

BANK OF MONTREAL
COPY

DRUMMOND AND ST. CATHERINE STS. BRANCH
1205 ST. CATHERINE ST. WEST
MONTREAL, QUE.

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ment; and had Britain been the creditor, and the United States, France and Italy the debtors, I should have been a little ashamed as a Britisher if we had treated in this fashion a country so closely linked with ours in language, history and race. Perhaps it is unjust to attribute the character of the settlement to the harshness of the American Treasury. It would be fairer to ascribe it to the softness of those who represented our Exchequer. Meanwhile the world has suffered from the blunder and America is not immune.

INTERNATIONAL WAR LIABILITIES & THE U.S.A.:

No permanent settlement of the financial problems of Europe is possible without the willing co-operation of the United States.

At the present time war-debts are owed to America by no less than fourteen European nations. The annual instalments of principal and interest receivable by her in respect of these debts should bring her a yearly income of over 260,000,000 dollars, more than half of that coming from Britain. The present capital value of these annuities, discounted on a $4\frac{1}{4}$ per cent basis, would be a sum approaching a total of 7,000,000,000 dollars.

It is quite easy to understand the horror which is aroused in the United States when it is suggested that such a debt should be cancelled.

Speaking of the last reparation settlement, the Basle Committee says in its report:

"Since the Young Plan came into effect, not only has the trade of the world shrunk in volume, but the very exceptional fall in gold prices that has occurred in the last two years has itself added greatly to the real burden, not only of German annuities, but of all payments fixed in gold."

Roundly it may be said that this fall in prices has increased the real value of the debts due to the United States - measured in terms of the purchasing power of the moneys due - by 50 per cent. Half as much again in goods must be handed over by the debtor to pay the same amount in dollars. With regard to the British debt, the fact that we are no longer on the gold standard means a still further addition to our liability, for as our debt is payable in dollars, we have not only to bear the increase in our liability caused by ~~xxxxx~~
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