

State and Abyssinia, five additional units have become available. The allocation of the Irish Free State was fixed at ten units, but of these seven will come off the allocation of Great Britain. Abyssinia is to pay two units. The sub-committee recommended that the units thus made available should be used to lessen the contributions payable by Roumania and Greece, on account of exceptional hardships entailed on them by the present rate of contribution. The Assembly, however, decided that the question of the distribution of the five units available owing to the admission of new States be left to the Allocation Committee, which will continue its investigations during the current year.

The ratification of Spain is the only one now required to bring into force the amendment to Article 6, thus enabling the Assembly to fix its own basis of contribution. It is anticipated that this State will ratify very shortly, so that next year the Assembly should be able to deal fully with this matter. The necessity for unanimity with regard to the acceptance of any scale which may be decided upon as a result of the labours of the Allocation Committee is liable to create some difficulty, but this appears to be unavoidable.

I would draw attention to the position regarding Persia mentioned in the sub-committee's report. This State declares that it will only contribute a certain fixed sum decided upon by itself. This, of course, is a quite inadmissible claim.

In recognition of the great financial difficulties which are bound to arise out of the recent catastrophe in Japan, the Assembly unanimously agreed to reduce by twelve units the contributions payable by Japan during the ensuing year. This will result in a slight increase in the amount to be paid by all the other States.

The statements made before the sub-committee by representatives of various States with a view to obtaining a decrease in their allocation indicate the bad financial condition of many of the States, but the sub-committee refused to consider any variation in the provisional scale, as if this were done in one case it would have opened the flood-gate to a whole shoal of applications from other States and reopened the whole subject.

*Financial Regulations.*—A number of amendments to the financial regulations adopted by the Third Assembly were recommended by the Supervisory Commission and agreed to by the Fourth Committee and the Assembly, with slight alterations in some cases (see Annex 2 to Document A. 100). One of the most important was with regard to the acceptance of gifts, the effect of which is that the approval of the Assembly must first be obtained before any gift can be accepted which may involve immediate or ultimate financial liability for members of the League. Another important addition to the regulations was one defining the right of the Assembly to liberate the whole or any portion of the Working Capital Fund for repayment to members in proportion to the payments made by them to the fund.

*Cost of Living.*—The documents relative to this subject are A. 24, A. 24 (a), and A. 121. The sub-committee dealing with this subject went very thoroughly into the question, and examined a number of sets of statistics compiled by different organizations. As they were not all compiled upon the same basis, a great deal of care had to be exercised in drawing conclusions from them. It was, however, pretty definitely established that, taking the figure 100 as representing the pre-war cost of living in Geneva, the average figure for the last six months of 1921 (approved by the Second Assembly as constituting a basic period) was 190·77, and the average figure for the twelve months ended the 31st July, 1923, was 164·21. It therefore appeared to me beyond doubt that a reduction of 29·26 per cent. of the variable portion of the salary was justified by the fall in the cost of living. A majority of the sub-committee, however, considered that the wording of the resolution of the Second Assembly bound them to take the cost of living in 1921 (*i.e.*, pre-war cost *plus increase in cost of living*) as equivalent to the index figure 100, with the result that a fall in the cost of living to pre-war level would result in a fall in the index number to 52·42 only. The net result of this was to lead them to recommend that the reduction in the variable portion of the salary should be only 13 per cent. instead of 29·26 per cent. I attach, as Appendix I, a letter I addressed to the Chairman of the No. 4 Committee pointing out the reasons which led me to believe that the method adopted by the sub-committee entirely failed to carry out the intentions of the expert committee whose recommendations were accepted by the Second Assembly. However, although several of the other members of the sub-committee (notably M. Reveillaud, the French delegate) admitted the logic of my arguments, I failed to carry my point either in the sub-committee or in the main committee. I deem it my duty, however, to bring the matter specially to your notice, as there is not the slightest doubt in my mind that the result is to saddle the Budget of the League indefinitely (unless the arrangement is altered at a later date, which would hardly be possible now) with a larger sum on account of salaries than the circumstances justify.

As a result of my pointing out that it would be hardly reasonable to expect the junior members of the staff to be satisfied with a reduced salary on account of the reduction in the cost of living if the salaries of the higher-paid officials remained unaltered, Sir Eric Drummond, M. Thomas, and the other higher-paid officials in the League whose contracts did not provide that any portion of their salary should be affected by the cost of living agreed to consider 10 per cent. of their salaries as variable. I considered that the amount should have been 20 per cent.; but, as the officials concerned were under no legal obligation to consent to any reduction at all, the result obtained must be considered as fairly satisfactory.

In No. 4 Committee a proposal was moved by the Italian delegate, and adopted by twenty votes to sixteen, fixing the variable portion of the salary at 20 per cent. in all cases (except, of course, the officials referred to in the preceding paragraph), whereas the sub-committee had recommended that it should range from 20 per cent. in the case of the higher officials to 38 per cent. in the case of those receiving salaries of 7,000 francs per annum. I pointed out in vain that this would be absolutely contrary to the procedure adopted in the British Civil Service (on which basis the salaries of the League