A surplus or a deficit is often a measure of sound or unsound finance. But comparison between State procedure and League procedure is of no assistance when we are considering the financial structure of the League of Nations. The League, happily, has had a series of surpluses, returned in part to States members. Such surpluses have been due to several causes, some of which have been analysed in the past by the New Zealand delegate. There is no object in reviving old controversies. The financial situation is now satisfactory, and we have cause to be grateful.

The surplus for 1937 is very large, no less than 4,558,625 francs, due—

(1) To the satisfactory manner in which contributions of States for that year came to hand, for at the end of the year almost 95 per cent. of the contributions had been paid;
(2) To the collection of a considerable sum on account of arrears; and
(3) To a difference in favour of the League between the extent of the devaluation of the Swiss franc expressed in terms of gold and the diminution of the contributions of States which followed the act of the Swiss Confederation in devaluing the franc. This difference represents a surplus of no less than 2,991,071 francs.

The Devaluation Fund, which was created to cover risks consequent on devaluation, has been drawn on, particularly by the Court of International Justice (the Budget of which is drawn up in Dutch florins), because the depression of the florin has been less than that of the Swiss franc. On the 14th September the Devaluation Fund stood at 2,991,000 francs.

As the Secretary-General stated, we cannot hope for a repetition of this large surplus year after year. Recently more than one State has given notice of its intention to quit the League, contributions to the expenses of which will consequently suffer reduction. Further, it is hardly likely that the League will escape any financial repercussions of the present tension in Europe, and already there is a falling-off in the contributions. At a given date the contributions paid for this year were 4 per cent. less than those of last year.

At this point we may leave our examination of the surplus with the remark that the Fourth Committee was to be called upon at a later stage to decide on the manner of its disposal.

With that section of the Secretary-General's speech which dealt with the estimates for 1939 we need not concern ourselves. He alluded to the main points, and his remarks were illuminating, but they were no more than a prelude to the examination of the estimates by the Committee itself.

M. Avenol's statement that he would not ask for further credits for the new Building Fund was welcome, but there is another side to the picture, since the League will be called upon to pay damages to contractors for delays which occurred during construction.

The Fourth Committee then began its task of examining the various documents placed before it, beginning with the audited accounts of 1937. It is only recently that there has been a change of Auditor, and it was pleasing to learn that in the opinion of M. Brunskog, the new Auditor, "the finances of the League were handled with foresight and in a manner highly to be commended."

M. Reveillaud, who was then Chairman of the Supervisory Commission, made a short speech which was helpful to an understanding of the accounts, but only one member of the Committee raised a point of substance. The representative of the United Kingdom drew attention to the proposal to put a profit of 390,000 francs on investments sold into a fund to cover possible future losses on exchange. He contended that this sum should be used for the purpose of covering losses on investments, and that another sum to cover possible exchange losses should be inserted in the Budget. M. Reveillaud said he felt the Supervisory Commission would accept the British delegation's view. The Fourth Committee then adopted the audited accounts for 1937.

The examination of the estimates began at the second meeting of the Fourth Committee with a short speech by M. Reveillaud (a series of documents numbered A. 4). These documents contain the estimates as examined and reported on by the Supervisory Commission previous to the opening of the Assembly, but, of course, take no account of supplementary estimates presented in the course of the Assembly session. Before the estimates were taken chapter by chapter, there was a short preliminary discusssion of a general nature, but it was of no great importance and only one or two points are worthy of mention. M. Reveillaud, when referring to the system of lump-sum deductions instituted recently, admitted that the system largely prevented overbudgeting—that reprehensible practice which had so swollen the Budgets of some former years. Another point was that made by the United Kingdom representative, who thought that a withdrawal from the Guarantee Fund should be made good not from the surplus of a past year but from the income of a succeeding year, and, further, that the time had come when the full sum required by the Financial Regulations as a Guarantee Fund was no longer necessary. He asked that a report on this point be furnished to the Assembly of 1939. M. Reveillaud, in promising a report, compared the problem raised to that facing banks in connection with the gold cover for their guarantee. A third point was that raised by the Polish