

### SEES WORLD RUIN IN GERMANY'S FAILURE

Better Methods and Easier Payments Necessary, Says F. C. Goodenough.

### MUST CUT INDEMNITIES

Burden Beyond Capacity Would Swamp Finance and Credit Even in U. S.

### BRITAIN TO PAY IN FULL

Lower Living Standard Is Needed and Fixing of Debts in Bonds.

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Although Great Britain is determined to pay her debts, and though she seeks no widespread readjustment of the amounts of German indemnities and her own international debts, unless America consents to better methods and easier payments, it will mean the bankruptcy of the whole world—including America. Such was the opinion given to the American Chamber of Commerce in London by Frederick C. Goodenough, chairman of Barclay's Bank Ltd., at a luncheon at the Hotel Cecil to-day.

Mr. Goodenough spoke in a friendly atmosphere, for every American doing business abroad wants to see financial questions settled. Most of the London representatives of important American interests agree to the British theses for settlement. Mr. Goodenough's suggestion amounts to the reduction of indemnities within Germany's clear capacity to pay, devising a method of payment such as to avoid the periodical disturbance of the entire exchange and commercial markets. It met with general approval.

He submitted figures showing that the total of debts and indemnities, excluding Russia, is equal to two-thirds of all the world's export and import trade in 1913. He pointed out that these obligations must be paid from the profit—not from the total volume of trade. He said that any nation forced to bear a burden beyond its capacity would impose a strain upon credit which would result in a collapse like that of Russia.

He concluded his remarks with the outline of a plan like that proposed by Sir Robert S. Horne, Chancellor of the Exchequer, whereby the American Government would accept German or other bonds indorsed by the British or the French Government, secured by definite political agreements as to sinking funds and guarantees. Such bonds, he asserted, would find a ready market throughout the world, and enter ordinary commercial channels without the disturbing effect of the present system of direct payments by one Government to another.

U. S. Will Decide for Herself. Mr. Goodenough's remarks, which were greeted with much applause, follow:

"I shall put forward some general facts and conclusions, but no definite scheme on which to base a modification of the payments to which each country is now committed, because I feel the United States wishes to think out the problem for herself and to come to her own decision upon the part she as creditor will take, which she has a perfect right to do.

"An increase of debts over those before the war without a pre-war corresponding increase in capital values means that interest and amortization can only be provided by vastly greater efforts at production or by lowering the standard of living, varying in each country according to the proportion of its debt to its population and resources. "Nobody would argue that the debts arising from the war should be redistributed over the whole world or even those countries immediately concerned in the war with a view of equalizing the burden. It would involve injustice and weaken the sense of individual responsibility and moral obligation. It would, moreover, tend to make the consequences of war less deterring in the future.

"On the other hand, apart from the question of humanity, self-interest dictates that the burden imposed through war debts on any particular people, even those who may have committed the greatest wrong, shall not be greater than they are able to bear or reduce them to too low a standard of living. It would be of no advantage to the world as a whole for a very low living standard to exist in any country, particularly if it possessed few natural resources and was therefore dependent on its industry and exports to provide the necessities of life and the payments of its obligations.

Gives Lead in Competition. "A condition of low wages, provided there was no corresponding reduction in efficiency, might give a country not only incentive but ability to compete unduly with the rest of the world. It might divert the trade and sap the industrial vitality of a richer country in favor of the poor. Markets thus gained inevitably by the payment of large indemnity or great debt might be retained after payment is made which would mean a more or less permanent loss to the recipients of the payments and other exporting countries. There is a limit to which the standard of living can be reduced and a country which carries a burden of debt in excess of its capacity will be unable to make revenue and expenditure meet with, forcing borrowing and devaluation of currency leading eventually to ruin and bankruptcy. Such a con-

dition not only makes the payment of debt impossible but deprives the rest of the world of one of its markets. "An example is furnished by what has occurred in Russia, and if Germany or any other country is forced to accept a burden of debt greater than she can bear she might be in such a position with a corresponding loss to her creditors and the rest of the world.

"However, a low standard of living is not necessarily incompatible with a balanced budget and sound currency and therein lies the chief danger of competition in the world markets. Unless other countries could themselves lower prices and wages their ability to compete would be lost while if they could successfully compete with, say, Germany, Germany's ability to make larger reparation payments would disappear. There are many things, however, which Germany can supply with advantage to the rest of the world with profit to herself and a broad solution of the problem of reparations seems to be through such channels, together with fair competition in general trade without substantial inequality in the relative standard of living anywhere."

Mr. Goodenough then produced tables showing the pre-war and post-war debts and where the were owed by the United States, the United Kingdom, France, Italy, Russia and Belgium. "I wish particularly to draw attention to one fact," he said, "relating to the debt of 1922,000,000 of Great Britain to the United States. The amount was borrowed from America after she had entered the war. During the same period a somewhat larger sum was lent by Great Britain to the Allies, in addition to what she had already lent before that period. It is important to note that if Great Britain had not lent this sum to the other Allies it would have been necessary for her to borrow a penny piece from the United States. I do not, however, wish to suggest that Great Britain should not pay this debt of \$22,000,000 for which she made herself liable.

#### Will Pay in Full.

"My view has always been that Great Britain inevitably will pay her debts in full, even though incurred in behalf of others, but I feel that in such a case America should not press us, but give ample time for payment and lend a friendly hand in the matter of interest by modifying the rates in the early days while we are finding it a hard struggle to cope with the financial obligations incurred during the war.

"Nor do I suggest that Great Britain refuse to remit some portion owing her by European allies or Germany, unless the United States also will make some remission. Notwithstanding, it would be for the common good of the world if Great Britain and America would come to some agreement on the economic aspect of the problem. "Mr. Goodenough's table represented the debts in million units, each unit representing the amount of commodities purchasable in pounds sterling before the war. On this basis the debts were: United States, 30.7 million units; United Kingdom, 101.3; France, 98.2; Italy, 27.4, and Belgium, 60. The total allied debts and reparations payments, his table stated, are \$10,600,000, not including what is due from Russia.

Then Mr. Goodenough presented a table showing the total exports and imports of the principal countries of the world in 1913 to be \$7,932,500,000, which he said at post-war values represented \$15,867,000,000. "It is unnecessary to add," he said, "that debts can only be paid either from capital or from income, the latter necessarily resolving itself into payment through goods and services.

"As far as payment from capital is concerned, I may reasonably conclude that little or nothing further remains to be affected under this head. I think the figures show how impossible it is to ex-

cept such an increase in international trade as to make possible the payment of war debts from income. It must be remembered that such payments must be made from the profits of exports and not the total bulk. This is particularly striking when it is remembered that the loss of productive capacity of Europe as a whole was 7,000,000 men killed and 15,000,000 wounded. It is a fact that France lost 57 per cent. of her males between the ages of 20 and 40. It must also be remembered that the factor of invisible exports which practically disappeared from European commerce after the war cannot be expected to return until the world has again settled into normal conditions of trade and financial intercourse.

#### Only Two Alternatives.

"It follows, therefore, that if these debts are to be paid fully, even if payment is spread over a long period, either the economic basis of the whole world must change from what it is to-day, including rather general alterations in price levels quite apart from the alterations which have already occurred since the war began, or, as I said, there must be a general reduction in the standard of living affecting some countries more than others, with the possible consequences indicated.

"Profits from trade and other sources of income to-day are not sufficient to provide more than is actually required for the service of to-day's pre-war debts, and up to the present time no step has been taken toward the payment of any really substantial proportion of the reparations. Fresh sources of income will therefore be needed to meet the added charges involving a great capital outlay, straining the world's supply of loanable capital, and this factor alone may serve to bring about a fresh economic basis.

"After the Franco-Prussian war changes in economic conditions were similarly threatening, but this was largely offset by increased production and developments in organization, having an alleviating effect. To-day, though, the future is unknown and we cannot count on any factor of that time presenting itself.

"I think you will agree that nothing is more disturbing to mankind than alterations in economic conditions resulting from changes in prices and wages and other costs of production consequent upon economic dislocation following large and rapid payments. I think I have said enough to show that some modification must be made in the amount of war debts and reparations if the world is to escape an impossible situation, and that it is to the interest of all that there should be no such low standard of living imposed on any one population as either to give it the power of undue competition or to force it into bankruptcy.

"I think America is more concerned

than any other country because she alone is in the position of being solely creditor. I will assume that these views are accepted and also that either a common agreement or some arrangement between individual debtor and creditor nations can be made so that the total debts and reparations payments can be brought down to a figure capable of being discharged without undue dislocation of the world's economic equilibrium.

#### Payments in Goods.

"When I speak of payment by goods and services as the only method of payment from income the following process, speaking broadly, is that which is generally followed. The manufactured goods are sold by, say, Germany to, say, the United States and paid for by the latter in dollars, and Germany, being required to make payment to, say, Great Britain, will sell the dollars to buy sterling with which to discharge the latter debt. Germany will sell the goods wherever she can find a market, converting the currency received into currency required to make payments on account for the case of other debtor countries discharging their war debts.

"It is easy to understand according to this plan that the country which is the biggest debtor, so long as it is in a position to discharge the installments of the debt through goods and services—which we must assume is the chief object desired by all—will dominate the world's competitive industry and might be a disturbing factor in the international financial machinery. Nevertheless when the amount of debts and reparations is finally fixed and the method of payment decided, the consequences will be unavoidable.

"It would be better, from this viewpoint, to spread the payments over as long periods as is practicable rather than that they be made in as short a time as possible, as has up to now been considered to be the plan to be followed. The process for acquiring the funds for making these payments directly between governments when the due dates fall is a continuous one, but, notwithstanding, as the date of payment for each installment arrives the uncertainty gives rise to speculation and is disturbing the exchange markets.

"My own view has been and still is that as soon as practicable the amount to be paid by each debtor nation should be finally decided in order that all uncertainty may be removed and an end put to the constant disturbing negotiations which have been such a feature of the German reparations. It would, I think, be better if bonds should be created to represent the amount finally decided for each country to pay, and that these gradually be offered to the public for investment supported by national guaranties.

"For instance, if France were paying

a portion of her debt to us she could indorse certain of her reparation bonds to us for this purpose. We in turn could indorse them to America in discharge of our debt to her. America thus would have reparation bonds indorsed by both France and England, and provided the amount fixed for Germany to pay were a practicable sum, the contingent liability would not be a matter of serious concern. Nevertheless, the indorsements would be upon the bond, and as a consequence it would find a ready market anywhere. In this way investors throughout the world become purchasers and carry the securities until due.

"This spreading of bonds and interest payments would go far to alleviate disturbance of the markets or undue influence on exchanges. Moreover such guaranties would be a reasonable assurance of a sound currency method pursued, and no country which is a debtor would be permitted to pursue a policy of deliberate inflation merely for the purpose of securing markets.

"The securities would pass from hand to hand like pre-war investments of an international character, and find a home wherever surplus funds are seeking investment. In the case of Germany and the other debtor countries, sinking funds should be provided compulsorily by taxation under an international agreement in the currency of the country concerned. That country could then gradually purchase its own bonds which it could hold until maturity or conceal them."

### HEARD NOTHING WHEN CHILD WAS MURDERED

### Boy Once Suspected Testifies in Jersey Trial.

The taking of testimony in the trial of Frank Janeczek, charged with the murder of six-year-old Janette Lawrence near Madison, N. J., October 6, will be completed this morning before Justice Parker in the Supreme Court at Morristown, N. J. It is not expected that the summing up by the attorneys will take more than two or three hours and the case will go to the jury before nightfall.

The principal witness yesterday was Francis Kluxen, Jr., the sixteen-year-old son of the owner of the woods in which the body of the little girl was found. The boy was at one time held by the Madison authorities on suspicion that he might have had some connection with the crime. He was called as a witness for the State.

Young Kluxen testified that he was in the woods about the time the child was being killed, but he neither saw nor heard anything unusual. His rabbit had got out of its hutch and run into the woods, he said, and he went after it, returning about 6 o'clock. This was corroborated by the boy's mother, who told also of washing his clothing to get rid of some grape stains. These stains got there, the boy said, while he was working in his father's winery earlier in the day.



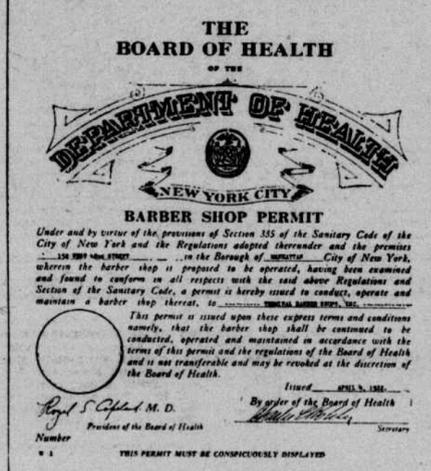
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