ECONOMIC PARLEY NEARS NEW CRISIS

Germany Faces Declaration of Default May 31.

CREDIT NOW IS LACKING

Increased Confidence Felt That French Forces Seeking Reasonable Settlement Will Dominate.

BY JOHN MAYNARD KEYNES.
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GENOA, April 23.—(Special Cable.)—I doubt if the world understands how near we are to another crisis. As I have had opportunity at Genoa of hearing the opinions of many different quarters—Germany, neutral, allied—it will be useful to summarize them.

When the temporary reparations regime which followed the Cannes conference was superseded last month a new schedule of monthly payments was stipulated, amounting to a total of 720,000,000 gold marks for the current year, in addition to deliveries in kind.

But this schedule was accompanied by a demand for the immediate imposition of 60,000,000,000 paper marks further taxation in addition to the new taxation of more than 110,000,000,000 just voted.

To the German chancellor's reply that this new taxation already goes to the limit of what is at present practicable, and that further demands are therefore incapable of being carried out, the commission returned a rejoinder last week which, though mild in form, was unyielding in substance.

Default in Prospect.

Failing new developments, therefore, the moderate schedule of payments is automatically withdrawn May 31, next; the London agreement, which everyone now knows to be impossible of fulfillment, comes into force again and Germany is formally declared by the commission to be in default, with all the disturbing possibilities of occupation of the Ruhr and other sanctions.

All this is only a month off. Meanwhile the persons concerned are congregated together at Genoa under prohibition of mentioning it. It is the maximum of political unreality.

Perhaps the absurdity of the position may in itself create a psychological situation favorable to drastic action when May 31 arrives.

Considerable nervousness felt in German circles has been diminished by the not unfriendly atmosphere at Genoa.

But there is increased confidence that solid forces in France, which seek a reasonable settlement, will be able to assert themselves.

In any case a new plan is wanted and I find two schools of thought. The German experts are pessimistic about the present, but moderately optimistic about the future if they can struggle through the next three or four years. Their minds, therefore, are concentrated on obtaining a temporary settlement of the basis of a moderate schedule of payments for the transition period, together with a foreign loan sufficiently large to cover the payments with a margin over, leaving the future to look after itself.

Credit Held Lacking.

Neutral bankers, on the other hand, assert that until a final settlement has been made Germany's credit for the purpose of raising a foreign loan will remain practically non-existent, and that for the present only an unappreciable quantity of German gold bonds can be floated in their markets at a reasonable rate of interest.

English and American bankers take the same view. British officials are also inclined to prefer the idea of a permanent settlement and have not forgotten the very interesting scheme for linking up a reparations settlement with the interallied debt, which Sir Robert Horne circulated to the allied finance ministers in March, and which then met with considerable favor.

German experts admit the force of these contentions, but point out that any final settlement, even if its terms are quite capable of execution after the difficulties of the transitional period have been overcome, is bound to be unduly onerous for the immediate future.

They believe that pending a change of sentiment in Germany itself, which is now very bearish and depressed, and also in the foreign speculative market, their capacity for making further cash payments by selling exchange is nearly exhausted.

Depression Held Inevitable.

They also look forward to business depression in Germany as being inevitable after the recent inflationary boom. Their problem, therefore, is to reconcile the temporary exhausting of their own cash resources with furnishing cash assistance to the French budget. They are ready to trust to the healing qualities of time if only they can find meanwhile some way of preserving the peace and satisfying France.

The plan which they propose is therefore that cash payments should be fixed for each of the next four years at the figure of 720,000,000 gold marks already agreed for the present year. This would be additional to the coal, timber and dyestuffs deliveries and to the reconstruction deliveries under the Wiesbaden agreement.

As the reparations commission allows a discount of 8 per cent on payments made in advance, the present cost of the cash payment for the whole period of four years would be about 2,500,000 gold marks.

If, however, the amount of a loan was for a somewhat higher figure, say 4,000,000,000, giving Germany a margin to cover outstanding payments for pre-war debts under the clearing house scheme, to pay interest on the loan itself and to support exchange at moments of weakness, then they believe there would follow such a revival of confidence both inside and outside Germany as to form a foundation on which to rebuild the prosperity of their country, with the result that after four years they would be in a position to pay considerable sums.

Ability to Pay Doubted.

They do not despair of securing acquiescence of the French to such a plan, provided the latter feel confident that by means of it they would really get paid in advance the whole of the four years' payments, though on a reduced scale.

The plan looks well on paper. But I have not discovered a single responsible banker who believes there is the faintest prospect of Germany being able to raise 4,000,000,000 gold marks, equal to £200,000,000, or even a quarter of that sum in the international bond market on their own credit.

I give the German plan for what it is worth, while I myself indorse the pessimism of the bankers.

But the German reply to this criticism deserves consideration. In the first place, the Germans express confidence in their ability to obtain large subscriptions to a gold loan free of taxation "from their own nationals" out of their foreign hoards, provided such subscriptions carried indemnity for evasions of taxation of illegalities connected with the export of capital which the confession of such hoards might disclose.

We all know stories of the flight from the mark and the great sums which Germans have accumulated abroad in defiance of laws to the contrary. Even if some of these stories are legendary, the total sum involved is undoubtedly very large.

Reserve Believed Last.

German experts believe this constitutes the last national reserve, which, with the assistance of the reparations commission, they may be able to tap. If confidence could be created and if past illegalities could be wiped out, it is thought that many Germans might be willing to surrender their foreign balance in exchange for tax-free gold bonds.

As for the possibilities of subscriptions from other quarters, one can find out only by trying. Perhaps, if necessary, each allied government might be prepared to guarantee an issue in its own country on the condition that the whole or greater part of the proceeds be handed over to the guaranteeing government in discharge of its own claims to reparations.

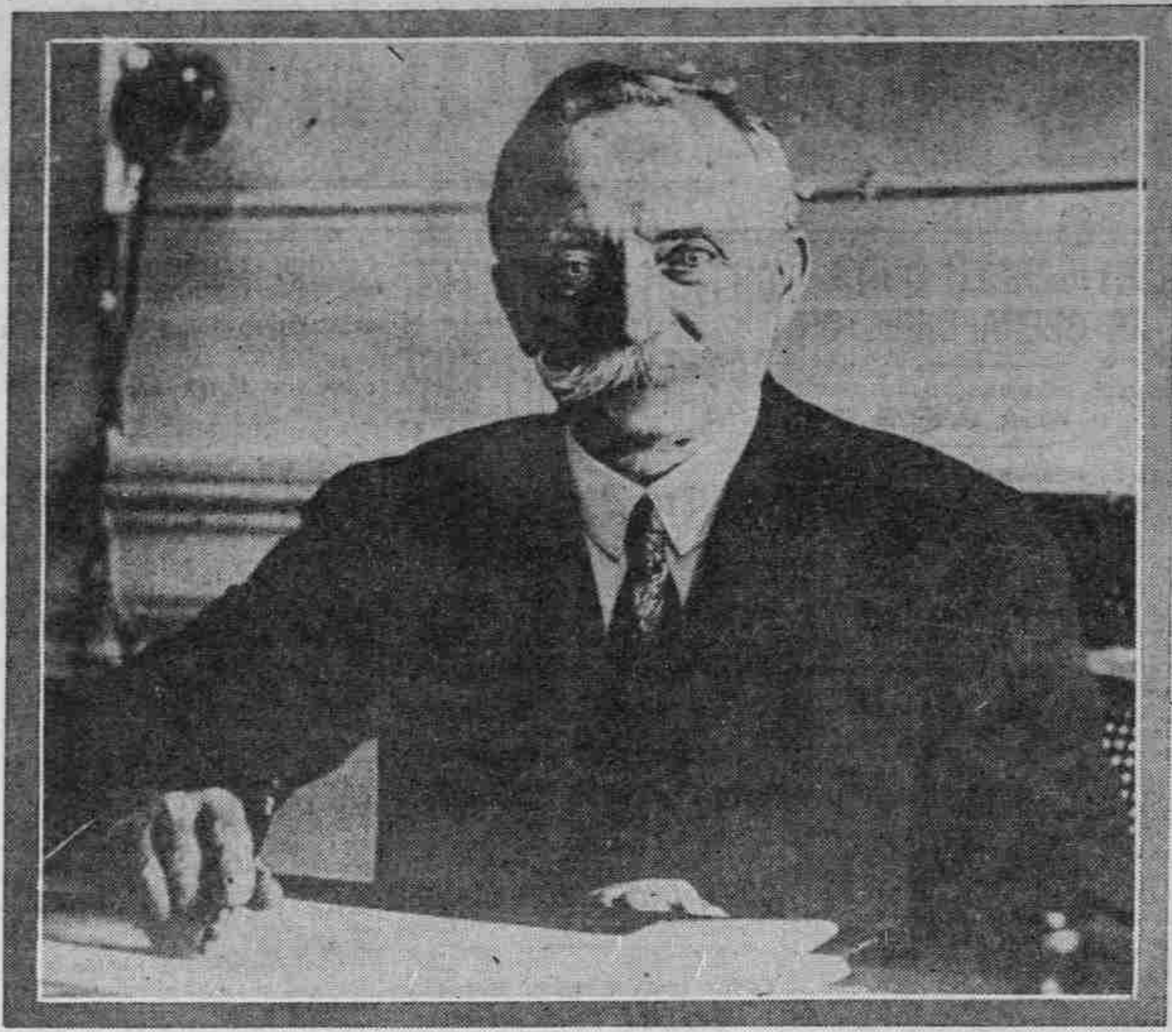
One of the neutral bankers suggested to me that possibly the allied governments might agree to guarantee under the above conditions an amount of the loan equal to the amount which the German government is able to raise in gold without allied guarantee from their own nationals or otherwise.

Committee to Make Survey.

I give these suggestions, not as my own, but as representing what is talked about here. It seems that the reparations commission is thinking along the same lines, since it has appointed a committee to investigate conditions under which the German government can raise loans abroad, consisting of the Belgian representative M. Delacroix, as president, Signor Dameglio for Italy, vice-president; M. Sargent for France; Dr. Vissering, governor of the bank of The Netherlands; Sir Robert Kindersley, director of the bank of England; with Derr Bergmann for Germany, and Pierpont Morgan to represent the United States.

Clearly the right course is to give this committee time to explore the situation and avoid violence meanwhile. But nothing is definitely settled and the statesmen and technical experts here assembled are in the childish position of having promised not to discuss the one question, which is both urgent and important, and perhaps soluble.

CHAIRMAN OF GENOA CONFERENCE.



LUGI FACTA, PREMIER OF ITALY. —Photo by Underwood.

GENOA CRISIS IS PASSED

DIFFERENCES TO BE SETTLED BY PRIVATE NEGOTIATION.

Berlin Delegation Expresses Desire to Let Conference Proceed With Remedial Work.

GENOA, April 23.—(By the Associated Press.)—Another crisis in the economic conference was passed tonight when the German delegation announced after a long session of its delegates and frequent communications with the Russians and Italians, that the Germans would not reply to the note of the ten powers today stipulating that the signatories "expressly reserve for their governments the right to declare null and void any clause in the Russo-German treaty which may be recognized as contrary to the existing treaties."

The Germans also decided to settle by private negotiations the differences between M. Barthou, head of the French delegation, and the German chancellor, Dr. Wirth, which arose through M. Barthou's written charge that the Germans had made untruthful statements.

Premier Facta and Foreign Minister Schanzer of the Italian delegation are believed to have been responsible for this peaceful settlement of what threatened to be a hopeless barrier to real progress in the conferences on economic and financial work.

A member of the German delegation said that the allies had their "fanfare" in today's note to satisfy the French, and that the Germans had decided they would not encourage a battle of notes, but would remain silent and let the conference proceed with its useful work in the hope that the economic situation in Europe might be bettered.

Sunday has been rather a bad day for the Genoa conference. Easter Sunday brought the signing of the Russo-German treaty, which created much disruption, and today came the note from the big and little ententes and Portugal to Germany, which for the moment re-opened the old wound that had partly healed.

FIRE CHIEF IS DEFENDED

Southeast Portland Civic Club Denounces Critics.

At a meeting of the Southeast Portland Civic club Saturday night a resolution was adopted denouncing the recent accusations against John E. Young, fire chief, as a conspiracy and calling for abolition of the office of fire marshal.

The resolution brands the charges against Chief Young as "an evident conspiracy of vilification and assassination of character against an able and competent fire chief." It concludes with this reference to the fire marshal's office:

"Be it resolved, that the fire marshal's office should be eliminated, with its expensive organization and duplication of work, and that the entire fire organization of the city be placed in the hands of the fire chief in the interest of discipline and efficiency."

Convention Plans to Be Up.

Plans for the big convention of the Dramatic Order Knights of Khorassan to be held in Portland in August of next year will be discussed at a meeting today participated in by Gus Meese of Spokane, imperial prince of the order, and members of the Portland committee. Mr. Meese arrived in Portland Saturday and a big ceremonial was held in his honor Saturday afternoon and evening at the armory. It is estimated that between 20,000 and 25,000 members of the Knights of Khorassan will be in Portland for the big convention. Mrs. Meese will be the honor guest at a reception at the Pythian building today.

Jute Bags to Go Up.

SAN RAFAEL, Cal., April 23.—Price of jute bags manufactured at San Quentin prison will be advanced from 7 cents to 7½ cents each after May 1, the prison board decided at the close today of its two-day session. Orders received before May 1 will be filled at the present figure of 7 cents.

FRUIT PROSPECTS BRIGHT

EX-CHIEF OF HORTICULTURE HAS ENCOURAGING WORD.

M. L. Dean of Wenatchee Urges Orchardists to Increase Production and Size of Product.

WHITE SALMON, Wash., April 23.—(Special.)—M. L. Dean of Wenatchee, ex-chief of horticulture of this state, now secretary of the State Horticultural society, who was a recent visitor here, had the following encouraging statement to make on fruit culture:

"Prospects for a good fruit crop this year are bright. I find a sort of pessimistic idea among people as to marketing conditions this year, which, I believe, is a wrong way to look at it. To support this theory we have but to recall conditions of two or three years ago when New York and other eastern states had bumper crops, yet the northwest boxed apples brought good prices. Those who grow good large apples will have good market. The essential point with fruit growers is the increase yield of the orchard, and to grow a smaller percentage of low-grade fruit.

"It costs as much to cultivate prune, spray and thin a crop of small apples as the large extra fancy, and when the small apples are placed on the market the price is always the minimum. We must increase the yield of our orchards to secure better profit. In Wenatchee five years ago the yield an acre was about 500 boxes. With fertilizers, those orchards have increased their yields to 1000 and 1200 boxes an acre."

CONCERT STIRRING ONE

Arion Philharmonic Choruses Excellently Sung in German.

Songs and choruses, excellently sung in German, and instrumental music of Italian and German composers, marked the largely attended and enjoyable spring concert of the Arion-Philharmonie, held, yesterday afternoon in the hall of the Portland social Turn Verein, Thirteenth street, near Jefferson street. The soloists were George Hotchkiss Street, baritone, and Kathryn Crystal Street, contralto. The chorus, of men and women singers, is a good one, composed of singing enthusiasts, who sing in ensemble style with earnestness and intelligence. The best sung choruses were the Schumann "Schon Rohtraut" and the Kruesch "Wohin?" which were rendered in impressive fashion. The conductor was Friedrich W. Hochscheid, who did work in that direction.

Mr. Street used two numbers by Richard Strauss and one by Wolf, and he sang them with fine voice and good diction. Mrs. Street was much liked in two numbers by Franz and one by the Russian Tschaikowsky, and sang them with fine success. Mr. and Mrs. Street also pleased in the rendition of one vocal duet, composed by Tosti. A small and efficient orchestra, directed by Miss Gertrude Hoeber, played several stirring numbers, in admirable style.

AUTO DIVISION SIGNS 30

Grays Harbor Branch of Association Closes Charter.

ABERDEEN, Wash., April 23.—(Special.)—The Grays Harbor division of the Washington Automotive Trade association had between 30 and 40 members Saturday night when the charter was closed. Henceforth every applicant must pay an initiation fee of $10 and must be voted upon by members.

The organization will name a committee to care for the transportation problems of the Grand Army of the Republic which will hold its Washington and Alaska encampment here in June, and will name a committee to attend the state automotive convention in Olympia, July 21 and 22.

The association is founded on a principle of "a square deal to all automobile owners and buyers."

HOQUIAM LACKS MAYOR

Commissioners Seem Unable to Agree on Choice.

HOQUIAM, Wash., April 23.—(Special.)—Present indications are that the two city commissioners, Charles F. Hill and J. G. Young, will not be able to agree on a man to fill the office of mayor and commissioneer of safety, vacant through the resignation of W. A. Jacks. Mr. Hill is acting mayor and will continue until a successor is chosen.

At a mass meeting popular vote under the auspices of the Commercial club, in which 506 persons took part, Ed Hoover, local mill man and former deputy sheriff, was the choice. Mr. Hill is opposed to Mr. Hoover as the result of allegations made during the time Mr. Hoover was deputy sheriff.

YAKIMA HOTEL IS RAIDED

Five Arrested and Liquor Seized by Federal Agents.

YAKIMA, Wash., April 23.—Federal prohibition agents raided a prominent hotel here Saturday night and found half a dozen drinking parties in progress, according to reports filed with Roy C. Lyle, state director. Five men were arrested and a quantity of liquor seized.

The raid lasted from 8 P. M. until midnight. The officers report that warning of their approach was given some of the rooms, with the result that a large quantity of the liquor was destroyed. The bellboys and a negro porter were held for prosecution, as well as a man named George Noble.

COAL DEMAND CURTAILED

BITUMINOUS PRODUCTION IS STILL HELD DOWN.

Operators Advised That Runaway Market Would Alter Government's "Hands Off" Policy.

WASHINGTON, D. C., April 23.—Lack of demand, rather than strike conditions, continues to hold down bituminous coal production, according to latest figures assembled by the United States Geological survey. On Thursday and Wednesday of last week, however, the output jumped to above 11,000 carloads per day, against 7917 cars on Monday, the low point registered by the effect of Easter holidays.

For the week ended April 15, the bituminous output of the country was placed at 3,675,000 tons, and the survey report observed that "more coal could be produced if the demand increased," since the full capacity of non-union fields has not yet been brought out.

From the union standpoint, "the strike is running along in a normal fashion," the United Mine Workers declared in a statement today. Efforts to get non-union miners to join their organized craft were asserted to be progressing most satisfactorily, with approximately 80,000 of them now out, "and good reason for the prediction that the coming week will add 25,000 more."

Government agencies indicated some activity last week in connection with the price situation. Following the inquiry by Secretary of Labor Davis and Attorney-General Daugherty into local, and so far, only slight advances of coal prices several operators of large non-union coal properties came to Washington yesterday, and were closeted in various conferences with high government officials. Silence was maintained by all parties to the discussion, but it is understood that leaders in the coal industry have been told that any development of a "runaway market" would alter overnight the "hands-off" policy of the government.

LIVE COYOTES DELIVERED

County Auditor Cremates Animals and Pays Bounties.

WALLA WALLA, Wash., April 23.—(Special.)—Regulations regarding the payment of bounties on coyotes are confusing to some, and today two farmers brought in 21 coyote pelts "on foot." Lester Robinson captured ten live coyotes and R. W. White 11 and they delivered them at the courthouse. Guy Allen Turner, county auditor, knocked the animals in the head, cut off the right forepaw from each one and then cremated the animals in the furnace.

In all 32 bounties were collected today.

John Day Contract Awarded.

CANYON CITY, Or., April 23.—(Special.)—Dan Powers and Rudolph Putzien of Canyon City have been awarded the contract for repainting the inside and outside of the bungalow owned by W. E. White, John Day, Or. This was recently purchased by Mr. White from Sheriff Bingham.