the proceeds will be needed to cover bank debts to the same amount which mature in June. He could give no information however, as to the use of the rest of the proceeds, and the contract will contain no provisions whatever to define of the credits. It seems to me that this point should be not merely from the banking standpoint but also on the of access to the American market. The operation might be justified if it were clearly and definitely understood that were to be applied immediately to the retirement of debt. But without this safeguard the money is likely to be new expenditures and to enable the German Government to postpone once more the necessary measures of financial interfering with the institution of the Young Plan and the mobilization of the reparation bonds. In this sense, is most untimely, since the financial programme for the coming fiscal year is to be settled within the next few weeks is a real danger that new credits will simply relieve the Government from the pressure that otherwise exists to put its finances in order.

Fourth, it seems to me that this transaction, on the present showing, raises a general question as to how far the German Government and public authorities are to be allowed to have recourse to the American market for the purpose of financing their budgetary deficits. The German Government sooner or later must face the problem of setting its financial house in order, and until it has done so it dies not make a good case for foreign credits.

Fifth, I had intended to send this message through the American Embassy in Berlin but it has just notified me that it prefers not to it.

S. Parker Gilbert

18. Not printed: it is from the Agent General for Reparation Payments to the of the Reich Annex 2976 B3 (862.51 P 95/9).

COMMENT

This is the beginning of the forgiving of the total German debts owed the United States, and the United States; meaning you, are now subsidizing Germany with your tax dollars to help the banks pay this money to the German government. Not only Germany, but other countries as well, were borrowing from the American Banks. This is what lead to the Banks having no more money in their reserves that caused FDR to institute in 1933 the 1917 Trading with the Enemy act that was actually written by the Federal Reserve to President Hoover. Hoover declined saying it was unconstitutional. However, the day after Hoover left office FDR instituted exactly what the Federal Reserve Board wrote, called Congress on March 9, 1933, and rammed the proposed statute written by the Federal Reserve Board literally down their throats; they could do nothing but agree because the executive order 2039 was already written under the emergency powers act.

