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ALLIES PRESENT
ULTIMATUM TO
GERMANY 'TO-DAY'

Failure to Accept Means
French Army Will Enforce Treaty.

TENSION IS GROWING
Counter Proposals Amount to Only Small Fraction of Reparation.

APPROVE MILITARY PLANS
Berlin Representative May Ask 48 Hour Delay for Further Instructions.

Special Cable to THE NEW YORK HERALD. Copyright, 1921, by THE NEW YORK HERALD. New York Herald Bureau, London, March 2.

At noon to-morrow the Allies will present an ultimatum to Germany, the German refusal to accept which will mean that French armies will again be marching into Germany to enforce the carrying out of the Treaty of Versailles.

Not since the war has the tension been so tight in Europe as it is to-night. The Allies know that the decision taken a momentous decision. It was so characterized by persons who attended the meeting to-day.

But in the face of the German counter proposition, which experts carefully analyzed by the financial experts to-day found less favor than when it was first presented, the Premier decided that even at the danger of upsetting Europe again there was nothing left to do than to make the Germans feel the law of force.

Developments of the Day. Developments to-day, following the receipt by the Allies of the German counter-proposals, were as follows:

1. The economic proposals of the Allies, meeting with Austen Chamberlain, Chancellor of the Exchequer, and examining carefully the German proposals, decided to offer amounts in only a small fraction of the sum of 25,000,000,000 marks, gold, named at Paris as the amount of the reparations.

2. The judicial experts, meeting with Sir Eric Loreburn, British authority on these matters, when confronted with the question whether Article CCXXIII of the treaty would be violated if the Allies applied their ultimatum, decided to the contrary, holding that the general clauses of the treaty, including that relating to the trial of the German war criminals, had been violated already, thereby justifying the Allies in the use of forceful measures to uphold the treaty in general.

3. The military experts, meeting with the other military experts called into the conference by the Allied Premier, submitted final plans for military measures, which apparently were approved.

4. The Supreme Council, meeting at 5 o'clock this afternoon, approved all the decisions reached during the day and decided not to permit any discussion of the German counter proposals and to present the Germans with a "Yes" or a "No" ultimatum at noon to-morrow.

The German Hopes. What will be the attitude of the Germans when they are face to face with this ultimatum is still problematical to-night. Their hopes seem to lie in getting some discussion of the point they have raised all day to-day, that the German proposal is virtually the equivalent of the Paris plan, even including the additional reparation to the value of twelve per cent. of the German exports.

If they are unable to obtain this discussion and the French won their point with the British, the likelihood is that Dr. Walter Simons, German Foreign Minister and head of the Berlin delegation, will ask for possibly overnight hours time to communicate with his Government, contending that he has no plenipotentiary powers. This the Allies probably will accord, the conference remaining in session here and awaiting the German reply.

After talks with persons on all sides in the conference to-night this is one of the most obvious conclusions: It is the internal political situation in each of the allied countries which politicians have created for themselves that now prevents their agreement on proposals which a discussion might show not to be so far apart as the various protagonists contend. Premier Briand is deterred by a potentially hostile Chamberlain, and the French are in a quandary of yielding. Premier Lloyd George, while he might be able to get away with a compromise with the Germans before his Parliament and country, could not uphold a split in the Entente, and is, therefore, forced to follow Premier Briand.

On the other hand, all the German arguments attempt to show that their offer is an actual compliance with the Paris demands except on certain minor and arbitrable points which they are perfectly willing to arbitrate.

But, the Germans say, presently, after Dr. Simons had declared throughout Germany a "no" to the reparations demands of the Allies, the German Government could not remain in power a moment if the German Foreign Minister had presented his case before the conference here yesterday in a suit that might have averted Premier Lloyd George's denunciation, namely, with the arguments the Germans use outside the conference to prove that their offer is substantially equivalent to the Paris terms.

The expectation in allied circles that the Germans to-morrow will ask for at least forty-eight hours' delay before giving their final answer is being questioned.

THERE is often just the sort of position you want at the end of help you are looking for at the Philadelphia Academy today. Here, when the day is classified, Berlin, to-day, adds:

Italian Press Assails
Germany's Proposals

ROME, March 2.—The Tribuna, referring to the situation over the reparations question, says: "The German Government evidently has lost its sense of reality. Italian public opinion always has been generous to the vanquished, but to consent to Dr. Simons' proposals would mean the overthrow of every moral principle and the de-thronement of justice."

The Ideas Nazionali says if the German counter proposals were accepted "victorious Italy would be hit harder than vanquished Germany."

ing their final "yes" or "no" to the allied ultimatum was increased by the fact that the allied powers are turned toward Washington, waiting for the words that will fall from Mr. Harding's lips on Friday when he is inaugurated President of the United States.

In so far as Europe is concerned, the inauguration of Mr. Harding comes at an even more solemn and more crucial moment than did the second inauguration of President Wilson. In Mr. Harding's inaugural is just as keen in the allied camp as in the German, for while allied diplomats refuse to concede to Mr. Harding the role of arbiter which the Germans openly admitted to-night they hoped he would assume, yet the Allies plainly recognize the value of America's moral support and effect any coolness toward them by Mr. Harding in his inaugural speech might have in stirring up German resistance.

By The Associated Press. LONDON, March 2.—There is little doubt as to the nature of the allied reply to the German counter proposals, for in a statement issued to-night after a meeting of the Supreme Council they are described as meeting "neither examination nor discussion."

The Germans, who remained in their hotel throughout the day eagerly occupying the ticker, questioning callers regarding the happenings at St. James's Palace and communicating what they would gather to Berlin, were despondent to-night when their hopes that differences might arise between the Allies to lighten their country's burden were dashed by the finding of the conference.

"Well, perhaps that is the only way out. If Briand yielded, his Government would fall; if we yielded, our Government would fall. Therefore, the only course is for the Allies to impose their terms."

GERMANS HOPE ALLIES WILL LOSE THEIR NERVE

BERLIN, March 2.—The German Cabinet met this afternoon and discussed the reports sent from London by Dr. Simons, head of the German delegation. The various political parties held meetings to-night to consider the situation arising out of the London conference and, according to the Vossische Zeitung, it is assumed that a new attempt will be made to arrange a united front in the Reichstag, although prospects are not considered very favorable.

George Bernard in the Vossische Zeitung remarks that the doors of the London conference are not yet closed and that an attempt ought to be made even at the eleventh hour to avert extremes by another formula.

The Lokal Anzeiger argues that Germany is doomed whether she yields to the Allies or stands firm, and asks: "Who tells us that the Allies will keep their nerve if we don't lose ours?"

The Lokal Anzeiger is unanimous in saying that Germany's counter proposals go to the extreme limit of Germany's economic capacity.

Germany's counter proposals offer basically the same as provided for in the Paris proposals, in that Germany substitutes for the "oppressive" forty-two annuities an original capital of 50,000,000,000, the sole difference being that under the counter proposals the Germans will be made to escape the fate of being mortgaged over to slavery for a generation and a half.

GERMANY MUST PAY DAMAGES SHE WROUGHT

Special Cable to THE NEW YORK HERALD. Copyright, 1921, by THE NEW YORK HERALD. New York Herald Bureau, Paris, March 2.

France to-day, in the face of the German insolence, is calmer and more united than at any time since the armistice, but she is likewise unanimous, despite political quarrels, that the time has come to impose force to make the Germans pay the cost of the damage they wrought during the war.

Excepting an occasional Left Wing extremist newspaper which seizes this opportunity to raise the usual raucous cry against militarism and the bourgeoisie, the tone of the whole Paris press may be summarized in the words of the Genere: "Marshal Foch has the floor."

The New York Herald correspondent here was informed this afternoon by an authority in closest touch with the French War Office that the system of penalties which it is proposed to put into effect has already been communicated to Gen. Degoutte, commanding the French forces in the Mayence area, who is only waiting for final orders to cross the Rhine, which will be issued by the French War Office.

The semi-official Temps insists that the Paris accord is not the Paris accord of the Allies will be applicable immediately, as the preamble does not specify any date for the commencement of the military operations against Germany.

If the German refusal to accept the Paris accord is considered as a cancellation of that accord, France's recourse is to demand the immediate execution of the Treaty of Versailles, which contains numerous authorizations, through the Germans' bad faith, for the immediate imposition of punishment. But says the Temps, it must be understood that the Paris accord will no longer bind France in any degree to anyone, regardless of who it may be.

And instead of variable annuities by Germany over a period of forty years, France may exact the force the cost of the reparations due her on account of her devastated regions.

The Temps points out that during the period of thirty years, if the German propositions were accepted, the Germans, who were the aggressors, would progress bearing only a moderate burden while the French nation, the victims of German aggression, would be forced to struggle painfully under a colossal weight of taxation.

The Relief, Premier Briand's organ, declares that the allied policy is being traced, adding: "We will occupy both sides of the Rhine, and in the face of the superiority of our soldiers and our material, the Germans will definitely consent to the application of the Paris accord. France has given a full measure of her patience, and if Germany persists in her refusal, France is prepared, without remorse, to use all her force."

GERMANS WHOULD
EAGERLY DISCUSS
ALLIED DEMANDS

Want to Debate Amount Already Paid and Interest on Balance.

HOPE U. S. WILL HELP
'If Allies Have Another Estimate, Let Us Arbitrate,' Is Herr Schroeder's Plea.

ANSWER TO EVERY CRITIC
Nothing They Would Like Better Than Arbitration With American Bankers Deciding.

Special Cable to THE NEW YORK HERALD. Copyright, 1921, by THE NEW YORK HERALD. New York Herald Bureau, London, March 2.

The German delegates to the reparations conference to-night indicated their willingness to discuss two of the main points upon which their offers have been said to differ from the Paris demands—the amount of 20,000,000,000 gold marks which they claim as having already been paid in one way or another as reparation, and the interest to be charged upon the amount of the balance remaining uncovered by international loans.

"Twenty billion gold marks is our estimate as to what has already been paid," Herr Schroeder of the German Ministry of Finance told the correspondents for The New York Herald. "If the Allies have another and less estimate let us submit it to arbitration. They reproach us with discounting their annuities at 5 per cent. and charging only 2 per cent. upon our deferred payments. Well, that is 5 per cent. in the claim we make for rebate. We think it is all German can pay. But if Paris thinks we can pay more we are willing to arbitrate that, too. In that respect our word is not final. There is room for negotiation."

Deny Climbing Down. In this sense the Germans are said in some quarters to have climbed down from their attitude of firmly reflected publicly before the conference and privately yesterday. They say this, saying that the apparent concessions are all contained in either the verbal or written presentations made by Dr. Simons before the conference yesterday.

For each criticism, Herr Schroeder not only had reasoned out an answer based upon something Dr. Simons had said or written, but he had an argument of his own ready to hand. "If the Allies had been read within the strict terms of the treaty and the Paris demands," Herr Schroeder said, "if the Allies had tried to enforce the sanctions against the palpable evidence of our good faith even by their own standards, they will start on such a career only against the united determination of the German people but against the solid conscience of the world."

"There is nothing we would like better than to arbitrate on this point. We wish devoutly that this might be consummated. It is a matter of business and not politics. It is the business men and bankers of the world, especially of the United States, whose surplus funds will be called on to help reconstruction under whatever plan is decided upon."

"I am sure that the real issue in these matters of opinion and relative probabilities. But I fear it won't be settled on a business basis. I fear the politicians won't see the real issue."

"Against our conviction that the total sum to be paid must be discounted at 5 per cent, they say that the treaty only permits such discount for sums paid during the first two years. Who can say that we won't, through loans, &c., pay all during the first two years. If we are able to raise the entire sum in the first two years, we are open to reason as to the rate of interest applying to the balance. But as we are proposing immediate payments of the sort they must reduce all payments for purposes of immediate payment, whatever deferrals may later become necessary."

"They say we are wrong in demanding credit for what has already been paid. Well, the Paris decisions did not mention it at all, and we are, therefore, to presume that the Paris terms were laid out for payments on what was due. Certainly what has already been paid is not due."

Asks World Sacrifice. "The reparations problem concerns the whole world. The whole world is interested in finding the cash to pay the way out of the present difficulties from which the whole world suffers. Therefore the capital of the whole world should participate in the reparation effort."

Dr. Simons says frankly that he is asking for some of the best of the best of the whole world, but the sacrifice is enlightened selfishness. Suppose one country, say America, takes up a billion marks' worth of the reparation issue at 5 per cent. The interest would be 40,000,000 marks, and supposing that the taxes, exemption of which for this issue we ask, amount to 25 per cent. of the interest, that would be 10,000,000 marks—or 1 per cent. yearly on the total loan to be taken up.

"This may be regarded as a sacrifice, but America, for instance, to-day cannot export cotton or manufactured goods to any country where the exchange has depreciated. Would 10,000,000 marks be a heavy price to pay for the immediate business consequent to the restoration of exchanges once Germany is financed and other countries have reparation cash in their hands?"

"We expect to make a part of the loan issued in each country tax exempt in that country only and with exemptions conforming to local conditions. There is no reason why the capital of one country would not be tax exempt in another country."

Here Herr Schroeder made one of the most astonishing of his declarations. "Germany," he said, "is willing to take a large part of the loan herself—one or two billions. A huge amount of German capital is beyond our control. There is a large amount of foreign money actually in Germany upon which we can't lay our hands. The moment we grant tax exemption to that money it will come back to the use of Germany and will be available for the loan."

Foch Forgot Engagement to Take Tea With King

LONDON, March 2.—How Marshal Foch forgot an engagement to tea with the King at Buckingham Palace became known to-night. The King was anxious to see Marshal Foch, and M. Briand, the French Premier, arranged an engagement for the Marshal for yesterday. The King waited half an hour after the appointed time, and then sent an enquiry to inquire. The Marshal was obliged to excuse himself because of complete forgetfulness in his preoccupation over grave conference matters.

U. S. RECOGNITION OF LEAGUE SOUGHT IN THE YAP ISSUE

Council Suggests That America Be Represented at Its Next Meeting. COLBY GIVES OUT REPLY Text Shows Desire to Avoid Inviting Hostility of This Country. BURDEN PUT ON ALLIES Supreme Council Now Has Task of Explaining Allied Misrepresentation.

GERMAN EVASIONS SHOWN BY ALLIES

Higher Than Previous Figures, Berlin Says. Criticizes Simons for Not Forcing That Point Home.

Special Cable to THE NEW YORK HERALD. Copyright, 1921, by THE NEW YORK HERALD. New York Herald Bureau, London, March 2.

Germany's counter proposals on reparations to the Allies were formulated over night and polished up by the German delegates to the London conference while they were on a special train en route to the meeting, according to the Zeitung am Mittag. It says the proposals are altogether the work of the Cabinet after the advisory committee of experts found themselves unable to formulate them.

One of the chief criticisms here is that Dr. Walter Simons, German Foreign Minister and head of the Berlin delegation to the London conference, in presenting the counter proposals failed to show in a simple way that Germany was really agreeing to a figure considerably higher than any she hitherto accepted. Doubt was expressed whether even Premier Lloyd George was aware that a German offer came to if figured on a non-interest bearing basis.

The German offer of 50,000,000,000 marks gold in cash and funded debt subject to various discounts and reductions and to the sums already paid to the Allies, is the first definite sum set by the Berlin Government. During the Spa negotiations she tentatively agreed to 100,000,000,000 marks gold, payable through a term of years.

BRITAIN WOULD FOLLOW AMERICA ON DISARMING

But Must Await Dominion Premiers' Meeting in June. Special Cable to THE NEW YORK HERALD. Copyright, 1921, by THE NEW YORK HERALD. New York Herald Bureau, London, March 2.

The United States Senate's step toward disarmament was received here with gratifying interest, but a Foreign Office official explained that Great Britain could not act on naval disarmament until after the meeting of the Imperial Parliament next June, when the Premier of the self-governing dominions will gather here.

However, it is confidently felt in British official circles that there is no question that Great Britain will gladly follow any American steps in this direction. Officials here obviously are glad that America's disarmament is desirable and believe that the imperial conference unquestionably will favor it.

SPAIN FACING LOAN ISSUE. Deficit of 274,000,000 Pesetas is Indicated in Budget.

MADRID, March 2.—The Government's budget was presented in the Cortes this afternoon by Minister of Finance Arce. It shows a deficit of 274,000,000 pesetas, in order to cover which the government requested permission to issue a loan.

The figures among other things show an estimated revenue from all sources of 1,875,000,000 pesetas and an expenditure of 2,149,000,000 pesetas, including permanent charges on the debt. The army budget calls for 44,000,000 pesetas; navy, 124,000,000; Ministry of the Interior, 243,000,000; instruction, 141,000,000; Public Works, 237,000,000; Labor, 4,000,000; and Moroccan activities, 155,000,000.

NO JURY FOR REDS IN SPAIN. Cabinet Plans Summary Trial for Terrorists.

MADRID, March 2.—The draft of a bill to deal with terrorist outrages has been completed and is being studied by the various members of the Cabinet before its submission to the Cortes.

The measure proposes trials without jury for terrorists in order to secure rapidly in their punishment. It is also intended to fix the domiciles of suspected persons, while other provisions have been introduced in order to avoid suspension of the constitutional guarantees.

POLICE LEGIONARIES DANCE. Lafayette Post Gives Second Annual Reception.

The second annual dance and reception of the General Lafayette Police Post of the American Legion was held last night at the Hotel Pennsylvania. More than 2,000 persons attended. One of the boxes was occupied by Commissioner Enright.

The post is made up of 1,574 members of the Police Department who served in the world war.

U. S. RECOGNITION OF LEAGUE SOUGHT IN THE YAP ISSUE

Council Suggests That America Be Represented at Its Next Meeting. COLBY GIVES OUT REPLY Text Shows Desire to Avoid Inviting Hostility of This Country. BURDEN PUT ON ALLIES Supreme Council Now Has Task of Explaining Allied Misrepresentation.

Special Dispatch to THE NEW YORK HERALD. Washington, D. C., March 2.

The State Department to-day made public the answer of the League of Nations Council to the note of Secretary of State Colby which vigorously protested against any mandate for the islands in the Pacific north of the equator that fails to take into consideration the American insistence upon the internationalization of the Island of Yap.

The text of the reply shows that the League Council has no desire to invite the hostility of the United States at a time when this country is changing administrations. It was described at the State Department as a "conciliatory" reply.

Regarding the fundamental contention of the American Government that the approval of the United States is essential to the validity of any determinations respecting mandates, the council's note says the rights which the United States acquired as one of the leading actors in the war and in the peace negotiations are not likely to be challenged in any quarter.

Since the Colby note dealt particularly with Yap, which has been assigned to Japan, the reply of the League Council has the greatest interest so far as it relates to this subject.

L. S. Contentions Accepted. The league accepts the American contention that the matter is for decision by the allied and associated Powers. While it does not undertake to rescind its action in approving the Japanese mandate for the Pacific Islands, in reality it turns the question back upon the allied and associated Powers. The council admits that it was notified in the name of the League Council that the United States north of the Equator had been allotted to Japanese, and accordingly approved the mandate.

The contention of the United States is that this notification was a misrepresentation, since the United States, the chief "associated Power," had never consented to the mandate.

The admission of the League Council places on the Supreme Council the responsibility of explaining why this misrepresentation was made to the league council.

It develops into a question of veracity and good faith on the part of the Supreme Council, representing Great Britain, France, Italy and Japan. The league council has submitted the American note to these Powers.

Left-handed Suggestion. Having made this diplomatic disposition of the Yap controversy, admittedly the most important involved in the conference, the League Council undertakes to suggest to this country that it should be represented at the next meeting of the council. It is recognized that this is a left-handed suggestion that the United States recognize the League of Nations. The council's note, which is signed by President Gastao De Cunha, informs the American Government that much better results can be obtained by personal contact in discussing matters at issue.

The note also informs the United States that final action on the mandates in the "A" and "B" classes, involving respectively Mesopotamia and Africa, has been postponed pending the American reaction to the League Council's note.

Under Secretary of State Davis dictated the following statement this afternoon: "It was my duty to protect the position of the United States Government, and the matter is now in a position to be dealt with as effectively and in any manner the incoming Administration may see fit."

DUTCH OPPOSE CONTROL OF THEIR CABLE TO YAP

Don't Want It to Pass to Japan, America or Any One Else.

THE HAGUE, March 2.—Holland is against negotiations with any individual Power concerning the control of the cables from Yap to Manado, Celebes, in the Malay Archipelago, or Shanghai. The Dutch representatives at Washington have been advised that Holland favors international discussions and will ask to participate in the cable conference. The Dutch Government has nothing to say on any questions involving Yap and war spoils, but opposes control of the cable by Japan, America or any one else, it is declared.

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