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17 EAST 80TH STREET  
NEW YORK

7 ✓  
January 2, 1920

Dear Mr. Judson:

While in Europe I was invited to a conference at Amsterdam called by the President of the Government bank of Holland, at which there were also present representatives of England and France.

At this meeting the question was discussed how to solve the world's present financial difficulties.

It was not possible for me to stay over for a second meeting in November, at which there were also present leading bankers of Switzerland, Denmark, Norway and Sweden. The participants of the conference finally agreed upon a memorandum, copy of which I take pleasure in enclosing herewith, which formulated certain fundamental principles that, in the opinion of the conference, should be adopted in attacking the problem. The conference furthermore recommended that steps should be taken to call together leading bankers of "belligerent" and "neutral" countries so as to discuss in what way the most pressing requirements of the hour could be met, and how cooperation could best be secured. It was agreed that at a proper moment this memorandum was to be signed by a small number of leading citizens in each country represented, and that it should be addressed by them to their respective government.

Today I received a cable from Dr. Vissering, President of the Netherlands Bank, asking me to invite the proper men in this country and to let him have, before January 8th, the list of acceptances.

On January 15th there will be published simultaneously all over the world the list of the governments addressed and the men having signed

January 2, 1950

Dear Sir:

This is to inform you that I was invited to a conference at Washington called by the President of the Government Bank of Holland, in which there were also several representatives of England and France. The main object of the conference was to discuss how to solve the world's

It was not possible for me to stay over for a second meeting in London, as other matters were also present in the University of Washington. However, before my departure, the participants of the conference kindly sent me a memorandum, copy of which I take pleasure in enclosing herewith. This memorandum contains fundamental principles that, in the opinion of the conference, should be adopted in attacking the problem. The memorandum furthermore recommended that steps should be taken to call together leading members of "capitalism" and "socialism" countries as to discuss in what way the most pressing requirements of the hour could be met, and how cooperation could best be secured. It was agreed that a report should be prepared on this question and to be signed by a small

number of leading citizens in each country respectively, and that it should be presented by them to their respective governments. I received a cable from Dr. Van der Stoep, President of the African Union, asking me to invite the program in this country and to let him have, before January 25th, the list of names. On January 25th there will be published simultaneously all over the world the list of the governments concerned and the names of those



the same in each country.

Amongst the men that so far i have been able to communicate with and whose acceptances I have secured are:

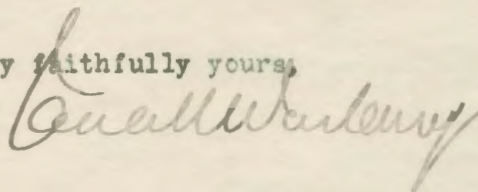
Senator Elihu Root,  
Hon. Herbert E. Hoover,  
Mr. James A. Stillman,  
Mr. Frank A. Vanderlip,  
Mr. A. Barton Hepburn.

It is the plan to have the list include not only bankers, but also men standing in public life as leaders of thought or leading business men in all parts of the country. It would be a source of great satisfaction to me if you would authorize me to add your name to the list and thereby lend strength to the undertaking. May I ask that you be good enough to send me a reply by wire?

I have received a cable from London today stating that they have completed their list there and that it includes their leading bankers.

Hoping to hear from you that we may have the benefit of your support, I am,

Very faithfully yours,



H. P. Judson, Esq.,

Chicago, Ill.





24 December 1919.

The undersigned individuals beg leave to lay before their Governments a proposal that the Governments of the countries chiefly concerned, which should include the United States, the United Kingdom and the British Dominions, France, Belgium, Italy, Japan, Germany, Austria, the Neutral countries of Europe and the chief exporting countries of South America, should be invited forthwith (the matter being of the greatest urgency) to convene a meeting of financial representatives, for the purpose of examining the situation, briefly set forth below, and to recommend, in the event of their deciding that co-operative assistance is necessary and advisable, to whom and by whom assistance should be given and on what general conditions.

They venture to add to the above recommendation the following observations:

The war has left to conqueror and conquered alike the problem of finding means effectively to arrest and counteract the continuous growth in the volume of outstanding money and of government obligations, and its concomitant, the constant increase of prices. A decrease of excessive consumption and an increase of production and taxation are recognised as the most hopeful,--if not the only--remedies. Unless they are promptly applied, the depreciation of money, it is to be feared, will continue, wiping out the savings of the past and leading to a gradual but persistent spreading of bankruptcy and anarchy in Europe.

There can be no social or economic future for any country, which adopts a permanent policy of meeting its current expenditure by a continuous inflation of its circulation, and by increasing its interest-bearing debts without a corresponding increase of its tangible assets. In practice every country will have to be treated after careful study and with due regard to its individual conditions and requirements. No country, however, is deserving of credit, nor can it be considered a solvent debtor, whose obligations we may treat as items of actual value in formulating our plans for the future, that will not or cannot bring its current expenditure within reach the compass of its receipts from taxation and other regular income.



The international community has been led to believe that the Government's proposal that the Government of the countries which should include the United States, the United Kingdom and the British Dominions, France, Belgium, Italy, Japan, Germany, Austria, the Neutral countries of Europe and the chief exporting countries of South America, should be invited to attend (the matter being of the greatest urgency) to convene a meeting of financial representatives for the purpose of examining the situation, briefly set forth below, and to recommend, in the event of their holding that co-operative assistance is necessary and advisable, to what and by what conditions should be given and on what general conditions.

They venture to add to the above recommendations the following observations:

The war has led to a stupor and confusion which has paralyzed the financial system of the world. It has caused the continuous growth in the volume of outstanding money and of government obligations, and the consequent, the constant increase of prices. A decrease of excessive consumption and an increase of production and taxation are recognized as the most hopeful, -- if not the only -- solution. Unless they are promptly applied, the depreciation of money, as it is being, will continue, taking out the savings of the past and leading to a gradual but persistent spreading of bankruptcy and misery in Europe.

There can be no social or economic future for any country, which adopts a permanent policy of meeting its current expenditure by a continuous inflation of the circulation, and by increasing the interest-bearing debts without a corresponding increase of the tangible assets. In practice every country will have to be treated after careful study and also due regard to the individual conditions and requirements. No country, however, is deserving of credit, nor can it be considered a solvent debtor, whose obligations we may treat as items of actual value in formulating our plans for the future, that will not or cannot bring its current expenditure within reach the income of the receipts from taxation and other regular income.



This principle must be clearly brought home to the people of all countries; for it will be impossible otherwise to arouse them from a dream of false hopes and illusions to the recognition of hard facts.

It is evident that Germany and Austria will have to bear a heavier load than their conquerors, and that, in conformity with the Treaty of Peace, they must bear the largest possible burden they may safely assume. But care will have to be taken that this burden does not exceed the measure of the highest practicable taxation and that it does not destroy the power of production, which forms the very source of effective taxation. For the sake of their creditors and for the sake of the world, whose future social and economic development is involved, Germany and Austria must not be rendered bankrupt. If, for instance, upon close examination, the Commission des Reparations finds that, even with the most drastic plan of taxation of property, income, trade and consumption, the sums that these countries will be able to contribute immediately towards the current expenses of their creditors will not reach the obligations now stipulated, then the Commission might be expected to take the view that the scope of the annual contribution must be brought within <sup>the</sup> limits within which solvency can be preserved, even though it might be necessary for that purpose to extend the period of instalments. The load of the burden and the period during which it is to be borne must not, however, exceed certain bounds; it must not bring about so drastic a lowering of the standard of living that a willingness to pay a just debt is converted into a spirit of despair and revolt.

It is also true that amongst the victorious countries there are some whose economic condition is exceedingly grave, and who will have to reach the limits of the taxing powers. It appears, therefore, to the undersigned, that the position of these countries, too, should be examined from the same point of view of keeping taxation within the power of endurance, and within a scope that will not be conducive to financial chaos and social unrest.

The world's balance of indebtedness has been upset and has become topheavy and unsteady. It is not necessary to free the world's balance-sheet from some of the fig-



This principle must be clearly brought home to the people of all countries; for it will be impossible otherwise to arouse them from a slumber of false hopes and illusions in the recognition of their tasks.

It is evident that Germany and Austria will have to bear a heavier load than their neighbors, and that, in conformity with the Treaty of Peace, they must bear the largest possible burden they can safely assume. But even this will have to be taken into account that the war has not exceeded the measure of the highest possible taxation and that it does not destroy the power of production, which forms the very source of all other taxation. For the sake of their creditors and for the sake of the world, whose future social and economic development is involved, Germany and Austria must not be regarded as bankrupt. It, for instance, upon close examination, the Commission for Reparations finds that, even with the most drastic plan of taxation or property, interest, taxes and contributions, the sum that these countries will be able to contribute immediately towards the current payments of their creditors will not reach the obligations now stipulated, upon the Commission might be expected to take the view that the scope of the annual contribution must be brought within <sup>the</sup> limits which solvency can be preserved, even though it might be necessary for that purpose to extend the period of instalments. The load of the burden and the period during which it is to be borne must not, however, exceed certain bounds; it must not bring about so drastic a lowering of the standard of living that a willingness to pay a just debt is converted into a spirit of despair and revolt.

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titious items which now inflate it and lead to fear or despair on the part of some, and to recklessness on the part of others? Would not a deflation of the world's balance-sheet be the first step towards a cure?

When once the expenditure of the various European countries has been brought within their taxable capacity (which should be a first condition of granting them further assistance), and when the burdens of indebtedness, as between the different nations, have been brought within the limits of endurance, the problem arises as to how these countries are to be furnished with the working capital necessary for them to purchase the imports required for re-starting the circle of exchange, to restore their productivity, and to reorganize their currencies.

The signatories submit that, while much can be done through normal banking channels, the working capital needed is too large in amount and is required too quickly for such channels to be adequate. They are of opinion therefore that a more comprehensive scheme is necessary. It is not a question of affording aid only to a single country, or even a single group of countries which were allied in the war. The interests of the whole of Europe and indeed of the whole world are at stake.

It is not our intention to suggest in detail the method by which such international co-operation in the grant of credit may be secured; but we allow ourselves the following observations:

1. The greater part of the funds must necessarily be supplied by those countries where the trade balance and the exchanges are favorable.
2. Long term foreign credit, such as is here contemplated, is only desirable in so far as it is absolutely necessary to restore productive processes. It is not a substitute for those efforts and sacrifices on the part of each country, by which alone they can solve their internal problem. It is only by the real economic conditions pressing severely, as they must, on the individual that equilibrium can be restored.
3. For this reason, and also because of the great demands on capital for their own internal purposes in the lending countries themselves, the credit supplied should be reduced to the minimum absolutely necessary.
4. Assistance should as far as possible be given in a form which leaves national and international trade free from the restrictive control of governments.
5. Any scheme should encourage to the greatest extent possible the supply of credit and the development of trade through normal channels.



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6. In so far as it proves possible to issue loans to the public in the lending countries, these loans must be on such terms as will attract the real savings of the individual; otherwise inflation would be increased.
7. The borrowing countries would have to provide the best obtainable security. For this purpose it should be agreed that:
  - a. Such loans should rank in front of all other indebtedness whatsoever whether internal debt, reparation payments or interallied governmental debt.
  - b. Special security should be set aside by the borrowing countries as a guarantee for the payment of interest and amortization, the character of such security varying perhaps from country to country, but including in the case of Germany and the new States the assignment of import and export duties payable on a gold basis, and in the case of States entitled to receipts from Germany, a first charge on such receipts.

The outlook at present is dark. No greater task is before us now, than to devise means by which some measure of hopefulness will resenter the minds of the masses. The reestablishment of a willingness to work and to save, of incentives to the highest individual effort and of opportunities for every one to enjoy a reasonable share of the fruit of his exertions must be the aim towards which the best minds in all countries should cooperate. Only if we recognize that the time has now come when all countries must help one another, can we hope to bring about an atmosphere in which we can look forward to the restoration of normal conditions and to the end of our present evils.

In conclusion the signatories desire to reiterate their conviction as to the very grave urgency of these questions in point of time. Every month which passes will aggravate the problem and render its eventual solution increasingly difficult. All the information at their disposal convinces them that very critical days for Europe are now imminent and that no time must be lost if catastrophes are to be averted.



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