

Friday, February 11th: Arrival Falmouth

Saturday, February 12th:

A.M. Visit D.P. Blissett

Lunch J.L. Harris and Capt. Symington

P.M. Visit Lowery, U.S. Embassy

Motor trip to Aldershot

P.M. Dinner Shiverick and Lieut. Quekenyer

P.M. Supper Shiverick, Lieut. Quekenyer and Capt. Symington at Ciro's

Sunday, February 13th:

A.M. Visit Chandler Anderson

Monday, February 14th:

A.M. Visit Moran, Grenfell & Co

Chas. Cambie, Canadian Bank of Commerce

Sir Edward Holden, London City & Midland Bank

Henry Bell, Lloyds Bank

Colonel Munsicker

Lunch Captain Symington and Lieut. Quekenyer

Visit French Consul General

U. S. Consul

Dinner Shiverick, Capt. Symington and Lieut. Quekenyer and Miss Curtiss et al at Savoy

Tuesday, February 15th:

A.M. Visit Photographer - passport photos

French Consul General

American Embassy

Lord Reading - Royal Law Courts

Tuesday, February 15th (Continued)

P.M. Visit Dr. Hunter Tod

Dinner, Sir Edward Holden at Ritz

Wednesday, February 16th:

En route Paris

Thursday, February 17th:

7 P.M. Arrived Paris late

Friday, February 18th:

A.M. Visit Morgan, Harjes & Co

Grande Maison du Blanc

Ambassador Sharpe

Lunch Captain Sayles at Cafe de Paris

Visit Thackara, U.S. Consul

" Andrew Graves, Lloyds Bank

Dinner Chas. Phillips at Ritz

Saturday, February 19th:

A.M. Visit Mr. Slade, Equitable Trust Co

Lunch Chas. Phillips, Cafe de Paris

Visit American Ambulance at Neuilly

" C. Sergent, Banque de France

Sunday, February 20th:

En route Cannes

Auto trip with Mr. Stillman

Monday, February 21st:

Auto trip with Mr. Stillman to Monte Carlo

Tuesday, February 22nd

Auto trip with Mr. ~~Stillman~~ Stillman to Freijuse

Wednesday, February 23rd:

KH16 En route Paris

Thursday, February 24th:

A.M. Visit Mr. H H Harjes

" *A.* Lewandowski Comptoir

Lunch Chas. Phillips at Ritz

3 pm Visit Sergent & Pallain, Banque de France

" Andrew Graves, Lloyds

Dinner Mr. Harris and Mr. Stillman at Ritz

Friday, February 25th:

11 am Visit A. Ribot- Ministre des Finance

12 Lunch H H Harjes at Crillon Hotel

visit us Embassy
Visit Mr. Stillman at Ritz

" *Rossell - Credit Lyonnais.*

3:00 P.M. Visit A. Heidelberg

" Baron de Rothschilds

7:15 Dinner Chas. Phillips and Andrew Graves

Saturday, February 26th:

1:00 Lunch ?

2:00 P.M. Visit C. Pallain, Banque de France

7:45 Dinner H H Harjes - Hotel Crillon

Sunday, February 27th:

Visit Lewandowski, Comptoir -

" Invalides Museum

3:30 P.M. Visit Captains Logan and Symington

7:00 Dinner Chas. Phillips

Monday, February 28th:

10:00 Visit Morgan Harjes & Co

" *Baron de Neuflye*

" Mr. Slade, Equitable Trust Co

12:15 Lunch

Monday, February 28th:

12:15 Lunch Monday Lunch Club

Visit Chas. Phillips and Baron de Neuflize

3 — " Baron de Neuflize
" Chas. Bergant

Tuesday, February 29th:

10 — 144 Hayes

11 — Visit Chas. Sergent; Banque de France

" Rosselli, Credit Lyonnais

12:30 Lunch L. Heidelbach. 19 Ave d'Leva

Visit Lewandowski, Comptoir

9:00 PM Visit H. Pallain at Ritz

Wednesday, March 1st:

10:30 Visit Mr. Harjes, 31 Boulevard Haussman
12:15 P.M. " Mr. Thackara, U.S. Consul
1:00 Lunch M^{rs}. Rosselli, Credit Lyonnais, at Henri's
6:00 P.M. Visit Baron Edouard de Rothschild
8:00 P.M. Dinner Ambassador Sharp

Thursday, March 2nd:

A.M. Visit Mr. Graves and Mr. Tounin, Lloyds Bank
1:00 P.M. Lunch Mr. H. H. Harjes at Henri's
3:00 P.M. Visit M. Georges Pallain, Banque de France
4:00 P.M. " M. Charles Sergent
5:30 P.M. Tea Mr. Charles Phillips
8:00 P.M. Dinner Mr. Harjes, Hotel Crillon & *Beauvais*.

Friday, March 3rd:

A.M. Visit Mr. Frazer, American Embassy
" " Mr. H. H. Harjes
" " Mr. Thackara, U.S. Consul
1:00 P.M. Lunch Baron de Neuflyze at Henri's
P.M. Visit Ambassador Sharpe
8:00 P.M. Dinner Mr. Phillips, Capt. Logan and Commander Sayles
at Cafe de Paris

Saturday, March 4th:

En route London

Sunday, March 5th:

Lunch Capt. Symington, Lieut Quekemyer and Shiverick
8:00 P.M. Dinner Mr. Chandler Anderson

Monday, March 6th:

Visit American Embassy
" Lord Fairfax
" J. P. Morgan and E. C. Grenfell
8:00 P.M. Dinner Ambassador Page

Tuesday, March 7th:

- 1:00 P.M. Lunch - Hartley Withers
5:00 P.M. Tea - Shiverick - Hotel Ritz
8:00 P.M. Dinner - Lord Fairfax, 27 Old Burlington Road

Wednesday, March 8th:

- A.M. Visits Sir Edward Holden
Lord Fairfax
H. H. Hambling
M. C. Norman
Hartley Withers
1:00 P.M. Lunch Brown, Shipley & Co.,
5:00 P.M. Tea - Lord Churston
8:00 P.M. Dinner - J P Morgan, 12 Grosvenor Gdns

Thursday, March 9th:

- A.M. Visits Sir Edward Holden,
Mr. Pease - ^{H.} Lloyd's Bank
2:15 P.M. James Simpson
4:30 P.M. Tea Shiverick and Miss Devereux
8:30 P.M. Dinner - Lord Reading

Friday, March 10th:

- A.M. Visits ~~Mr.~~ Christopher Nugent
Lord Fairfax and F C Wolcott
J. P. Morgan
1:30 P.M. Lunch F. C. Wolcott - Berkeley Hotel
5:00 P.M. Tea Ambassador Page
8:00 P.M. Dinner Sir Edward ^{H.} Holden (London Clearing Bankers)
Savoy Hotel

Saturday, March 11th:

- A.M. Visit Sir Felix Schuster
8:00 P.M. Dinner Capt. Symington, Lieut. Quekemyer and Shiverick

Sunday, March 12th:

- P.M. Tea Mr. and Mrs. Tritton

Monday, March 13th:

A.M. Visits Sir Charles Addis, Hong Kong & Shanghai Bkg Corp.
" " H. H. Hambling
" " Sir Edward Holden
1:00 P.M. Lunch - ~~Holland et al~~ at Martins Bank
Walter Thomas
6:00 P.M. Tea Sir Felix Schuster
8:15 P.M. Dinner Ambassador Page

Tuesday, March 14th:

A.M. Visits Vassar-Smith, Lloyds Bank
1:30 P.M. Lunch Mr. Pollen, Brooks Club, St James Place
3:00 P.M. Visit Bank of England with ~~J P Morgan~~ B C Grenfell
6:00 P.M. Visit Captain Hall, Admiralty Office
7:45 P.M. Dinner Sir Edward ^{H.} Holden (Financial Editors) Savoy Hotel
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Wednesday, March 15th:

10:30 A.M. Visit Henry Bell, Lloyds Bank
1:30 P.M. Lunch Alfred Shepherd, Hotel Savoy
8:00 P.M. Dinner Vassar-Smith, Boodles Club, 28 St James Street

Thursday, March 16th:

A.M. Visit ~~---~~ Christopher Nugent
" " Sir Felix Schuster
12:00 M " Ambassador Page
1:00 P.M. Lunch Vivian-Smith, Royal Exchange
4:00 P.M. Tea and Dinner, William Mackenzie, Hotel Ritz

Friday, March 17th:

A.M. Visit Captain Hall, Admiralty Office
11:30 A.M. Call ~~---~~ Christopher Nugent
1:30 P.M. Lunch " "
Dinner *F. C. Walcott ?*

Saturday, March 18th:

1:00 P.M. Lunch Captain Synnington & Shiverick
8:00 P.M. Dinner Montagu Norman Thorpe Lodge *Camden Hill*

Sunday, March 19th:

Service, Westminster with Shiverick
1:30 P.M. Tea Carlton Hotel
8:00 P.M. Dinner Captain Symington and Shiverick

Monday, March 20th:

A.M. Visits Mr. Leaf, London County & Westminster Bank
" Mr. Tritton, Barclay & Company
P.M. Lunch Princes ~~Hotel~~ Restaurant
5:00 P.M. Tea Mr. Holland (Marten - Holland)
8:00 P.M. Dinner Mr. E. C. Grenfell

Tuesday, March 21st:

A.M. Visits Mr. Henry Bell, Lloyds Bank
1:30 P.M. Lunch Bank of England
4:00 P.M. Tea Straight and Perkins
8:15 P.M. Dinner Sir Felix Schuster, 48 Cadogan Place SW

Wednesday, March 22nd:

A.M. Visits Sir Robert Balfour
~~Sir~~ Christopher Nugent
1:00 P.M. Lunch Mr. Leaf, London County & Westminster, 41 Lothbury
4:30 P.M. Tea Sir Henry B. Smith
8:00 P.M. Dinner Captain Symington

Thursday, March 23rd:

A.M. Visit Sir Felix Schuster
1:00 P.M. Lunch Sir J. Fortescue Flannery
8:00 P.M. Dinner Sir H. Seymour King

Friday, March 24th:

1:00 P.M. Lunch Bank of England Court
3:00 P.M. Visit Col. Fitzgerald, War Office - Lord Kitchener
5:00 P.M. Visit Sir Charles Addis, Hong Kong & Shanghai Bkg Corp.
8:00 P.M. Dinner Sir Frederick Huth Jackson, 64 Rutland Gate

Saturday, March 25th:

- 10:30 A.M. Visit Lord Reading, 32 Curzon Street
" Sir George Paish
1:00 P.M. Lunch Captain Symington et al (Russian Military attaches)
8:00 P.M. Dinner Mr. and Mrs. Astor

Sunday, March 26th:

- 9:00 A.M. Breakfast, Ambassador Page
1:00 P.M. Lunch Montagu Norman
8:00 P.M. Dinner - Shiverick at Ciros

Monday, March 27th:

- A.M. Visits Baring Brothers
" Sir Felix Schuster
" Mr. Ferrar
" Lord Revelstoke
" Mr. Henry Bell
" Mr. Skinner, U.S. Consul

- 8:00 P.M. Dinner Sir Robert Balfour, Reform Club

Tuesday, March 28th:

arr. with Ghaslow & Harry Bell

- 1:30 P.M. Lunch Lord ~~F~~ Bryce, 3 Buckingham Gate SW
4:00 P.M. Tea Chandler Anderson, Hotel Ritz
8:00 P.M. Dinner Montagu Norman and E.C. Grenfell, Thorpe Lodge,
Campden Hill

Wednesday, March 29th:

- 11:20 A.M. Visit Martins Bank
1:00 P.M. Lunch Mr. Laughlin and Captain Symington
6:00 P.M. Tea Mr. Chandler Anderson
8:00 P.M. Dinner Captain-Symington-and-Laughlin-at-Naval-&-Military
Captain Symington, Shiverick & Quekemyer Club
at the Savoy

Thursday, March 30th:

A.M.

Thursday, March 30th:

A.M. Visit Martin-Lolland

1:00 P.M. Lunch Captain Synington and Laughlin at Naval and Military Club

4:00 P.M. Tea Ambassador Page

8:00 P.M. Dinner Hartley Withers

These are evidently the notes
for what the diary England
from 1916 was compiled

Ward
7/24/44

Friday, Feb. 11th, 1916

*Person
Passports, Messau, etc.
Etc. - Back of it*

Arrived at Falmouth late in the afternoon of February 10th and left today for London arriving at two o'clock A.M.

Elaborate arrival etc.

Saturday, Feb. 12th, 1916

Basel P. at the Treasury

A.M. Called on ~~Mr.~~ Blackett who gave me a very warm welcome.

Smart (a)

~~Had quite a discussion about conditions over here and we~~

arranged to have some further visits upon my return from

France. Lunched with Mr. Harris and Captain Symington.

After lunch picked up Mr. Lowery of the Embassy and we all

motored to Aldershot where we saw the ^{*English training camp, and the*} German prisoners camp,

now practically empty, the prisoners having been moved to

some less exposed position. ~~Also drove through an~~ *The training*

encampment ~~which~~ appeared to be miles in extent. The roads

were badly cut up and muddy due to constant transport.

Passed an aviation plant where aeroplanes are manufactured

and saw numerous aeroplanes being tested.

P.M.

Dined with Shiverick and ~~a~~ Lieutenant of the American

Quekemyer

Army, from the Embassy and Mr. Harris. Afterward Mr. Harris and

I went to the theatre and later joined Captain Symington, Shiverick

and ~~the~~ Lieutenant ^B at Ciros for supper. Saw Doctor Hunter Tod

in the afternoon about my nose, *which showed symptoms of*
developing a recurrence of antrum trouble.

Sunday, February 13th, 1916

A.M. Visited with Chandler Anderson in the hotel, then we took a short walk through Hyde Park and later lunched

together. *Anderson told me of his efforts to adjust the meat cases. dictated (12)*

P.M. This afternoon not feeling quite up to the mark, declined the invitation of Mr. Harris to go motoring and put in the *afternoon* ~~time~~ working out plans for tomorrow.

Elaboration of conversation with Basil P. Blackett: February 12th, 1916

Blackett stated that the Bank of England had paid the Government for all guaranteed bills which the Bank had purchased under the terms of the Government's offer and that at that date there was about £30,000,000 sterling unliquidated. The account had, at one time, been somewhere from £100,000,000 to £120,000,000 sterling and those remaining unliquidated were largely bills that had arisen out of enemy transactions, the acceptances of the German bank agencies in London, etc. Later conversation with the Bank of England disclosed payments were being made only very gradually--I judged somewhere from £50,000 to £150,000 every day or two. The Bank of England manages the account for the Government. Blackett also informed me that the Government ^{was} going ahead on its dollar exchange account, the exchanges really having been slightly favorable and enabled some accumulation of exchange. *dollars.*

He strongly favored shipping gold to Holland, or ear-marking gold for Dutch account but confiscating all securities coming out of Holland which bore evidence of German ownership or origin. Said that Lord Cunliffe was opposed to shipping or ear-marking gold for Dutch account. Blackett felt strongly that the matter should be corrected. He thought we ought to establish close relations with the Bank of England, and that an arrangement for ear-marking gold between the two banks should be concluded as soon as possible. There were, however, many serious problems ahead in the matter of the London money market. For one thing, he was sure that the relations between the Bank of England and the London Joint Stock Banks would require thorough readjustment. The joint stock banks were getting too big for the Bank of England and their effort was rather to pull away from the Bank's influence. He thought possibly the whole joint stock bank situation would require overhauling, possibly by legislation. Said that Holden was dead in

London--exceedingly unpopular and an obstructionist. He also felt that the Federal Reserve Banks could perform great service by holding sovereigns instead of having them melted down.

We discussed the currency/situation at great length. He seemed sound in his ideas, that they should be retired after the war. Said that the currency notes had performed great service in driving gold out of private circulation and into the reserves of the joint stock banks. He estimated that ~~£~~ 30,000,000 sterling of the notes in circulation had taken the place of a like amount of gold now held by the joint stock banks. Figures later furnished me by Mr. Tritton of Barclay & Company indicate that £28,000,000 would be a correct figure.

Blackett stated that the adoption of the Compulsory Service Act had given great courage to the Nation, particularly the Government. It had solidified the Cabinet and in every way strengthened the Government's hand. He deprecated the agitation about the strikes particularly the strike of the Welsh coal miners. Said that it was due to the feeling of the coal miners that their employers were making great profits out of the war and in which they did not share; although, as a matter of fact, labor was now getting a very good share of the war profits. That the difficulty with labor was its vote to curtail the development of skilled labor now so largely required. The recent vote of the labor unions was, in fact, a vote of confidence in the Government and highly encouraging to everybody. Speaking of the progress of the war, Blakett said that he was convinced that the war would be decided on the Western front, but that there was a long and difficult task ahead of the Allies, one that entailed great sacrifice of men and money.

Sunday 6 P.M. Feb. 13.

Saw Doctor Hunter Tod, about my nose, ^{and antium} which gets worse.

Monday A.M. Feb., 14.

Called at the Office of Morgan Grenfell & Co, and talked with Mr. Morgan and Mr. Grenfell. Received a cable from the office indicating that everything was quiet. Also received a letter from William MacKenzie stating that he would be in London on March 7th. Called on Mr. Cambie at the Agency of the Canadian Bank of Commerce, and also saw his Assistant Manager. I then called upon Sir Edward Holden and spent about half an hour with him. Called twice to see Mr. Bell, of the Lloyd's Bank, but missed him; also called for Colonel Hunsicker who was out. Called at the American Embassy where I met Captain Symington but missed Ambassador Page who was engaged. Lunched with Symington and Captain Quekemeyer at the Carlton Hotel. After lunch went to the French Consul General and learned that passports would first have to be viséd by the United States Consul General. From there to the U.S. Consul where my passport was viséd and I had a very pleasant visit

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with Mr. Skinner, to whom I presented Mr. Carr's letter of ^a
from Mr Carr, of the Consular Service, Washington,
 introduction, arranging to see him again and have dinner
 upon my return to London. Mr. Skinner gave me a card to
of the French Passport Bureau,
 Captain Savy, which facilitated the visée of passports.

Dined that evening with Mr. Shiverick, Captain Queke-
 meyer, Captain Symington, Miss Curtiss, and her party at
 the Savoy Hotel.

Tuesday. Feb. 15.

In the morning had photographs taken for further pass-
 port use and from there to the French Consul General who
 verified my passports. From there to the American Embassy,
 where I spent about one and one half hours with Ambassador
 Page. I also arranged with Captain Symington to ^{Collect} make up a
 complete set of enlistment posters at a cost of ^{not exceeding} ~~about~~ £100.

Conversation (c)

From the Embassy I went to Lord Reading's Chambers, in the
 Royal Law Courts, Strand, where I had lunch and spent about
 half an hour with him in his office and afterwards listened
 for a short time to the trial of a case over which he was

3.

Secreta Conversation (8)
presiding. Returned to the Hotel and at four o'clock had tea with Miss Devereux, where we discussed arrangements about her French Hospital Services. After tea, saw Doctor Hunter Tod and had my nose treated, Sir Edward Holden came for dinner at seven o'clock and spent the evening. *Take in (E.)*

Wednesday. Feb. 16.

Took the 8.50 train from Charing Cross expecting to connect with the 11 o'clock boat for Dieppe, A violent storm prevented the boat leaving so we spent that day and night in Folkstone, at the Hotel Pavilion, leaving at 7 o'clock Thursday morning for Paris. ~~*Secreta Account of Trip (2.)*~~

Thursday Feb. 17.

Secreta (7.)
The steamer "Sussex", upon which we travelled across the Channel left at 7 o'clock and the crossing was an extremely rough one - the worst I ever experienced. Reached Dieppe at 12.30 and arrived in Paris at 7 o'clock in the evening going direct to the Hotel Ritz, Dined with Mr. Harris at the hotel, took a short walk and then went to bed.

Friday Feb. 18.

Called at the office of Morgan, Harjes & Co, for my mail but did not see Mr. Harjes. Purchased some handkerchiefs at the Maison de Blanc, a travelling bag, and one dozen cravats at Doucet. Called at the Embassy to see Captain Sayles who crossed the Channel with us and had a visit for about one hour with Ambassador Sharp. Lunched with Captain Sayles at the Café de Paris, and then called upon Mr. Thacker^{ard}, Consul General, and presented Mr. Carr's letter of introduction, returned to the hotel and had a little visit with Andrew Graves of Lloyd's Bank. Charlie Phillips came over for dinner, and after dinner we went to ~~the~~ Olympia.

Saturday Feb. 19.

Called at Equitable Trust Company and had a long talk with Mr. Slade their Manager. Left with him about 1100 francs in gold for which he gave me ~~the~~ Bank of France notes and promised to send me a Certificate of Merit. Called at the office of Morgan Harjes & Co, where they told me that Mr.

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He was absent at the front moving
his ambulance to the region
of Verdun battle -

Harjes would be in Paris on Monday. Then went over to the
Maison de Blanc and made some purchases. Met Mr. Phillips
and had lunch with him at the Café de Paris. From there went
to the American Hospital at Neuilly. Met Dr. Du Bousset who
showed us all over the establishment. I gave him a \$500
contribution. From there called on M. Sergent, Governor of
the Bank of France and arranged to see him immediately upon
my return from Cannes.

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Saturday Feb. 19th.

Spent the balance of the evening packing for the trip to Cannes. Left for Cannes on the 8.15 train taking dinner at the Gare de Lyon with Mr. Harris. We reached Cannes next day at about 1.30 P.M., Mr. Stillman and Mr. Christianson being at the station to meet us. Spent Sunday, Monday and Tuesday at Cannes. Mr. Harris returned to Paris on the 2.46 P.M. train on Tuesday.

Sunday Feb. 20th.

Sunday afternoon Mr. Stillman took us for a beautiful ride by automobile to one of the old Lagurian fortified castles and town situated on the peak of a mountain some miles north east of Cannes. *Elabratu (G.) Evening with Mr. S.*

Monday Feb. 21st.

Made an all day trip to Monte Carlo calling upon Mr. Tuck at his apartment. *with Mrs. S.*
Elabratu (H)

Tuesday Feb. 22nd.

After seeing Mr. Harris off on the 2.46 train, took a long automobile trip north west of Cannes through the town *with Mrs. S. & Mrs. C.*

of Freijuse which, nearly two thousand years ago, was an
important Roman colony of 500,000 to 600,000 inhabitants.

Visited some of the old Roman remains.

Elabratz (2.)

Wednesday Feb. 23rd.

Left on the 2.46 train with Mr. Stillman and Mr.

Christianson for Paris, arriving Thursday morning.

Elabratz J.

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Thursday Feb. 24th.

Arrived from Cannes at 8 A.M. After breakfast, Mr.

Edouard Vidoudez of the Banque Suisse et Française, 20, Rue

La Fayette, called. After he left I called at Morgan, Harjes

& Company for mail, Mr. Harjes being out, ^{at the front.} From there called

upon Lewandowski and had a very interesting talk for about

three quarters of an hour. Stopped at the Grande Maison de

Blanc, ^{to buy Kautskuch's} and then lunched with Mr. Phillips at the Ritz. After

lunch called at the Banque de France. Found that M. Sergent

was home ill with a bad cold. An interpreter introduced me

to M. Pallain who received me with great cordiality, and im-

mediately upon my arrival presented me ^{with} a silver medal

with my name engraved upon it. The medal was ^{struck off some years ago} to commemorate

the one hundredth anniversary of the establishment of the

Banque de France. Had a very interesting talk with him, and

made an appointment to meet him again on Saturday at two o'clock,

^{Dictata (L.)} with a memo of our program. He is to show me through

the Banque de France. From there called on Messrs. Morgan,

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Harjes & Co, and had a nice chat with Mr. Harjes. As I was leaving Mr. Ernest Mallet came in. Arranged to see Mr. Harjes before lunch tomorrow. From there called at Lloyd's Bank and saw Mr. Graves and also had a long talk with their Manager, Mr. Tohlmin^U. Returned to the hotel and spent three quarters of an hour with Mr. Stillman. Dined with Mr. Harris and Mr. Stillman at the Ritz.

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D I A R Y .

Friday, February 25th:

10:30 A.M. called on Monsieur Ribot, who was particularly interested in learning of conditions in America, and anxious to discuss, in general terms, the financial situation there, and the possibility of French credits. Left him at 11.10, called on Mr. Harjes and had quite a long visit with him, lunched with him at the Hotel Crillon. From there returned to the hotel and had a short visit with Mr. Stillman. At 3 o'clock went to the American Embassy with Captain Symington and spent about half an hour with Mr. Sharp who gave me some interesting information in regard to the American international situation. He asked me to reserve one night for dinner at his house next week. Went direct from the Embassy to Mr. Alfred Heidelbach's house, 19, Avenue d'Iena and arranged to lunch at his house next Tuesday. From there drove to Mr. Harjes' office and went with him to Edouard^{de} Rothschild's house and had tea with ^{Baron} Mr. and ^{Baroness} Mrs. ^{de} Rothschild. ^B Mr. Roths-

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child was much interested ^{with} our new banking system, and

I arranged to lunch with ^{him} ~~me~~ and ^{with} Mr. Harjes some day next

week. Returned to the hotel to say good bye to Mr. Stillman

and then took dinner with Mr. Phillips and Mr. Graves and

went to the show.

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Saturday, Feb. 26th.

After conversation with M. Pallain it developed that it would prove inadvisable to proceed very far with interviews with other bankers until after the Banque de France had considered the plans we have in mind. Remained in the hotel with Captain Symington this morning, and immediately after lunch kept an appointment with Monsieur Pallain at two o'clock at the Banque de France. The Secrétaire Général and head of the Discount Department joined us in the interview, conducted through an interpreter, and we discussed at length the memorandum submitted, which was translated twice to M. Pallain, who went over the programme paragraph by paragraph. It was strongly emphasized on the part of M. Pallain that our present discussion was tentative and confidential --- subject to such disposition as might be made by the directors of the Banque de France. The entire programme seemed to meet with his approval and that of his associates. He inquired most particularly as to whether we would desire discounts, which I stated was not the case, the Federal Bank

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being a reserve institution holding reserves of other banks and unless under unusual ^{Conditions} instances such as wars, financial crises, etc, would not contemplate endorsing bills. The general purpose of our plan was elaborated, and it was explained that the entire conversation was tentative, subject to the approval of directors and officers of our bank, and by the Reserve Board upon my return to New York - particularly, that unless unusual circumstances made it necessary, it was highly improbable that any arrangements could be completed and put into operation until after conclusion of the war. To this they all assented but later on in our conversation M. Pallain emphasized his view that the sooner an arrangement of this kind could be brought about the more advantageous it would be for the interests of both countries. He explained that whatever information was furnished us in regard to banks and banking conditions, or bills, would be without responsibility to the Banque de France nor would they hold us in any way financially (or in any other way) responsible for such

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information as we furnished them. I stated it was quite improbable that similar arrangements would be made elsewhere than in London and Paris, at the outset, for some time, although it was impossible at the present time to state positively how our plans would develop. That if satisfactory arrangements could be made, it would be for the purpose of stabilizing exchange, gold shipments, etc. M. Pallain inquired whether this meant that the money employed here would remain indefinitely. I explained to him that deposits would be made and purchases of bills effected in the markets where exchange rates rendered it most desirable and profitable, and that there would accordingly be arbitrage in the various markets where our business was conducted. I also stated to him very explicitly that while profit was a consideration, it was quite subordinate to safety and that our policy would confine us very definitely to the purchase only of bills of the very highest grade and which were undoubted. He desired to know the character of information we would find it neces-

sary to accumulate. This, I explained, would include not only general conditions, but the character, management and responsibility of financial institutions and firms with which we conducted our business, as well as the character and responsibility of the drawers, acceptors and endorsers of bills which we might buy. That the volume of our business would not develop more rapidly than was made possible by reason of the information which we were able to accumulate and which must be authentic and complete. I explained also that the operations of the London Bill market were not only well known to us, but were of a character that made it particularly easy for us to conduct the business we had in contemplation in London (referring to the operations of acceptance ^{houses} and discounts and the bill brokers). That the situation in Paris was somewhat different and I felt our own interests would require a careful study of this matter before we could undertake any extensive business.

After my interview with these gentlemen they showed

me somewhat through the Banque de France, particularly that portion of the building where the notes of the Banque de France are printed, and where I was asked to sign a register provided for visitors. It was four o'clock when I left the bank and too late to make further calls. Commander Symington and Captain Sayles dined with me in the evening.

Sunday Feb. 27th.

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At 10.30 A.M. M. Lewandowski, ^W ~~Comptoir~~ ^{of the} Comptoir, ^{National d'Escompte} called, and

I went with him by tube to Montmartre, visiting the new and old cathedrals on top of the hill. From there we returned by tube, had lunch at the ~~Antares~~ restaurant on the Champs Elysées. After lunch walked to the Invalides ~~Museum~~, saw the war trophies and Napoleon's tomb. The museum was very crowded.

At 3.30 P.M. met Captain Logan and Captain Symington, and then had a call from Mr. Cromwell. Dined with M. Phillips and with him went to see a little show in the Capucines theatre

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Monday, February 28th:

Called this morning at Morgan, Harjes & Company to get my mail and found that Mr. Harjes had not yet returned. Stopped to see Mr. Slade of the Equitable Trust Company and had a long chat with him about conditions under which the Trust Company was conducting its business here. From there went to La Rues with Mr. Phillips and Mr. Graves to lunch with the members of the Monday Lunch Club, consisting of Captain Mason, Mr. London, Mr. Thacker^{and}~~er~~, Mr. Monahan who represents the American Radiator Company here, Captain Sayles of the Embassy and three or four other Americans who are in business in Paris. It was a very interesting meeting and these men all explained the difficulties with which they were now confronted in developing the credit end of commerce between the United States and France. After luncheon did some shopping with Mr. Phillips and then called on Baron de Neuflize. Later on went through two or three of the stores and markets to get a little idea as to the activity of business and the prices of meat, butter, eggs, etc. (Coal \$30. per ton; Lamb and veal from 5F:25c to 7F:\$0c; Butter per 1/2 pound 1F:35c; Ham 80¢ per lb; Eggs 60¢ per doz; chicken 10F for a good big roasting chicken down to so much per ~~pack~~ piece. They sell a part of a chicken at a time. Fine cheese like roquefort 1F: 35c per 1/2 pound. Fancy eating apples ~~at~~ 2F: each. These prices were obtained in the best general market in Paris, viz., Poulin's).

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Tuesday Feb. 29th.

Called on Mr. Harjes and received only a cable from New York. Mr. Harjes had again been called out of the city in connection with his ambulance. From there to the Banque de France to see M. Sergent but he was out. Then called on M. Rosselli at the Credit Lyonnais, had a very pleasant chat with him and arranged to take lunch together tomorrow, (Wednesday). Lunched at M. Heidelberg's house with M. and Madame Heidelberg, a relative of Madame Heidelberg, and the Paris partner of Coudert Brothers, whose name I understood to be ~~POTRIE~~ ^{POTRIE}, the latter impressed me as being exceedingly well posted and an interesting talker. Had quite a chat with M. Heidelberg after lunch, generally in regard to conditions in France, and the methods pursued by the different banks and bankers. From there went to the Comptoir and spent one and one half hours with ^{M. Lewandowski, and} the general Manager of the bank, M. Paul Boyer. ^{we} M. Lewandowski called in the head of his Portfolio Department, together with the attorney who conducted

the American Correspondence, and the clerk in charge of the settlements at the Clearing House. They explained fully and very clearly the operation of the discount department, the collection of checks and the operation of the Clearing House of which the following are the main points:

Credit and Discount Department. Very limited discretion is given to the managers of branches within the city of Paris. They are given certain fixed lines of discount which they may not exceed without authority from the head office. The supervision of their authority is very close. Somewhat greater discretion is given to managers of the branches in the Provinces. However, the supervision is very close and maximum lines of credits are fixed. Most of the bills which they now discount are domestic - largely those drawn by manufacturers, jobbers and commission houses. To some extent also bills of jobbers drawn on retailers and even retailers on their private customers. Prior to the outbreak of the war it was not uncommon for ^{the} a bank to handle ^{750,000} ~~750~~ bills

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in a month. They have in their Portfolio Department alone 450 clerks. These bills come to the Head Office from all the branches, with certain exceptions, and are collected by the Head Office. The exceptions, of course, being agencies in the Provinces. Except in time of a great crisis, such as the war period, the Comptoir never melts its Portfolio, but instead of collecting many of the bills itself through its own agencies or by messengers throughout the city it finds it much cheaper to turn them over to the Banque de France, three, four or five days prior to maturity and obtain an immediate credit there. The Banque de France makes a minimum discount charge of 5 days at the bank rate even though the bill has *matured* - only ~~5 days to run~~. This compensates the Banque for collecting the bills. Just now there is a dearth of bills and such institutions as the Comptoir and Credit Lyonnais use a good deal of their funds in short government obligations which run for three, six and twelve months - three months being at 4% ~~and~~ ^{5/12} six months 5% discount. They principally purchase the six months bills which can be disposed of at

better than 5% after they have run three months as the Banque de France is always ready to discount them.

Credit Department. This department has been building up its information for thirty years and is managed by a large staff of experts who keep very precise information about their customers, even to the extent of visiting their establishments and inquiring into the character of their business operations. Any bill which comes back unpaid, (or where a renewal bill is drawn) is ~~not~~ apt to come to their attention and is noted as an indication of weakness against the dealer and acceptor. There is no bill market in Paris such as exists in London, as the brokers do not carry bills themselves. Transactions between the banks in bills are rather informal and arise simply when one of the smaller banks wish to realize on some of its bills, and they can generally do so at the Comptoir or Credit Lyonnais at a slightly better rate than at the Banque de France. The broker runs around inquiring for opportunities to trade and

receives a small commission. Sometimes they deal between each other direct. These brokers deal in a variety of transactions such as securities, foreign exchange, bills, etc., and, I gathered, were not particularly responsible. The business of the private banks is somewhat different in that they make advances on "pension." That is to say, they advance for considerable periods - three or six months - against bills as collateral, the obligation of ^{the} borrower being in each instance 30 days up to three months with a general understanding that there will be little difficulty about renewals. The large private bankers, known as "haute banque," are also considerable buyers of bills.

Clearing House. This is of comparatively recent development and has only about twelve members, ~~some~~ being the most important and responsible banks. Checks are so little used, compared to bank notes, that when the war broke out the operations of the Clearing House were entirely abandoned and will not be resumed for another month. They have two c

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clearings daily and the average turnover through the Clearing House of such institutions as the Comptoir and Credit Lyonnais will run from 700 to 850 million francs per month - only a trifling amount of course compared with the American Clearing House operations. The custom is to send the checks to the Clearing House, much as we do, and settle the balance by an order on the Banque de France, which is debited and credited to the respective accounts of the institutions that are either credited and debited at the Clearing House. They have only admitted very strong institutions as instances have arisen where some of the weaker ones have given orders on the Banque de France which have not been honored. It is customary to send back checks which have been found to be N.G. early in the day prior to a certain hour, similar to the New York practice. It is the general belief here that the laws are not sufficiently rigid to enable prompt prosecution of those who improperly use checks and that has deterred the use of the check system. At the present time all of the banks and bankers of Paris are collecting checks

by hand at considerable expense and inconvenience particularly as their clerical force has been ^{much} almost depleted by the war, and have been largely made up by women clerks.

Country checks. The practice here is quite similar to that in London, with certain variations. I think it may be said that checks are handled by four methods:

- 1.- Given immediate credit where the customer is undoubted but charging the customer interest at bank rate, plus 1% to ~~1~~-1/2%, for the period allowed for collecting, which would vary from 1 to 3 days.
- 2.- Giving deferred credit, in which case the account is credited with the amount of the check and the customer charged with interest at bank rate plus some addition in case he draws sufficient to ^{the} pinge upon the amount.
- 3.- Credit upon "advice of payment" which means that the customer is not permitted to draw, and if he does his check will not be paid until "advice of payment" is received.

4.- Giving immediate credit by red check on the Banque de France for a check which the customer does not expect will be paid until the following day, in which case the check deposited is a white check. This is simply another method of extending credit and the customer is charged bank rate plus a commission ~~is~~ charged for collecting ^{The} a check, ~~and~~ ^{The} first method described is rather a rare occurrence.

The operation of re-discounting bills with the Banque de France is apparently closely associated with the general system of settlements between banks, only two or three of the larger banks apparently not availing of the facilities of the Banque de France for converting their portfolios when needed. It is quite apparent that French banks rely upon the balance at the Banque de France as reserve to a much greater extent than was even prevalent in the United States, under our old banking law, between ^{Country} banks and reserve city banks.

[Feb 29]

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After leaving M. Lewandowski, I called for M. Harjes^w at 5.30 but found he had left. His secretary called M. Pallain who had endeavoured to reach me by telephone earlier in the day and I was advised by him that my memorandum had been favorably considered, practically in its entirety, and he hoped, if it was convenient to me, to see me tomorrow to discuss matters. Upon reaching the hotel he telephoned that he would call upon me between 8.30 and 9 o'clock this evening. M. Harjes also telephoned advising he would call at the hotel about 7.30 this evening.

Tuesday, February 29th: (gist of conversation with M. Pallain in the evening during his call at the Ritz Hotel, Paris)

Monsieur Pallain called at 8:30 with an interpreter to report the outcome of the meeting of the regents of the Banque de France in respect to possible arrangements to be concluded between the Federal Reserve Bank of New York and the Banque de France at the conclusion of the war. He stated that the matter had been submitted to the regents, all of whom were present, and that in all respects the memorandum was satisfactory. He desired, however, to point out one matter which would have to be handled with considerable delicacy, and that was the subject of credit information. It had been the invariable practice of the Banque de France never to give official information in regard to credits, believing that the bank was required to act with entire impartiality and to strictly avoid anything which might appear to injure the credit of any party. He expected that the bank would be able to meet this situation by pointing out to us various channels of inquiry through which reliable information could be obtained, and in case the information obtained through such sources was not sufficiently complete or satisfactory the Banque de France would assist us in obtaining the information and give us informally and unofficially certain of their views in regard to credits. He thought, in such cases, if we had a representative here the question could be readily dealt with by having our representative visit the Banque de France. I also understood from him that the sources of information suggested by the Banque de France would be reliable and for which the Banque

de France would vouch. Of course, the Banque de France allows no interest whatever upon deposits but would be most pleased to have our account carried there and would place their facilities at our ~~entire~~ disposal. The Banque also thought that we might be of some service in New York, particularly in the matter of exchange. We discussed the subject at great length, Monsieur Pallain remaining for about two hours, and I think he thoroughly understood that the arrangement discussed could probably not be put into operation until after the conclusion of the war. That at the outset it probably would not necessitate our appointing a personal representative here and that the growth of the business which we might transact here would depend upon the experience we gained as it gradually developed---that it would depend particularly upon the character and reliability of the credit ~~situation~~ information we were able to obtain through our correspondents. He also understood that a part of the arrangement would consist of our establishing accounts with banks and bankers elsewhere in Paris, in the course of time, where we would receive interest on balances. Monsieur Pallain was most emphatic in his assurances that the arrangement was a most welcome one and the sooner it was brought about the better satisfied he would be and that this was the unanimous view of the regents of the Banque. I was not quite sure that he understood the reasons for deferring action until after the conclusion of the war nor did it seem desirable to raise the question of neutrality. In a subsequent conversation with Baron de Rothschild (Wednesday P.M., March 1) at which Mr. Harjes was present and at Baron ^{de} Rothschild's residence, the theory of the law was quite fully explained and I also took pains to explain

that while the present moment might seem opportune for accumulating francs on account of the rate of exchange, there were other ^{Conciliations} ~~arrangements~~ which would make it impossible for us to conclude arrangements now. We thought, however, that the experiences of the past eighteen months demonstrated the importance of perfecting plans in advance in the event of new emergencies arising, and that we preferred to conclude our general understanding of the character of the arrangement at the present time so that with the approach of the conclusion of the war we might so conduct our operations to furnish us with a steady effect upon the exchanges. This of course had some bearing on the question of gold shipments, all of which was apparently clear to Baron ^{de} Rothschild and he seemed to endorse the suggestion very positively and warmly.

At the conclusion of my interview with M. Pallain, it was understood that considerable time must be allowed for discussion of these matters after my return, as it involved the interests of twelve separate banks and of course was subject to the consideration of the Federal Reserve Board in Washington. We agreed that the matter would be kept alive by correspondence between us from time to time and whenever occasion arose for taking the matter up actively, I would promptly advise him and possibly visit Paris again.

Elaboration of various conversations with Monsieur Pallain and associates; Baron de Rothschild, and other Paris bankers which I was unable to dictate while in Paris.

Prices: Some slight indication of the degree to which the prices of necessaries have advanced is given elsewhere in the diary. Food, coal, gasoline, etc., has shown tremendous advance in prices partly due to lack of domestic production; partly to lack of shipping facilities, but to a very considerable extent due to lack of transportation within France itself. At the time I was in Paris the railroads were unable to transport foodstuffs from the seaboard to Paris in sufficient quantities to relieve the urgent demand there. I gathered that this was due, to some extent, to the lack of adequate handling facilities at the ports.

Real estate and rents: Considerable distress has arisen by reason of the operation of the moratorium in respect of rent payments. Tenants under this law can appear before a Tribunal and show cause why they should be temporarily relieved of some of their obligations for paying rent and frequently this relief is granted, and the result is that real estate prices are absolutely paralysed, and real estate owners in considerable distress. A large part of the investments of in real estate ~~in~~ insurance companies and other investment companies and corporations are in mortgages and real estate, and with rents not being paid, real estate owners are unable to pay interest----The whole scheme seems to have been badly handled, and while possibly designed originally for the relief of families where the men were at the front, advantage is now being taken of it by all classes of rent payers and the effect is thoroughly bad.

Taxes: I was informed at the Banque de France that tax collections are about 60% of normal.

Bills: Foreign drawn bills are now practically a negligible quantity in the banks, and the volume of inland bills has been greatly reduced below normal although the discounts at the Banque de France show an increase of 100% over the amount twelve months ago, which is a very good indication of increase in domestic business, as bills are drawn for all varieties of commercial transactions in France down to amounts of 10, 25 and 50 francs.

Retail business: The retail stores in the Rue de la Paix, Avenue d'Opera, etc., which may be regarded as dealing in specialities are doing only a nominal business. While most of these stores are open one sees very few customers. The stores that I visited such as the Grande Maison de Blanc, Doucet, Rogers & Gallet, Mappin & Webb Ltd., and a few others were deserted. I believe I was the only customer in them at the time. On the other hand, the large department stores like the ~~M~~ Maison de Lafayette etc., are so crowded that one can hardly pass through the aisles. It all indicates economy as these big stores all do a very large bargain counter business, and the better classes are now dealing with these establishments on account of their lower prices in preference to the higher class stores.

Finance: The officers of the Banque de France and Baron de Rothschild gave me a good deal of interesting information generally in regard to the finances of the country. I was informed that the Banque de France has an arrangement with the Government by which the Banque is promised payment of its advances to the Government prior to the payment of any other Government indebtedness and out of the first general loans placed ^{by} the Government for refunding and other purposes. This represents a prior claim running from 6,000,000,000 to

8,000,000,000 francs, that being the extent of the Government's borrowing from the Banque de France. It was estimated from the 13,500,000,000 francs of the Banque's note issue, about 5,000,000,000 francs have been hoarded or held in reserves of other banks. Baron de Rothschild thought that the Banque de France could easily support an issue of from 25,000,000,000 to 30,000,000,000 francs, ~~approximately~~ being about double the present issue, or say a margin of 12,000,000,000 to 15,000,000,000 francs for further use.

Monsieur Pallain said that the Banque had already shipped 20,000,000 pounds sterling of its gold to the Bank of England, and under the existing arrangement had agreed to ship 12,000,000 pounds sterling in addition. The peasants had turned in about 250,000,000 pounds sterling in response to the appeal of last year, and Baron de Rothschild estimated that there was still hoarded from 450,000,000 to 500,000,000 pounds sterling--this being the estimate of the Government and the Banque de France. Pallain and Rubineau told me that when the crisis arose, the policy of the Banque de France was to rediscount without limit, and I gathered from what they told me ~~of~~ of the scenes during the first few days that it was Pallain, Rubineau and the Secretaire Generale who really saved the day for the French banks generally as they took in bills, literally, in bales. The Banque still has a large account of "frozen" bills figures for which appear in the annual reports. I asked Rubineau, the head of the discount department, to describe how he would define or detect a finance bill which was ineligible for discount at the Banque. He picked up a piece of paper as one would a bank note to detect whether it was a counterfeit or not, said that it was really a matter of instinct and experience. The Banque always requires three obligations, of which two must be French and one, the acceptor, They do not discriminate against finance bills. The only bill which they absolutely decline to discount is a bill drawn on a foreigner on a foreigner and domiciled in France even though the endorser is French. They consider that

such bills are drawn for the benefit entirely of foreign business, and simply domiciled in France for the purpose of getting the lower rate of discount prevailing in that market. The Banque de France discounted a tremendous volume of English bills, largely to meet the contingencies of French banks in collecting the bills. Robineau said that in one day his department had collected as many as 100,000 items in Paris, involving the use of over 1,000 messengers. I believe his regular staff in the discount department, in addition to the messenger service, is 450 to 500 men. The officers of the Banque told me that they felt that the big banks imposed upon the Banque de France in dumping these collections upon them.

The Banque de France is undoubtedly the hub of the whole financial system and both the other banks and the public generally have unlimited confidence in it. The Regents of the banque, by reason of their position, have great influence and, as is the case with the Bank of England, they are largely drawn from the banking houses which in London are considered to be merchant bankers. The so-called finance banks have recently had a very black eye with the exception of the Credit Lyonnaise and the Comptoir National d'Escompte. The so-called Hautbanque, or private bankers, has been driven into the background by the operations of the finance banks, and as a class they have managed their affairs more carefully and conservatively than such institutions as the Societe Generale etc. The strongest of the so-called Hautbanques are de Rothschild, Hoetinger, Mallet Freres, Heine Verne & Company, de Neuflize & Company, and I should say that Morgan, Harjes & Company, in rating, stand right alongside de Rothschild. A number of the private banking houses are under ~~some~~ some suspicion of German affi/liations. I should say that this does not apply at all to de Rothschild. These private bankers are men of very great caution, and while they have occasionally handled some things that did not turn out very well, such for instance as the Banque le Union Parisienne, etc., they are on the whole

regarded as being of very high grade and in good condition. I had a long talk with Baron de Rothschild regarding gold payments by the Banque de France. He thought there was no question in regard to their maintaining gold payment as to any exterior obligation no matter what the outcome of the war. The Banque de France could, if necessary, give up over \$300,000,000 of its gold but of course they did not want to do so until pressing necessity arose. He said that when he and his associates were asked to draw the bills for the Crousopredit he and the other bankers were quite unwilling to do so unless they were protected by a pledge of gold. They could not get it directly from the Banque de France, Monsieur Pallain being unwilling to make a commitment that would appear in his statement, but that Monsieur Ribot gave them the Government's guarantee to furnish gold if exchange could not be had and which they considered to be just as good as the pledge of the Banque de France.

There are certainly some serious situations to face in regard to investments of the French people, and to some extent French banks, in foreign securities such as those of Brazil, Turkey, Russia, Servia, Mexico, etc. There is a lot of doubtful and possibly worthless stuff in the nation which will be of very slow liquidation. The big banks, like the Credit Lyonnaise, Comptoir National d'Escompte, etc., are carrying about 50% cash reserves. The Government is now borrowing very large sums, the figures being given in a separate memorandum, on bills running three, six and twelve months, the rates being 4% for three months and 5% for the six and twelve months. The amount of this short debt is much too large and they are hoping to quickly reduce it by a new loan which may embody the same literary features as now prevails in many of the municipal loans. The French loans, however, seem to have been better handled than the English as they are all selling at a premium. Monsieur Ribot seems to be broad minded enough to pay the going rate so as to keep a good market for additional issues.

Political feeling: All discussion of the attitude of the United States toward the war must be carefully analysed as one is liable to be deceived by the essential politeness of Frenchmen and their desire to avoid giving offense. They will with great suavity assure you that they thoroughly understand the difficulty of our position -- that probably it would be injurious to their own interests to have us become involved in the war-- that they were too dependent upon us for supplies etc. This, however, is not their real underlying feeling--they all believe that it would shorten the war to have us come in. That we are taking altogether too many affronts from Germany, and that if Germany should win this war we would face serious trouble with her later. The man who discussed this with the greatest frankness was Monsieur Roselli of the Credit Lyonnais who is an Italian by birth, educated in banking in London, and does not labor under the handicap of French politeness etc. When he explained that the French had some underlying feeling against the United States, I asked him what he would do if he were President of the United States, and had the situation to deal with. He intimated that he might follow the same course that the President had but he did not think in saying that that he expressed the views of the Frenchmen. That same night at a dinner which Mr. Harjes gave me, there were present about one dozen bankers, he/ (Roselli) went over the discussion we had, with those present speaking entirely in French and which I could not follow. He wound up by asking the same question that I had asked him at lunch. With one accord and vehemently they replied that they would declare war against Germany. There seemed to be no doubt in the minds of any of them.

I discovered that there is a very strong feeling of suspicion and uneasiness towards England and the English management of affairs. I judge it is based upon their belief that England is endeavoring to dominate the

situation in financial matters, and a very strong feeling that France has little to gain by the war and much to lose--that England will turn the outcome of the war to her own advantage. There seems to be a considerable and very active cabal directed against Joffre by L. Clemenceau and their followers. This matter took the form of a Committee of Investigation by the Chamber of Deputies into Joffre's conduct of the war. I had opportunity to read their report which was bitterly critical of Joffre's whole programme, and giving credit for what had been done principally to Gallieni and Castelnau. Among other things in the report was the statement that the total French losses to the date of the report, some months ago, amounted to 3,200,000. In this figure were, of course, included many wounded who have since returned to the front. I have subsequently learned that during the battle of Verdun a serious blunder was made by a French general in the early stage of the battle who completely lost his head, became panic stricken and subsequently insane. The Germans got through the French lines, captured 160 French field guns, most of which had been nearly destroyed. The disaster was so serious that the French Government again contemplated moving all records to Bordeaux. General Petain at last succeeded in repairing the damage before it became a disaster. This has been completely suppressed from the French public but it is more or less the subject of gossip privately. The guns lost included most of the big guns that had been removed from the fortress of Verdun and remounted, many of which however had been badly worn with use and destroyed by exploding the breeches before being abandoned. I was informed that when General Petain took charge at Verdun he found that that part of the French army, which is very large, was North of the River Meuse and would have been absolutely destroyed had the Germans broken through, as there were only three bridges available for a retreat. The General in charge of that section was immediately removed

and General Petain constructed no less than fifty bridges for use in case of an emergency. He is today the popular hero in France. When the disaster above referred to occurred the Cayo element thought they would be strong enough to launch their attack on Joffre and a committee report was submitted to the Cabinet with the demand that Joffre be removed and the conduct of the army be put under the direction of a committee of the Chamber. Much to their chagrin the Cabinet voted down unanimously the report with the exception of the one member who introduced it, and for the time being at least the Cayo Cabal is dead.

There is no doubt that the war losses in men in France are far in excess of current estimates---that France has reached and passed the apex of her strength and that much more of the brunt of holding the Western line will now rest upon England which has recently added forty miles to its own line so as to release the men of the French army for the Verdun defense.

Crops: Generally speaking, the estimates of French crops are only from one-half to one-third of normal. They are tremendously dependent upon the rest of the world for food supplies, particularly meat and grain. The French peasant, however, is most successful in raising chickens and the supply of chicken seems to be inexhaustible, they having advanced less in price than any other food.

Labor: There is much uncertainty and uneasiness as to what will happen to the industries of the country after the war. The French depend to an unusual degree upon skilled labor which is developed by the apprentice system. Young men who have been taken two years or more out of the shops where they have been learning the trades have lost an important period of their education and may not be content to return to that employment.

Physically they are being tremendously improved by the service; that is, kept in the open air, living upon simple food and away from the cafe life which is debilitating.

American credits: All the bankers with whom I talked were most anxious to see the American banks extend credit more generously. This is treated with at more length in another part of my diary. There would be no jealousy or uneasiness if all commercial credits, for the present at any rate, could be transferred to American banks. They are willing to make any sacrifice to give adequate security, and are really looking to American bankers for support and encouragement. They are naturally suspicious and timid, and negotiations are delayed and difficult on that account, but once their confidence is established, the American banks could get unlimited business in France and on their own terms.

James Stillman: I have not dictated the substance of my conversations with Mr. Stillman for various reasons but will make notes of the same on returning to the office.

Mr. Fraser,
Supplemental to conversation with ~~James~~ Secretary of American Embassy in
Paris:

Mr. Fraser told me that I would be interested in a conversation he had with Howard Taylor who, a few months before, had stopped in Paris on his way back to America from Germany. Said that when Taylor was in Berlin some of the leading Berlin bankers had a private meeting with him and told him that Germany was headed for financial destruction---that the rest of the world would go down with them financially, and urged him, upon reaching Paris to see Baron de Neuflize and endeavor to persuade him to

have a meeting of the French bankers so as to start a movement among bankers to bring about peace discussions. He gave Fraser the impression that German bankers were in a great state of excitement and distress over the German financial situation. Baron de Neuflize was understood to have consulted some members of the French Government and upon their instructions is said to have replied that if Germany wanted information as to what the French demanded before discussing peace he might say that they demanded the return of the lives of 1,000,000 Frenchman.

[Stop, marked after "1,000,000 Frenchmen"] [Remainder of this is as follows:]
 Supplemental to Sir Edward Holden memo: In discussing personalities Holden spoke very slightly of several important people in London. Said that Kitchener was a complete failure, had been entirely supplanted and would be eliminated were it not that he was so much the popular idol. Said that his (Holden's principle competitor in London was Lloyds Bank Limited, and which he thought had no head. Bell was not much of a banker, and Vassar-Smith had arisen from a very small beginning. Said mean things about him and that he had indulged in unfair competition. It is only fair to say that Bell, while he mentioned no names, intimated that he felt that Holden was guilty of exactly that. Holden also said that Barings had lost their standing to some extent in London on account of the large extent of their German business as well as on account of some South American business which had turned out badly. Lord Revelstoke was unpopular, cold, and vindictive, and a very much overrated man. He also spoke rather slightly of Lord Reading and the amount of trouble he had had with him about various matters; and, spent a long time abusing Lord Cunliffe.

Bank of England mem:

One day Montagu Norman asked me if I could throw any light on something that had just come to their attention. It seems that immediately after retiring from the President's Cabinet Garrison had called upon Spring-Rice and had had a long talk with him about the policy of the British Government in taking German securities off the steamers which were coming to America through Dutch houses, and urged him to impress upon his Home Government the inadvisability of pursuing the present course on account of public feeling in the United States and seemed to be very positive that the British Government was making a mistake. I told him I could make no explanation unless Garrison had been retained as a lawyer to represent some German houses in New York. The Guaranty Trust Company was mentioned as being a much interested party.

[Inserted in the carbon copy, after account of February 29, 1914, are ten pages of elaboration of various conversations, which Strong utilized in his rewritten account, plus two pages, entitled "Memorandum regarding commercial credits", with the notation in Strong's handwriting "Harje Memo", which is copied below so that there will be at least two copies of his material.]

Harje Memo

Memorandum regarding commercial credits.

It is recognized that the creation of a large volume of commercial credit, under which long bills will be drawn in dollars by American exporters, for acceptance and discount by American banking institutions under credits guaranteed by French institutions, would have the effect of relieving the market of offerings of exchange and of relieving the demand for dollar cable transfers. The longer the drafts run the longer the account will be postponed, and consequently the more time afforded for arrangement of large Government or other loans in America. The difficulties encountered in arranging commercial credits with the bills to be drawn by American sellers of goods, are in part as follows:

- 1.....Unfamiliarity of American exporters and bankers with this business;
- 2.....The difficulty of affording satisfactory guarantees to American bankers for the credits;
- 3..... The risk imposed upon the French importer of paying high prices for dollars to reimburse the credits at maturity;
- 4..... The necessity which now arises for the French banks, which guarantee these credits, to take their own liquid securities (Government bonds etc.,) out of their portfolio, which they are reluctant to do, necessitating the French importer buying the bonds and consequently obtaining no additional credit.

It is suggested that some of these difficulties could be obviated by the following programme: The French Government authorize the issue of a bond or certificate which the Government would advance or loan to banking institutions and bankers for a consideration, such bonds to be payable in dollars (in gold) at

three, six, nine or twelve months, and to be pledged as collateral to the guarantys given to the American banks. As to the American institution which accepts the drafts and has recourse against the bond as collateral, the bond would simply be the obligation of the French Government to pay so many dollars in gold at maturity. The bond should stipulate that the Government would undertake to furnish, say through the Banque de France, at maturity, exchange in dollars at the rate of the day, either on which the credit was opened or on which the drafts were accepted so that the French importer would be certain of cover, and French banks certain of receiving cover at a rate of exchange which would not involve loss on the goods imported.

It is recognized that to make such a plan effective in large volume the present method of drawing must be abandoned as the few institutions on both sides now arranging these credits will soon reach their limit, and it does not offer a sufficient variety of names on bills for the American market.

The plan could not be handled by a group of syndicate, but should be handled as a business custom. This change should be brought about by a working arrangement between the Government, the banks and the customers of the commercial banks, with the object of educating French importers to get bank credits for their imports, and of arranging as long drawings as American institutions are willing to grant. In each instance the French bank should ascertain which American bank the American exporter is accustomed to deal through and, if possible, arrange the commercial credit through that bank where the exporter is already well known.

Wed.
Tuesday, March 1

This morning received a call from Mr. Rossier of the Banque Suisse et Francais who had just returned from London and with whom I had a very interesting chat. He left shortly after ten o'clock and at 10:30 I called upon Mr. Harjes. At 12:15 I stopped in to see Mr. Thackara to learn what changes had taken place in regard to passport requirements. He ascertained and will be prepared to do the needful Friday morning. From there I met by appointment Mr. Rosselli of the Credit de Lyonnais at one o'clock and had lunch with him at Henri's. Did not leave our room in the restaurant until nearly five o'clock. Ten minutes before six o'clock met Mr. Harjes at his office and we called upon Baron de Rothschild. Dined, at eight o'clock, with Ambassador Sharp at his home.

Thursday

Thursday, March 2nd:

This morning called at Lloyds Bank to say au revoir to Mr. Graves and Mr. Tolman. Mr. Graves told me that there were between 116 and 118 different Chambers of Commerce which issue small denomination currency. He is getting up a complete set of clean samples, of each denomination, issued by each Chamber. It will take about two months to make up this collection, and when it is complete he will send it to me in America. From there went over to Morgan, Harjes & Company and made an appointment with Mr. Harjes to lunch with me. Called upon Monsieur Rossier of the Banque Suisse et Francaise, of which he is *Manager* ~~President~~, and had a very interesting talk in regard to the bill business--going through his bill register and ~~the~~ credit files. Picked up Harjes for lunch at Henri's, and from there went to the American Clearing House where I was introduced to the sister of the Queen of Belgium who was there to attend a meeting of the Directors. Also met the Chief Justice, the Minister of the Interior and the Servian Minister to France. Left the Clearing House in time to keep my appointment with Monsieur Pallain, [#]Monsieur Rubin^{car} and the Secrétaire Générale, discussing the subject of bills, methods, finance, etc., concerning which I will later dictate a separate memorandum. I then called upon Monsieur Sergent, and had a very pleasant talk with him. From there returned to the hotel.

x...Monsieur Pallain presented me with another medal which had been issued some time ago by the Banque de France and also with a copy of his work upon the correspondence between de Talleyrand and King Louis XVIII, as well as a first press proof of the new ten franc notes to be issued by the Banque de France. Spent the rest of the afternoon with Phillips and in the evening took dinner with Harjes at the Hotel Crillon meeting Messieurs Palkin, Governor of the Banque de France; Bethenod, President

of the Credit Lyonnais; Edouard Noetzlin, President of the Banque de Paris & Des Pays-Bas, the Banque Francaise et Italienne and also the Chemins du Noir; Paul Boyer, General Manager of the Credit Lyonnais; Baron de Neuflyze of de Neuflyze & Company; James Rosselli of the Credit Lyonnais, and Ernest Mallet of Mallet Freres.

Friday, March 3rd:

Went to the Embassy at ten o'clock and met Mr. Fraser who was arranging a diplomatic passport and mail pouch for me to take to London. Saw Ambassador Sharp, but for just a moment. From there went to Morgan, Harjes & Company and saw Mr. Harjes who was arranging about having my passports visaed for me. While there I dictated ^{Exhibit A.} the substance of a conversation we had in regard to a method of negotiating commercial credits, which he promised to develop as his own suggestion, and ⁱⁿ which as I pointed out to him, it would not be desirable for me to appear ~~in~~ the matter. From there I called upon Mr. Thackara of the U. S. Consuls office, who I found had written a very strong letter to Major Langford in Paris who was in charge of the new Passport Bureau. Promised to telegraph Thackara of my safe arrival in England. From Thackara's office went to meet Baron de Neuflyze and took lunch with ~~he~~ ^{him} and his partner at Henri's. Returned to the Embassy and received my diplomatic passport from Mr. Fraser. Had a visit with Ambassador Sharp and his son. Returned to the hotel and found that Monsieur Rosselli of the Credit Lyonnais had been quite anxious to see me and I got him on the telephone. He came right over and explained that he and Monsieur Bethenod, President of the Credit Lyonnais, had some discussion as to what I stated in regard to commercial credits. Apparently Mr. Harjes had said something about buying bills in Paris which he had confused with buying ^{credits} dollars. He left and Mr. Phillips came in. We took a

tramp through the Latin quarter visiting the Ecole de Beaux Art where I purchased samples of some dinner cards which are now being painted by artists who are practically being supported by the sale of these cards in the United States and which sell for about fifty cents. Some of these artists ^{in normal times} earn as high as 1000 to 1500 francs for painting a portrait. Returning to the hotel I received a call from Mr. Harjes who stopped in to say good bye and to express his gratification at my visit and its outcome. Mr. Phillips made Mr. Logan and Captain Sayles dine with me at the Cafe de Paris, and we all spent the evening together.

Saturday March 4th:

Took the 7:50 A. M. train from Saint Lazarre station for Dieppe. A man from Mr. Harjes' office met us at the station to see about our luggage, accommodations etc. Had a fine compartment reserved and everything done for our comfort. Arrived at Dieppe at 10:45 expecting that the boat would sail some time between noon and one o'clock. The train conductor was the same one we had when en route to Paris, spoke English fairly well and (for a consideration) undertook to see that everything was arranged. He certainly did--our luggage checked without opening for customs inspection and our passports visaed without waiting. The exhibition of Monsiuer Ribot's letter proved to be an open sesame with all of the Frenchmen. We were able to leave our passports with the Special Commissioner ^{aire} while we had lunch at the Grand Hotel. The passports were not generally to be examined until two o'clock and the boat sailed at four. It was raining and storming at the time and it looked like a bad crossing. Succeeded in obtaining a very comfortable cabin to ourselves on the boat, well located amidships. At lunch met a young French Captain who was on General ~~Chiffre's~~ ^{Jeffre's} staff, and formerly a Lieutenant in the cavalry, but who was now doing staff duty owing to

having been wounded. He was on his way to London upon some diplomatic business. Likewise met at the dock the British Captain of the Intelligence Department who rescued me from the crowd and gave instructions to the officer on the steamer to see that I received every courtesy upon arrival at Folkestone. We left Dieppe at 4:10 P. M. I slept about half way across the channel, and it was pretty dark when I awoke. Shortly afterward all lights on the boat were extinguished and the trip was finished in darkness. Reached Folkestone at about nine o'clock. They had arranged to examine our passports, along with a few others, in the smoke room of the steamer which avoided all delay and annoyance. A young English officer took us off the boat, arranged to have our baggage marked by the customs without inspection and saved us considerable bother. Got some coffee at the station, secured a compartment on the train to ourselves and finally reached London. The train left Folkeston at 11:40 and we reached London at three o'clock Sunday morning. Slept until noon Sunday.

Sunday, March 5th:

Lunched with Mr. Shiverick and Captain Quekemyer at the Savoy Hotel and spent the rest of the afternoon writing mail. In the evening dined with Chandler Anderson.

Monday, March 6th:

Called at the American Embassy the first thing and delivered the mail pouch together with a packet entrusted me by Mr. Frazer. Mr. Bell, Secretary at the Embassy, explained that my Embassy Passport would also have to be surrendered, and Burrell delivered it by hand in the afternoon to Captain Symington.

March 6th continued:

Had a chat with Captain Symington, and before leaving Ambassador Page came in. After a little talk he invited me to dinner tonight. I then left for Morgan, Grenfell & Company's office where I found Mr. Grenfell, Jack Morgan and ^{W. Vassar} ~~Mr. Vassar~~ Smith. Explained to Jack and Grenfell, in a general way, the scheme which we had in mind for the Federal Reserve system stating that it was in every way confidential; that whatever we undertook would, in all probability, be subject first to an agreement of comity with the Bank of England as I considered it would be unwise for our system to enter into this market in any way which might be regarded by the Bank of England as antagonistic to their plans or interests. I also felt that our business would necessarily have to be conducted through a number of the large joint-stock banks as well, both in London and Paris, and that I would feel better satisfied to undertake the establishment of business relations without the appointment of an agency; provided, that we could make some working arrangement ^{for cooperation} with Mr. Morgan's firm in these two cities. Jack appeared to be much interested and Grenfell somewhat reserved, but no more so than an English banker at any time, particularly in view of the present ^{Situation} system in regard to the Bank of England and the joint stock banks which has been fully explained to me. Arranged to dine on Wednesday with Jack at his house. It was arranged that I be in there every day or two and that Mr. Grenfell would have a chat with Lord Cunliffe, Governor of the Bank of England, and endeavor to arrange a meeting at some time when he would be free from the obligations of his office. From Morgan, Grenfell & Company stopped in at the London City & Midland Bank to see Sir Edward Holden, but he was engaged and expected shortly after to go to the Treasury. Then called upon Lord Fairfax and found him with

Fred Wolcott. Arranged to dine Tuesday night with Fairfax, and from Bobbright & Company's office went into Lloyds Bank to see Mr. Bell who gave me a very interesting hour. Showed me through the bank and gave me considerable information in regard to the way they ran their branch system and also the handling of checks etc. The understanding was that I would call back some other day this week and he would give me all the time I required. I explained to him that I had just received Vassar-Smith's invitation to dinner for Wednesday night just an hour or two before that. He undertook to say that he would see Vassar-Smith this evening and arrange to postpone the dinner until next week. From there returned to the London City & Midland Bank and found that Sir Edward Holden had not yet returned from the Treasury. Returned to the hotel and met Miss Devereux, ~~EXPLAIN~~ Mr. Shiverick, and arranged with the former as to what she should do to get hospital work in France. Dined at 8L;5 with Ambassador Page. My evening with him was delightful and most interesting. Mr. and Mrs. Page and a Miss Tracy were the only ones there, and after dinner Ambassador Page and I spent an hour in his dining room alone, and he was good enough to tell me a great deal about the situation which probably no one else could have done so well or with such complete knowledge.

Tuesday, March 7th:

Spent the morning dictating mail etc. Then went to Morgan, Grenfell & Company and had a long talk with Jack Morgan. We discussed at considerable length the necessity for developing the programme of the Federal Reserve Bank here through the Bank of England with which he heartily agreed. It is undoubtedly a fact that extensive operations by our system, in this market, might run quite counter to the policy

of the Bank of England, and inasmuch as they are carrying the load for ~~the nation~~ ^{the nation} ~~conventions~~ etc., (without as complete cooperation from some of the other bankers as would be desirable) it would only develop antagonism for us to ignore their interest in this money market, and its bearing upon the nation's ^{interests}. I am under the impression that it will take some time, judging by what Jack and Grenfell said, to make very much headway with the Bank of England, but the obvious advantage of some mutual arrangement being ready for employment when the war is over, or before if necessity requires, will probably result in their accepting our suggestion. Left Morgan, Grenfell & Company's office and at 12:45 met Mr. Hartley Withers and we lunched together. From luncheon returned to the hotel and cleaned up dictation of mail. Expected Mr. Wolcott in at five o'clock but he telephoned he was unable to call. At five o'clock Mr. Shiverick called and took tea with me. At eight o'clock took dinner with Lord Fairfax. Those at the dinner were Captain Symington of the U. S. Embassy; ^{Martin} Mr. Holland of Martins Bank; Mr. Bell of Lloyds Bank; and Mr. Castles of the Canadian Bank of Commerce, and who is Lord Fairfax's room-mate.

Wednesday, March 8th:

Stopped in at Morgan, Grenfell & Company -- all the partners out. From there went to call upon Sir Edward Holden and had a short visit with him. Called on Lord Fairfax and found Mr. Wolcott out. From there stopped in at Brown, Shipley & Company, met the partners and Monsieur Carton de Wiart who had recently arrived from New York. After an interesting talk about conditions here and in America, took lunch with the partners and returned to the Ritz to keep an engagement with Mr. Simpson. He was unable to get here, however, and I spent the

the rest of the afternoon dictating and writing letters to the family until five o'clock when Lord Churston called for tea and staid until seven o'clock. He is in the Guards but on reserve. Spends his mornings doing military duty and afternoons attending to his duties representing Messrs Hallgarten & Company. At eight o'clock dined with Jack Morgan at his house. At the dinner were Mrs. Morgan, Lord and Lady Bryce, Lady Silversmith of Belfast, Miss Grenfell and Mr. Vivian Smith. After dinner ^{Morgan,} Lord Bryce, Smith and I had a long chat in Jack's library. Lord Bryce gave me a very interesting statement of what he understood to be the English opinion in regard to American attitude toward the war. Walked home with Smith and on the way stopped at a curious little club, largely frequented by the hunting fraternity and which, even at twelve o'clock was pretty well crowded.

Thursday, March 9th:

Thursday, March 9th:

Called at Morgan, Grenfell & Company for mail and found the partners out. From there stopped at the London City & Midland Bank and had a chat with Sir Edward Holden, ascertaining that there would be about fifteen to eighteen for dinner Friday night, and that I would be expected to say something. ¹⁹¹⁶ Vassar-Smith will act as Chairman in the absence of Lord Aldwyn. Returned to Morgan, Grenfell & Company and had a long talk with Jack Morgan about the Bank of England arrangements. He expressed the opinion very strongly that the only feasible and dignified arrangement for the Federal Reserve system ~~for the Federal Reserve Bank to contemplate~~ ^{Conduct the} business here would be directly with the Bank of England, just as we had ^{discussed} with the Bank of France in Paris. The Bank of England had bought bills in large volumes at different times for the Banque de France and for the Reichsbank. Of course they ~~were~~ ^{would be} pretty slow to enter into an arrangement of this kind, but that there were obvious advantages for the Bank of England as well as for the Federal Reserve system, and he felt that both he, Grenfell and Montagu Norman would be able to facilitate making an arrangement which would be satisfactory to us, as all three were most friendly toward the development of cooperative relationship between the two institutions. He has invited Cunliffe to dine with ^{him} and Grenfell tonight. Lord Cunliffe, just now, is very deeply engrossed in the work of the bank and in looking after the finances of the Government, and it would be quite difficult for him to give the necessary time to discuss the matter in detail--that he was temperamentally very slow to act and would require time to think the matter

over before reaching any conclusion. I told Jack that my inquiries here had convinced me that the relations now existing between the Government on one hand, the Bank of England and the Joint Stock Banks were such that I considered it highly inadvisable for us to attempt any arrangement with the Joint Stock Bankers or Discount Houses, or any others, until we had thoroughly investigated the situation first with the Bank of England. That I was prepared to return home without any understanding at all as to our business here unless the Bank of England displayed enough interest to give the matter careful consideration. We certainly did not want to undertake business arrangements that would be ^{antagonistic} ~~unprofitable~~ in any way to ^{what} the efforts of the Government and the Bank of England were designed to bring about. That the whole arrangement, anyway, would probably not be put into operation until the conclusion of the war but that we did not propose, if it could be avoided, to be caught unprepared again and have situations developé that would be expensive or possibly disastrous to the interests of both countries, when that could be avoided by reasonable foresight. It was quite clear to me, from what he said, that his views and my own regarding the desirability of such an arrangement as I had described to him were in entire accord. I Arranged to call tomorrow morning and have a word with him, it being the last opportunity before he sails.

Returned to the Ritz with Mr. Stettinius who is hoping to sail on the "New York" the twenty-fifth. Immediately after lunch James Simpson of the Bank of Liverpool called and we had a short but very satisfactory chat in regard to conditions over here and conditions in Liverpool. He says that, in his opinion, English Joint Stock Banks have never been in better condition than at the present

time, with possibly one or two exceptions, and with the exceptions, of course, that they are carrying a very large load of Government bonds and short Government Bills. He feels that the Government should ~~definitively~~ definitely request the banks not to attempt to market these securities until after the conclusion of the war, as the banking institutions should not be absorbing investment funds from the market while the Government is placing loans--particularly as the Government has informally advised the banks that it will see that no injury arises to any of the banks by reason of their holdings of Government securities. There is an understanding in regard to the discount of short bills by the Bank of England and advances upon the securities of Government bonds which in itself should be amply sufficient to protect any bank against exhaustive demands. He also expressed exactly the view that I hold in regard to the trade situation after the war. Germany will have some hard problems to face, but that when the war stops --it should actually STOP, and not be continued in the form of a trade war with the object of destroying Germany totally. That agreements will have to be entered into which will have the effect, in a greater or lesser degree, of continuing Germany as a competitor of England and the Allies, although, of course, her economic condition may not enable her to make this ^{Competition} condition effective for some years. Any other state of affairs would lead to a renewal of the ~~very~~ conditions which gave rise to the present war. Speaking of the Bank of Liverpool which has about forty million sterling of ^{resources} reserves, it was in excellent shape. The outbreak of the war found them with only £16,000, ~~of~~ of enemy paper in their portfolio, all of which had been provided for notwithstanding their own customers were

liable for much of it and that he felt quite sure that the large German banks were not going to repudiate their engagements, and would ultimately pay up. The loss to the bank would be trifling in his estimation. He said that the bank would be very glad to place at our confidential disposal their complete list of bill acceptors, cotton dealers, etc., with their ratings and an indication of their opinion of what line could be taken of their obligations, and which list would be revised annually. They would furnish us with credit information as desired, and correspond with us from time to time regarding conditions. We discussed the exchange situation for this fall and he agreed with me that the outlook for the fall position was not a satisfactory one, and when the weight of exchange produced by cotton and grain shipments began to be felt in the fall, particularly if the Allies credits as well as bank credits in New York had been pretty well used up, we were liable to see a considerable decline in sterling at New York unless steps were taken, well in advance, to control the matter. He urged me to refer to this at the meeting tomorrow night. I returned with him to the city, ~~and~~ arranged with Lord Fairfax for a meeting with Wolcott and himself some time tomorrow, of which he is to advise me the hour by telephone. Called at Lloyds Bank and had a chat with Mr. Pease in the absence of Mr. Bell, and arranged to stop there next week and go through their bill portfolio and to make a personal examination of the country clearing matter. From there returned to the Ritz Hotel, had tea with Mr. Shiverick and Miss Devereux. Arranged, by telephone, with Captain Symington to stop at his apartment after dinner tomorrow night if it is not too late. Dined with Lord Reading, the Chancellor

cellor of the Exchequer, McKenna and Sir Edward Holden at the Savoy. In the course of an interesting discussion, Sir Edward Holden made a statement which indicates the aptitude of the English Joint Stock Banker, in regard to gold payments. The Manager of one of their branches advised him that an American lady claiming to be the daughter of Mr. Charles M. Schwab presented a cheque for £3,000 and demanded gold. The Manager demurred and the lady became ~~indignant~~^{insistent} and rather indignant, declining, however, to explain for what purpose she desired the gold. The Manager undertook to require her to close her account and take bank notes. After some discussion she was referred to Sir Edward Holden. Inasmuch as she had threatened to report the matter to Mr. Schwab, and in a way which would cause a good deal of discussion in regard to English finance and the solvency of their banking institutions, Sir Edward saw the lady and with a little gentle persuasion induced her to explain the reason for her demand. It seems that she had received a letter from an American stating that the United States would shortly be drawn into the war and that there would be a gold panic--that it was desirable for her to get a store of gold in hand for her own protection while there was still a chance to do so. Sir Edward pacified her and finally persuaded her that it was quite unnecessary for her to act upon the advice of her friend.

Likewise, in my talk with Mr. Simpson, he expressed the same criticism of the Bank of England which has been much in my mind.

Their reserve percentage is now $27\frac{3}{4}$. They hold in their Banking Department nearly thirty-three million sterling Government securities and ninety-three million sterling other securities. He is unable to understand why, during the past months, when the market has been quiet and liquidation has been possible, the Bank has not been able to reduce its position so as to make a stronger showing by liquidating accounts ^{the} _^

" other securities and decreasing its deposits, thereby increasing
proportion of gold to other liabilities.

Newspaper Clippings

Bk of France Statement

" " England "

Friday, March 10th:

Called at Morgan, Grenfell & Co., for mail and had a short visit with Vivian-Smith and Grenfell. Grenfell stated that he, Jack Morgan and Lord Cunliffe had dined together the previous evening, and had quite a discussion in regard to the Federal Reserve Bank matter. That Lord Cunliffe seemed quite interested, and some time during the early part of next week hoped to have matters so arranged that I could have ample time with him for a thorough explanation of the program.

Then called upon Sir Christopher Nugent, at the Union Discount Company of London, Limited, who was very glad to get the message from Mr. Jay, and asked me to remember him most kindly upon my return to New York. I had quite a talk with him about the bill business as conducted by his ^{Company} bank, and about the London market. He says that the volume of bills is seriously curtailed by the war situation, and of course the Discount Company has felt it somewhat as it reduced their turnover. Prior to the war much too great latitude had been allowed the large acceptance houses like Kleinwort ~~Sons~~ & Co., - Shroeder & Co., et al, who sometimes had from 15 to 20 million sterling in the market, and as they never made a statement, no one knew what their capital was. The Bank of England, on the other hand, did require the private acceptors to make a statement to them of capital, responsibility, etc., and unless they could get such a statement they took a very limited amount of bills from those houses, declining ^{them} from time to time ^{and} when it suited them ^{to say} to the brokers that they were taking no more of that name at the present moment. This generally had the effect of bringing recalcitrant

mark
acceptors to the ~~bank~~ as the bank desired. While we did not under-
take to discuss the business in detail (arranging to do so at a
future date) I did ask him about the ~~collection~~ *identification* of finance bills, ~~and~~
As an illustration of his remark that "it was a very indefinite term"
he brought out a batch of new Russian bills, of which they had just
purchased a quantity, that were in the form of finance bills but con-
sidered as having a commercial basis, and which would be accepted at
the Bank of England. They were all, without exception, bills drawn
by Russian banks and banking institutions on English and Scotch banks
and banking institutions. Many of them, if not all, were endorsed
with ^{out} recourse by Barings, who were apparently the intermediaries in
negotiations. They were identical in character etc., with the bills
drawn ^{under the} ~~by~~ Bonbright & Company ^{& Crown} credits. Sir Christopher said they
were finance bills in form but were drawn to enable Russia to pay for
heavy purchases in England, ^{and the U.S.} and consequently were regarded as sound.
He showed me quite a large batch of acceptances drawn by various
concerns on the Equitable Trust Company of London, and accepted by
them payable at Lloyd's Bank, or some other bank in London, and the
same from the Farmers Loan & Trust Company. He said that it was
their policy to get all drawees in England, Scotland and Wales etc.,
to accept their bills payable in London and have them drawn on London,
which was quite possible here as most of the ~~the~~ provincial banks had
London offices. He also showed me some drafts drawn by the General
Rubber Company of Brazil which were accepted by an agent in London
payable at one of the large banks, and which he criticized somewhat
as being really one name paper, although it bore a good endorsement.
He thought that the General Rubber Company of New York or the United

States Rubber Company should appear on the bill, and that it should be drawn and accepted under a bankers credit. At my next call he is going to show me his portfolio. He said that the rates for such bills as he showed me this morning would run from $5\frac{1}{2}$ to $5\frac{1}{2}\%$ and wanted to know if we would not like to take a block of one half million sterling at that rate--it was, of course, most tempting. He also said that they occasionally had bills come in drawn in dollars on good American concerns, and would like to know whether he would be free to send those through to New York for offer to the Federal Reserve Bank. I told him he certainly would be, and recommended that he inform himself quite thoroughly in advance regarding names which we took, and which I promised to give him either now or immediately after returning home. He is very anxious to do business for us in London, and I have arranged to take lunch with him on Friday next at the bank, stopping somewhat in advance of one o'clock. He is also going to take tea with me some afternoon at the hotel. Sir Christopher Nugent impressed me as being one of the most likable and active of the men I have dealt with here, and is most anxious to give me all possible information. Mr. Frazer, of the Guaranty Trust Company's London office, called while I was there. He is one of the Directors of The Union Discount Company, and both he and Sir Christopher asked me to explain somewhat in detail the operations of the new Federal Reserve System which I did. Both stated that they were satisfied from my description that we were handling our bill business along sound lines, and strongly recommended insisting upon information in regard to capital and wealth of the private acceptors and also urged that it would be increasingly important that we should develop

Drawings instead of open accounts in our domestic commerce.

From there I returned to Morgan, Grenfell & Company to say goodbye to Jack Morgan. He told me, in more detail, the substance of his conversation with Lord Cunliffe. They apparently discussed the program, which I had explained to Jack, at considerable length. Lord Cunliffe appeared to be attracted by it, and Jack said to me he thought it would be a mistake for us to contemplate having any other agent than the Bank of England, and that we should endeavor to get them to buy bills for us. I asked him what possibility he thought there was of our making such an arrangement, and he stated that not only did he think it was possible but quite probable, if handled right, as Lord Cunliffe had suggested that they might be willing to buy bills for us and have the Bank of England guarantee them. That, inasmuch as the Bank of England had never lost money in its business, such an arrangement would be far better than any contemplated, and on this hint from Jack I think we may be able to do something.

If we do not perfect an arrangement with the Bank of England, it will undoubtedly be necessary to make a number of different arrangements over here with various concerns--both banks and discount companies. Jack Morgan is particularly enthusiastic about concluding an arrangement of this character and says that he, Grenfell and Montagu Norman will make a determined effort to bring it about. In all of my conversations I have made it clear that under present conditions I hardly saw how anything could be definitely concluded until after the war, and I think that is thoroughly understood.

I then took luncheon with Fred Wolcott at the Berkeley--those present being Admiral Lord Warrenden and Lady Warrenden, Mr. and Mrs. Guinness of New York (Ladenburg, Thalman & Co) and another lady whose name I did not catch. After luncheon the Admiral, Fred and I had a long talk about the Poland matter in which Wolcott is acting for the Rockefeller Foundation, and later Wolcott and I had a chat about the situation over here--the English feeling about America etc. Wolcott's data and observations in regard to Poland and Germany are of immense interest, and in some ways startling in disclosing the frankness with which German army men are willing to talk about their affairs.

Met Captain Symington at five o'clock and went to Ambassador Page's house for tea. From there returned to the hotel, dictated some mail and then went to the Savoy Hotel to dine with the London Clearing Bankers. Mr. Vassar-Smith presided, and those present were as follows:

- J. H. Tritton, Barclay & Company, Ltd.
- Sir Gordon Nairne, Bank of England
- W. Leaf, Deputy Chairman, London County & Westminster Bank, Ltd.
- Sir Edward Holden/ Bart., Chairman London City & Midland Bank,
- The Right Honorable Lord Incheape, G.C.M.G., - K.C.S.I., - K. C.I.E.
President, Institute of Bankers and the National Provincial Bank of England,
- R. Vassar-Smith, Deputy Chairman, Bankers' Clearing House and Chairman of Lloyds Bank Limited.
- Right Honorable Lord Faber, President of the Association English Country Bankers, and of Blackett's Bank
- Sir Felix Schuster, Bart. Governor, Union of London and Smith's Bk.
- Sir Charles Addis, Hong Kong & Shanghai Banking Corporation.

London Clearing Bankers dinner continued:

R. W. Whalley, Deputy Chairman, Parr's Bank Ltd.,

A. A. Tulloch, Manchester & Liverpool District Banking Co., Ltd.,

C. C. Cassels, Bank of Montreal,

Henry Bell, General Manager Lloyd's Bank Ltd.,

Sir John Purcell, K.C.B., Chan., National Bank Ltd.,

Sir J. Fortescue Flannery, Bart., M.P., London & South Western Bk.

Walter S. M. Burns, London Joint Stock Bank, Ltd.

F. Chaplin Coutts & Company

J. Beaumont Pease, Deputy Chairman Lloyd's Bank Ltd.,

R. Martin-Holland, Hon. Sec'y., Bankers' Clearing House, and
Martin's Bank Ltd.,

J. F. W. Deacon, Williams Deacon's Bank Ltd.,

T. H. Whitehead, Chartered Bank of India, Australia & China.

J. Hope Simpson Bank of Liverpool Ltd.

After a toast to the King, and to the President of the United States, Mr. Vassar-Smith proposed my health and made a very complimentary speech, referring particularly to the work of organizing the Federal Reserve Bank of New York and to the system as a whole, and expressed the good will of the London bankers etc. In response, I expressed my thanks for the courtesy extended me by the Clearing House bankers and particularly for the hospitality they had individually extended to me on my visit at a time when they were overburdened with work and anxiety. I referred to the wonderful display of strength and resourcefulness made by the British Banking system in the crisis.

of 1914 and since. Explained the difficulties of the prompt payment of our debts when payment was required, reminding them of the old saying that the borrower is the servant of the lender, which did not apply to the borrower who did not find himself able to pay the debt promptly at maturity, whereupon the lender promptly became the servant of the borrower. I stated that I would feel unable, however, to accept the hospitality which they were extending to me were I not willing to make a brief reference to the present situation in England. That one could not help but be impressed with the significance of all these young men, possibly some of them their sons, in uniform, many of them leaving for the front. My personal view was that they were enlisted in a struggle in which they might have to sacrifice their lives in the defence of institutions created by English speaking people of this country for the benefit of all English speaking people of the world. That these English institutions were a British inheritance of the people of the United States and that upon their permanency depended our security and happiness. That some Americans had been guilty of visiting this country and indulging in views and criticism of the American Government and its attitude toward the war---that I felt no good could possibly come from such statements being publicly made or privately repeated. That our Administration had faced a most difficult situation and whether we agreed or disagreed with its course, we certainly reserved the right exercised by all Englishmen, of criticizing the Government but that we should exercise that right at home and not abroad. I went on further to say that my brief stay here had disclosed to me the

fact that in some respects conditions, public opinion, and the difficulty of creating a solidified sentiment at home, were not thoroughly understood in England.---that there were nearly fifty million people in the United States who were not assimilated, ~~and~~ ^{and many of} who had not even definitely adopted the Anglo-Saxon language ^{custom}, etc., as part of their political creed and social life. They had come to America to pursue wealth and happiness by the same processes Americans had employed for the past fifty years; that is, diligently developing the resources of a great undeveloped country. I stated that ever since the American Republic had been founded it had been unnecessary to develop foreign policy except in three matters. One, that we had sacredly regarded the advice of George Washington to avoid foreign entanglements which he believed would prove a menace to the unity of the new nation, bound together by slender ties. That we had developed a strong sentiment in regard to the so-called Monroe Doctrine pronounced by ^{President} ~~Doctor~~ Monroe at a time when the South American states were struggling for their freedom, and when he felt that interference by foreign nations would prove a menace to our nation; and, lastly, that we had recently developed rather a hazy notion, under the leadership of Mr. Hay, that the people of the United States should enjoy equal rights of trade with other nations in China. Except in these matters we had no foreign policy and likewise no international financial policy. Our preoccupation in the profitable development of our own national resources had not only kept us out of foreign finance, but had led to our being simply a borrower in the cheapest markets of the world. It was, ^{of course} ~~therefore~~,

the responsibility of the lenders to study and understand American credits. That our people had not familiarized themselves with either national ~~x~~ industrial^{or} bank credits in foreign lands; in fact, expressed generally, neither in international politics nor international finance had we ever developed a sense of international responsibility. Quite suddenly, when the European war broke out on the first of August 1914, and it appeared that the United States had become an international factor, both politically and financially, of supreme importance, and possibly of deciding importance, it could not be expected that a people of the character I had just described, and so lacking in experience in foreign matters, would realize their new importance--that a new consciousness was certainly developing in the American people, possibly not as yet politically but certainly in commercial and financial matters. It was hard to appreciate the extent to which good fortune had favored the interests of the United States. Immediately prior to the outbreak of the war there rested in first hands, unsold, one of the largest grain crops ever raised. It doubled in value in a few weeks. A gift of such magnificence as no nation had ever received. The war opened the possibility of a complete derangement of the channels of trade. We had just completed the Panama Canal giving us the opportunity to protect our trade on either hemisphere, and Mr. Wilson's administration had just passed a bill which effected the most complete and fundamental reform in our banking laws since the days of Alexander Hamilton, thus ensuring a stabler money rate

during periods of uncertainty in financial matters. The new banking laws required no explanation as I had found that the bankers of London were peculiarly well posted as to its provisions and meanings, but in one respect, I felt that they might not realize what it had developed indirectly. The reduction in the minimum reserves required by law for the national banks had released nearly five hundred millions of ^{newly} gold. Since the exchanges had turned in our favor, we had imported, net, over four hundred millions of gold, and in addition we had the resources of the Reserve Banks which controlled over five hundred and fifty million of gold practically untouched. This enormous addition to the fundamental wealth of the country, and upon which the entire banking credit structure rested, presented the possibility for credit expansion of such vast proportions that it was inevitable that the bankers of the United States would seek foreign fields for the employment of their funds. So far this employment had been principally directed - First, to the repurchase of enormous amounts of American securities; Second, making loans to foreign ~~nations~~ nations and banks exceeding one thousand million dollars; and Third, to the financing, reorganization and development of an industry and commerce grown up over night in connection with the war. The influence of the change in our banking situation had led to extravagant statements being made by the newspapers, and by some public men, in regard to our position in international commerce and finance. It seemed quite likely that we would have cheap money for some years to come. We did not, however, have the

facilities of banking machinery with which to make this credit available ^{in competition} with English banks, and that such banking machinery must be developed as rapidly as it could be. Our advantage would be cheap money and theirs the machinery and facilities. That it should be a fair competition, and that they must not be deceived into thinking that the weight or influence of cheap money could fail to be felt. This war might entail tremendous sacrifices upon the English people, including the bankers, and if it involved the surrender of some part of the world's banking to New York, at least we believed that it would be surrendered upon fair terms, ^{with} ~~on~~ fair competitions, and that some of us felt that if this great sacrifice had to be made, England, which had established the standard of commercial honor and banking integrity throughout the world, would rather relinquish this great trust into the hands of those who spoke their own language and who believed in the same institutions, and had, I hoped, the same high ideals of honor and integrity. That they must not be deceived with regard to public sentiment--there was a great deal of talk that the United States and ~~its~~ Government was managed by Germans--the answer to that was to state that in this cosmopolitan population, one half as yet hardly assimilated, there had been launched the most thorough propoganda to influence public opinion that the world had ever witnessed, and it had proved the most dismal and ignominious of failures. Possibly the explanation was that the Anglo stock in the United States spoke the same English language as those present, and they still referred to England as the Mother Country.

Saturday, March 11th:

Spent an hour with Sir Felix Schuster, and after lunch played squash with Captain Symington. In the evening dined at the Savoy, and later went to see "Tonights the Night".

Sunday, March 12th:

Spent the best part of the morning in bed, dictated some mail, and then lunched with Captain Symington at the Naval and Military Club. In the afternoon took tea with Mr. and Mrs. Tritton (Barclay & Company) and afterwards played squash with Captain Symington. In the evening dined at Ciro's with Lieutenant Quehenyer and Mr. Shiverick.

Monday, March 13th:

Stopped at Morgan, Grenfell & Company for mail and from there called on Sir Charles Addis and Mr. Jones of the Hong Kong and Shanghai Banking Corporation. Sir Charles is quite keen about the development of our bill market which he thinks is necessary and should be promoted. He believes that New York must carry some part of the load for financing the world's commerce and particularly them. Says it would be of great value to them to have their endorsements recognized by the Federal Reserve Banks of New York. ~~and~~ He is very much surprised at our Government's attitude regarding the Chinese loan particularly in view of Mr. Hay's diplomacy relative to the open door in China. Inasmuch as Germany is a party to the six power

loan, he believes it will be difficult to carry out this business, after the conclusion of the war, with Germany as a partner. He thinks that the United States should interpose no objection to American bankers taking an active part in this part of Government finance. He recognizes that there are difficulties in a policy which might later involve the use of the big stick, but China is such an important field of commercial development that he believes we will find it necessary to undertake business of that character if we wish to establish ourselves in the Orient. Sir Charles has lived a good while in the East, and I believe him to be an authority on these matters.

Then called upon Mr. H. H. Hambling of the London & Southwestern Bank Ltd. He is in favor of transferring the bill business to New York to assist the exchanges and as a means of getting large credits, and states that he has so urged. From there returned to Morgan, Grenfell & Company and had a chat with Mr. Grenfell and Vassar-Smith about the money market and Bank of England practice.

The Bank of England, of course, ^{ordinarily} allows no interest on deposits but they get around that by borrowing money from the market. The detail of the arrangements was not explained to me but I expect to get it later. They regard it, particularly in present times, as a most important function of the bank. In regard to the arrangement for making the rate. This is discussed every Wednesday at a meeting of what is described as the "Inner Circle" and is the equivalent of our executive committee, and

where all features of the situation are discussed. At the Thursday meeting this is a regular order of business and most important sometimes, being the sole item of discussion. The matter is then laid before the whole court and a decision reached. Only most infrequently is a decision arrived at that effects a change ^{in the} ~~between~~ ^{sometimes} ~~the Wednesday and Thursday meetings.~~ ^{most frequently} The rate is/made effective by the bank borrowing in the market which I surmise/takes the form of operations through brokers, and sometimes direct transactions with the Joint Stock Banks.

This is doubtless one reason why the bank's deposit account has been somewhat inflated during the recent months. The Intelligence (information or statistical) Department is not very fully developed and not as fully developed as Grenfell thinks it should be. He says that the Banque de France undoubtedly has an extensive department of this character, particularly as to domestic credits, as they stand ready to take French bills and do take them from banks all of the time and practically without limit. Grenfell is under the impression, as I am, that the Credit Lyonnaise has the most extensive intelligence department of any of the banks, with possibly the Deutsche Bank ranking second. The Banque de France, of course, has access to all of the information held by the big French banks. Mr. Grenfell has made an appointment for three o'clock on Tuesday (tomorrow) with Lord Cunliffe. He tells me that Lord Cunliffe is very reserved, diffident, but nevertheless quite positive in his views. Grenfell is hopeful that after a

few interviews that some satisfactory arrangement can be reached. The plan is to have a preliminary talk with Lord Cunliffe, then a meeting between Lord Cunliffe, Montagu Norman, Grenfell and myself to go into matters more in detail. We discussed at some length the question of the level of interest rates. The high rates prevailing now being more or less artificial and created by the banks and the government. I called his attention to the possibility that this was attracting balances, and investment in bills from American banks, and that if the exchanges started wrong in the fall, they will withdraw all of these balances and investments, and might be expected to make the exchange situation worse. He thought there was something to this and that it should at any rate be considered. We are to discuss it further when we meet Lord Cunliffe.

Returned to the hotel, and dictated mail. X Sir Felix Schuster called at six o'clock and remained until 7:45. He discussed at great length the policy of the Government and other banks. He was strong in condemning the policy of borrowing so much (445 million sterling) on short bills, and said that in his opinion the Government must find a way to fund the war expenses on permanent stocks. He thought that the banks were carrying too much in Government loans, as well as the public, and that was the one weak spot in the banking situation here. I asked him to tell me the policy of the bank in regard to the market. He said that on rare occasions the bank went directly to the Joint Stock Banks and borrowed their surplus fund at interest in order to stiffen

See back two pages

money rates. Generally, however, they employed a broker who borrowed large sums in the market on collateral, the bank in turn borrowing ^{the} money from him. Both operations inflated the bank's deposit account, raised money rates, but weakened the technical position of the bank. He discussed at great length possible methods of unravelling the extended credit situation, feeling strongly, as I did, that the position of the Bank of England, the Joint Stock Banks, and the Government, depended in the last analysis upon the ability of the Government to fund their borrowings into long loans. I asked him how he felt about the level of interest rates, and he said that he thought large balances here just now were a menace, particularly if exchange on London should fall at New York. He was not sure, however, that generally speaking a lower level of interest in London would be a good thing. There was just now a dearth of good bills for the investment of funds at the banks, and of course a low level of interest rates always promoted bad banking. ^{at noon} ~~From there~~ went to Martin's Bank Ltd., and had lunch with some of the directors of the bank. At the table were Sir Frederick Martin, H. A. Holland, *Mr.* Morton Jr., and sitting at my right Sir Frederick Jackson of *Frederick Huth & Co* & Company, also Mr. Guinness of Ladenburg, Thelma & Company, Mr. Chaplin of Coutts & Company, Herbert Balfour and one or two others. We had a very general discussion of conditions here, but nothing of importance in connection with my trip. From there stopped in to see Sir Edward Holden and learned about Tuesday night's dinner, which he explained to me would be attended by a number of the members

Get this ahead!

of his staff at the bank, and a number of the financial editors of the large newspapers here. It was understood that the discussion would be personal and confidential. They called upon Sir Felix Schuster, and discussed the foreign exchange situation at considerable length, also the question of dollar credits. He is inclined to believe that the Government requirements for ~~government~~ exchange have been fully taken care of for some time ahead--probably covering the period for the movement of cotton. He thinks that the English banks will be obliged to relinquish a part of the acceptance business to New York where bills will undoubtedly gravitate under the influence of easier money, but says that the English bankers will naturally be reluctant to let the business go--that it is not only a matter of pride but of profit.

Dined with Mr. and Mrs. Page, those present being the Chilean Ambassador and his wife, Lady Dawkins, Mrs. Sullivan, an American lady, and Col. Squires the military attache, and Mr. and Mrs. Robert Benson whom I had formerly known.

Tuesday, March 14th:

Called at Morgan, Grenfell & Company--no mail. Had just a word with Grenfell, arranging to return at three o'clock to keep the appointment with Lord Cunliffe. From there called on Mr. Bell and Vassar-Smith. Bell outlined to me the ~~the~~ ^{the} scheme of management of the branch system, - the operations of their board of directors, and the Committee system ^{of the} Board, ~~of~~ Reports etc., the employment of their

clerks and the management of their buildings. Mr. Harris, one of their directors, came in by request. He is sailing tomorrow for the United States to be gone about two months, and expects to look me up in New York. Bell says that he is a very rich man, connected with one of the large shipping firms, and one of their active directors. After a long chat, I arranged to return there tomorrow between 10:50 and 11:00 A. M. to continue discussing matters. I asked Mr. Bell about the Hong Kong & Shanghai Banking Corporation; the Chartered Bank of India, Australia and China; the Colonial Bank, and the Yokohama Specie Bank.

HONG KONG & SHANGHAI BANKING CORPORATION:

Undoubtedly A-1. His bank would take any amount of bills with their acceptance ^{or} endorsement if offered. Would not hesitate to take a half million sterling in one batch, and considers them about the best in the market. Very competent management, Sir Charles Addis, a very competent man. An excellent board of directors who take an active interest in the bank's affairs, and they are entrusted with considerable transactions by the British and the Chinese Governments.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA:

Not as large as the Hong Kong & Shanghai Banking Corporation, but most conservatively and ably managed. It is in the same class as the H K & S B Corporation, and Mr. Bell, of Lloyds Bank London, would not hesitate to take their bills for any amount offered. Of course, when the war first broke out, there was some suggestion of German influence in the management which was promptly remedied.

I recall Sir Charles Addis telling me that while at first the war interrupted their business, he thought it was now within 90% of normal. They had no trouble with bills coming through from the East whatever. The trade there seemed to keep up astonishingly well notwithstanding the heavy freight rate. That apparently the consuming power of the people there was unlimited.

We should pay some regard to the disparity of size.

COLONIAL BANK:

This bank operates exclusively in the East. It is a very old institution and has done business for many years with Lloyds Bank which is its principal banking connection in London. For some years before his death, my old friend Sir E. Brodie Hoare was Chairman of the Board and it has always been managed most conservatively. Their Capital £500,000; Reserve £100,000 sterling. It is regarded as a small bank, and small figures should be taken into account. Considered A-1 in all respects. Quite recently they

have taken on a new Chairman, a Canadian, who is quite energetic and endeavoring to bring the business of the bank up to larger figures. It would be well to take this into account, and renew the inquiry later, after the new man has had experience and is better known in the city.

With ^{due} regard to their figures, Mr. Bell said he would not hesitate to take their bills freely.

YOKOHOMA SPECIE BANK:

This bank is ably managed in London, and generally well regarded but on account of the Japanese character it is most difficult to get a good line on their operations in comparison with what can be ascertained about Eastern, American or Continental banks. They are very secretive about their methods. The Yokohoma Specie Bank represents the Bank of Japan in foreign countries, and at times has large sums to loan in the London market which gives them a standing and influence of some importance. They undoubtedly use their ^dcredit freely. Their operations are so closely related to those of the Japanese Government, the Bank of Japan, Mitsui and other permanent Japanese interests that it may be said, roughly, that they are just as good as the Japanese Government so far as their obligations go. With due allowance for the management of the bank etc., Lloyds Bank would take their bills with fair freedom, and Mr. Bell feels that the London market

generally maintains the same attitude towards their credit. They always figure close on terms etc.

After going over the foregoing matters ~~matters~~ with Mr. Bell, he showed me a portion of the bank's portfolio, which I intend to look into more thoroughly later on in the week. Their short money (so called) was in the shape of seven day loans to bill brokers on bills, many of which I recognized, and a considerable number consisting of the Hong Kong & Shanghai Banking Corporation, from the East and bearing that bank's endorsement. The principal amount in the short loans book was represented by advances on short-time securities of the India Government and short-time bonds of the India Government, always guaranteed by the India Government, as well as *Exchequer* bonds, consols, etc. These seven day loans are secured by what they call "floaters". That is the type of security that is circulating in the market. The advance being made for seven days, the brokers calling prior to the expiration of seven days to ascertain if they may have renewals. The account, at present, is ^a comparatively small one as the market is bare of bills and of borrowings of this type. The brokers are generally getting 5% at least on these bills and borrowing say at $4\frac{1}{2}\%$ ---if the market went against them and the loans were called they would "melt" them at the bank.

From there I looked over the department where they keep a record of the employes of the bank. It requires about 40 clerks to do this work which covered a force of 7500 people.

40% of the employees of this bank are in the war service. This they anticipate will be increased to 50%, and a total of 80% of those that are eligible, the rest being regarded probably as indispensable to the bank. The bank continues full pay to the men during their absence, and calls those filling in their places as "temporaries" ^{among} of which there are now ~~many~~ largely women.

Mr. Bell explained to me at great length the most interesting feature of their business in regard to advances to their correspondents and customers, just how they are handled through the branches, etc.

From there I went to the Brooks' Club and had lunch with Mr. A. Hungerford Pollen, Sir Horace Plunkett, Captain Symington, Captain Hall of the Intelligence Department (Secret Service) and a Mr. Spender, editor of one of the London Journals. It was a most interesting luncheon, and Sir Horace Plunkett showed me a confidential report he had made to the Government, following a recent trip through the middle West, regarding conditions there, which impressed me as being a most intelligent and fair report. He seemed to think that public opinion throughout the United States was improving towards England for various reasons which we discussed--the principal one being the care which the Government here was exercising not to permit criticism to appear in the press, and to encourage friendly and intelligent discussion of that subject. From luncheon went directly to Morgan, Grenfell & Company and with Grenfell to the Bank of England, meeting Lord Cunliffe and spending from

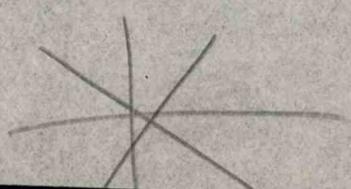
3:10 o'clock until 5:00 o'clock with him, having tea also. Lord Cunliffe impressed me most favorably, relishes a joke, and likes to make one. He joshed me when I came in and said that he understood that I had attended a dinner of the bankers the other night, making a speech that had hypnotized them a bit and that now they were taking me through their banks and showing me their books. He wanted to know why I had not let him know in advance of my coming over. I thought he was reproaching me, and when I started to explain that I did not think my trip was of sufficient importance to advise him in advance, he said he would like to have known it as he would have had me taken off the steamer and pushed through to London in short order without all the fuss and delay that I was subjected to. After some general discussion, I explained the bare outline of our situation with reference to operations over here. Said that it was impossible to say when it could be undertaken, or when it would be advisable to undertake it. Explained the relationship of our bank to the Government and the necessity of observing a course which would not implicate our Government in anything that might be held to be un-neutral. That my personal view had been that the mere existence of a state of war in Europe should not be allowed to defer or to suspend the operation of the Federal Reserve Act, which was really ^{designed} ~~destined~~ to meet emergency situations; in fact, just such situations as would arise in times of war and imperil our own position. That were it not for some questions of this character, it seemed as though the present, or at any rate

next fall, would be a favorable opportunity to start our operations. We realized, however, the extent to which present conditions imposed responsibilities on the Bank of England, and that they were, so to speak, "headquarters," and that our plans should naturally be shaped with due regard to the local conditions here, in which the Bank of England controlled, not only as a matter of comity but in order that our transactions might be more effective in the future through being conducted harmoniously with headquarters.

Lord Cunliffe asked me to explain exactly what our business contemplated, and I repeated to him the language of that portion of the Act referring to our foreign business; pointed out that we had a choice of methods--we could do our business through the Joint Stock Banks entirely, or, we could appoint an agent and deal directly with the bill brokers and possibly by that method our operations would be little known in this market but necessarily we would have to assume entire responsibility, or, we could conduct our business through the Bank of England. I personally felt that the business should develop gradually and that we should be able to establish such an intimate relationship with whatever correspondent we appointed as would warrant ^{our} their accepting ^{this judgment} cash in purchasing bills in our behalf without reservation or separate inquiry. But, to conduct this business either through an agent or with the Joint Stock Banks would put us out of touch with ~~Bank of~~ England and that we might not, in such case, develop the relations of co-operation that I hoped would exist with the Bank of England, and therefore,

rather than conclude any arrangement at the present time, if the Bank of England was not interested, I would prefer to go home and leave the whole subject open. I also explained to Lord Cunliffe that the matter had not yet been discussed with the Joint Stock Banks, and that it was difficult to say when we could actually start business. I had felt strongly during the past eighteen or nineteen months that serious losses were involved to the commerce of both England and the United States by the complete derangement which threatened a suspension of international gold settlements, and that in the interests of both countries we certainly should be able to work out some plan for co-operation in these matters.

Lord Cunliffe said that he agreed with me about the exchanges and was anxious to see that matter in better shape. He asked me how I felt about the future. I pointed out to him that there were still difficulties ahead--principally those to be apprehended from the VOLUME of cotton and grain bills coming forward this fall, and that plans to meet that situation should be made well in advance. I also pointed out to him that both England and the United States had incurred great losses and unnecessary risk in gold shipments for many years. That our rather uncontrolled money market, under the old banking system, had been more or less of a menace to both of us in times of difficulty, and that some sort of co-operation which could only grow out of experience and mutual confidence should enable us to minimize these risks and losses, but the first step in that direction was for the country which held the surplus funds (just now the United States) to invest some portion of them in this market. That the Federal



Reserve Banks could afford to do that better than any other as their funds cost them nothing, and it would be some time before their credit facilities were needed at home. Lord Cunliffe, as Mr. Grenfell had warned me, is very slow to make up his mind, and always wants a few days in which to think things over, particularly if they are important and a little outside the line of his experience. He said that, of course, the Bank of England did not allow interest on balances but that the Bank was really a law unto itself and means could be found to overcome that difficulty which I interpreted to mean, that the Bank of England would borrow our money rather than hold it as a guaranteed deposit. He also said that the Bank of England discriminated very rigorously as to the paper it bought or discounted and consequently in dealing with the Bank of England, rates would not be as high on any paper they might buy for us, under such an arrangement, as we might realize through the bill brokers and the Joint Stock Banks. But, the paper would be undoubted, and carried.

He saw difficulties in the way of acting for us, in the purchase of bills, and then, much to my surprise, said that they could all be overcome--that the suggestion appealed to him as having much merit, and of course if the Bank of England acted for us they would guarantee all the paper purchased for us and be responsible for its payment, that they had never lost money on bills, and would not expect us to. He wanted to know if the bills would have to be shipped to America. I told him that ultimately I thought that would be the case, where the bills ran for some time. If we

were putting out short money, that could not be done. If an arrangement was concluded before the war ended, we probably would not want the bills shipped owing to the risk of loss etc. Finally he said that he thought the best plan, at the outset, would be to have the bills held in "pension". It was understood, he said, that the matter would require thought, and he wanted to consult with Mr. Montagu Norman and with the Deputy Governor, but on the whole, I am most favorably impressed with his attitude, which was most friendly, and at the conclusion of the general discussion, roughly outlined above, we had coffee and cigars and a general discussion about the war. Lord Cunliffe undertook to josh me a good deal about the trip over here and of having stirred the bankers up and setting all their ears wagging. He said that at the Clearing meeting that morning they had all been talking about my speech at the dinner on Friday night, and I could not help but draw the conclusion that while he was only joking, he would have been a little better pleased had I written him in advance of my coming. I explained that I had felt right along that my trip was making a good deal of trouble for everyone concerned, and that had I notified them in advance, it could not help but to have been construed as an invitation to facilitate my trip which I did not want to trouble them to do.

On the whole, I believe there will be little difficulty about coming to an understanding regarding an arrangement.

After leaving Lord Cunliffe, I went to the Admiralty by appointment to meet Captain Hall of the Intelligence Bureau. He is

a most interesting man, and showed me a lot of data he had in regard to the German Secret Service, and told me of some of their experiences in running it down. He is particularly anxious to find out about R early record in the United States from whom he had credentials when he came over. R is apparently a very important member of the German Secret organization, and one of those who is responsible for the attempt to implicate the Federal Reserve banks. Captain Hall said that if I would let him know when I was leaving, he would see that everything was smoothed out.

Dined in the evening with Sir Edward Holden, and those present were as follows:

Sir Edward Holden, Baronet,	Chairman London City & Midland Bank, Ltd.,
Sir George Paish,	The Statist,
Mr. A. W. Kiddy,	Morning Post,
Mr. H. W. Palmer,	Financial Times,
Mr. E. W. Woolley,	London City & Midland Bank, Ltd.,
Mr. W. H. Hackett, F.J.I.,	Yorkshire Post,
Mr. Norman E. Holden, B.A., and LL.B., Camb.,	
Mr. F. Hyde,	London City & Midland Bank Ltd.,
Mr. E. R. M'Dermott,	Railway News, - Daily Graphic,
Mr. C. A. Reeve, B.A., Camb., (Barrister at Law, Inner Temple)	Daily Telegraph,
Mr. E. T. Powell, LL.B. and B.Sc., Lond., (Barrister at Law, Inner Temple)	Financial News,
Mr. S. B. Murray,	London City & Midland Bank Ltd.,

Mr. R. Benham,	The Standard,
Mr. J. M. Madders,	London City & Midland Bank, Ltd.,
Mr. W. R. Lawson,	
Mr. H. Cassie Holden, B.A. and LL.B., Cambridge. (Barrister at Law, Inner Temple)	
Mr. Hugh Chisholm, M.A., Oxon. (Barrister at Law, Middle Temple)	The Times
Mr. F. W. Hirst, Wadham Coll., Oxon. (Barrister at Law, Inner Temple)	The Economist

The dinner was given by Sir Edward Holden for the purpose of enabling me to meet the financial men of some of the more important publications of London. I sat next to Sir George Paish. Sir Edward made a long talk about his trip to the United States, and spoke in a very complimentary and friendly way about our friendship, and the help I had given him on some matters in New York. He asked if I would talk a little bit about the Federal Reserve System which I did, and on Sir Edward's invitation the meeting developed into a general "quiz" party--everybody asking questions. The last speaker, Mr. Reeve, made the astonishing suggestion (and I believe it was in all seriousness) that he believed it was a great mistake to have English speaking people separated into two political and financial organizations--that we ought to get under one roof again. That the Reserve Bank System was really the Bank of England, and that if we

would only promote the right kind of relationship, we ought to be able to consolidate the English and American system, and in some way or other work out a complete ^{ae} cord. This caused some amusement, but was roundly cheered. I did not find the gentlemen present at the dinner particularly well posted in regard to the American financial system. Sir Edward stated at the outset that it was understood that this meeting was private, and the discussion confidential. When I spoke, I stated that I would rely upon Sir Edward's commitment, and therefore would feel at liberty to speak with more freedom than otherwise I would.

Wednesday, March 15th:

Called at Morgan, Grenfell & Company for mail and found a cable from the office urging that there was no immediate necessity for my immediate return to New York. From there called upon Mr. Henry Bell who showed me through the bank's (Lloyds Bank Limited) portfolio of English bills. These consisted of a very large amount of bills running, however, in small denominations, practically all of them representing the drafts of houses dealing in various kinds of merchandise, accepted by the buyers, and in some cases by the buyer's banks. It also included twenty-one day bills which are drawn by a bank agency in the provinces upon the head office in London, and which are sold to customers for the purpose of meeting obligations due in London and payable under a trade custom in twenty-one days. Mr. Bell told me that the volume of bills I saw was not more than 10% of what would be normal in ~~former~~ times. These bills were almost without exception payable at the offices of London banks and bankers, it being the custom throughout the provinces to accept bills payable at London institutions; in other words, to domicile the bills in London for convenience in handling and collection. When the bills are payable in the provinces they are sent by the London bank to the respective branches for collection from eight to ten days in advance of maturity. Inland bills are invariably ^{advised} ~~paid~~ by the inland bank to the city bank, and failure of the London bank to receive advice of the drawing would result in telegraphic inquiry, ^{and} a good deal of

and dissatisfaction with some reflection on the credit of the drawer. This is not always true of bills drawn on the city, where by custom, the banks are usually willing to construe the acceptance of the bill by the customer as instruction to pay the bill and charge to the account. Mr. Bell seemed to think that a large volume of the domestic commerce was settled by the use of bills. Sir Felix Schuster, however, in my recent talk with him took a contrary view. He thought altogether too small a proportion was settled in that way and that England had over developed the practice of permitting open book accounts to run for long periods. That this was particularly true of the retail trade.

I noticed some bills in the portfolio, drawn for the purpose of settling accounts for the repair of ships---accepted by the ship owner and ^{drawn} accepted by the ship builder. In some cases, bills were there representing a portion of the ^{Cost of a} ship built by some shipping company. In some cases these bills are secured by a bond on the vessel, insurance, etc., and in other cases no security given where the credit of the acceptor is regarded as sufficient. The great volume of the small bills appearing in the portfolio of a bank like Lloyds are sent in by branch managers from their various branches. They have a very comprehensive system of checking these bills and credits, which is ingenious and seems to be effective. Each branch runs a register of each customer's account, carried in a small cheaply made book, in vertical columns. One register which is prepared, say on a Saturday night, and the other on a Wednesday night. This book keeps the balance, the turn-over

for the previous year, the overdraft, the advances upon security, how much is secured and what it consists of, and the authorized limit together with any excessive advances over the limit, and a column for remarks explanatory thereof. Each branch manager is authorized to go up to a certain limit without special advice, and is then authorized within reasonable limits to exceed this amount for which he must make special explanation. One copy of this book goes to the home office every week, and ~~the other kept~~ while the first is being returned to the agency every week, so that each week the bank completes a record and examination of all advances by each agency, and the agency receives in return a complete report with comments on each transaction---the books alternating back and forth between the main office and the branch. I was surprised to find the extent to which loans are extended on overdrafts--the great majority of loans were of that character, many of them without any security and in no case were liability agreements or notes taken by the bank, it being understood that the debtor and creditor relationship between the bank and its customer expressed a sufficient liability to enable the bank to recover. A good many of these advances on overdrafts were covered by security in the shape of stocks, bonds or even a lien upon a freehold or leasehold property--in some cases by goods, particularly in the Liverpool district where much merchandise is taken *on from the* steamers, and covered by warehouse certificates. In the Advance Department of the bank were very comprehensive records of all the agencies and of all the credits, bills, etc., in loose leaf files

and apparently very well kept. The Advance Department has men of long experience who are checking up this work constantly and who either go to the various agencies to make inspections, or send for the managers to come to London and report. The entire list of accounts of each agency, together with the lines established are revised every year. Much dependence seems to be placed upon the general reputation and character of the customer. The officers of the bank, and the men in the departments having charge of these matters, display a surprising familiarity with the character of the bills in their portfolio; the business done by the drawer and acceptor in each instance, and the history of each account which, of course, extends back in most cases for a long period of years. They do, however, impose great confidence on the men in the Advance Department whose business it is to check these transactions and keep themselves informed of the kind of business done by the drawer and acceptor. The drawer is usually a customer of the bank although the acceptor may at times prove also to be a customer. One interesting illustration of the care with which this business is watched developed in connection with some bills drawn by some lumber concerns. They frequently will receive a bill drawn by lumber manufacturer "A" on lumber merchant "B", and likewise receive a bill drawn by "B" upon "A" which superficially would indicate that they are giving accommodation notes to each other. This is not the case, however, the explanation being that "A" is an importer of mahogany from Central America while "B" is an importer of white pine from the United States--they are both

general dealers in lumber although each has certain specialties that he imports, consequently they are buying and selling, from and to each other, and as a matter of custom they never draw for the net difference of the account but always for the full amount of each account. This is regarded by the bankers as a sounder method that would be with the settlement of net differences.

Mr. Bell showed me the way all of the records of these transactions were kept, and the general conclusion to be drawn was that the big English banks trust their clerical force and the judgement of their men in credit matters to a much greater degree than we do our men at home. They put responsibility upon them and look for results.

Mr. Bell also showed me the department in which the budget is kept, and the surplus call money--principally seven day money was loaned or where the loans were called. All departments of the bank sent their figures to the man in this department who had to know every day by a certain hour what foreign drafts were likely to come in; what debits and credits would likely arise through the agencies; what loans matured; what new loans were to be made; what the result of the clearings would be; and, then he based his opinion upon these figures and advised the short money brokers when they came in whether their loans would be renewed, must be paid, or whether they could have additional funds. He never expected to come within more than 200,000 to 500,000 pounds of an exact calculation as so many unexpected items came through; but, the balance at the Bank of England which might run from five, six or eight million sterling always took care of the

fluctuations. The bank has a committee of its directors which supervises every department, including the clerical force, etc.,. These committees, on which the Chairman and Deputy Chairman always serve, meet weekly, commencing at ten o'clock and lasting until about twelve o'clock, each meeting taking from fifteen minutes to half an hour. The entire board then assembles and receives reports from the various committees, and take final action on all business. All loans exceeding £15,000 are submitted, the general statement of the bank is submitted, and I gathered that only in exceptional cases does the Board overrule the recommendations of the committee. The directors are very diligent in attending to their duties and seem constantly to be running in and out of the bank.

From Lloyds bank I went to the Savoy Hotel, met Alfred Shepherd for lunch and spent the afternoon. Nothing of importance transpired except that he told me the Scotch investment companies had liquidated a very considerable amount of their American investments--one of his companies, and not a very large one, having recently sold no less than £100,000 sterling. The Scotch companies all along have felt a preference for American securities and invested heavily in them. After leaving Shepherd, I played squash with Captain Symington. He introduced me to a Mr. Marbborg of Baltimore who was, as I recall it, formerly our ambassador to Austria. His son is an aviator and recently had a fall losing his leg. He said that he had just recently returned from France and, while I did not agree with him, he thought that France was "busted". I do not think he knows anything about it.

At eight o'clock I went to Boodle's Club to dine with Vassar-Smith and associates. Those present were Sir E. Seymour King, a Mr. Clayton, cotton merchant of Liverpool and London, Mr. Pease, Deputy Chairman of Lloyds Bank, Mr. Henry Benn and one or two others whose names I did not get.

At the dinner there was a good deal of discussion about our new banking system and a great many questions asked about it. Sir Seymour King located me as the son of his old friend, and after dinner he was so anxious to talk over old times that I had no opportunity to chat with the others at all. I promised to take dinner with him next Thursday at eight o'clock at his house. All of the gentlemen that I meet in London are deeply interested in American political affairs and evidence the greatest anxiety to see our politics so develop that we may be able to give them support either now or after conclusion of the war, but particularly now. There is much difference of opinion as to whether it will be an advantage or disadvantage for us to be involved in the war, but they all agreed, that it would bring the war to a speedy conclusion, and that is what they all want.

Thursday, March 16th:

Mr. Shiverick called shortly after breakfast time, and immediately after I called upon Ambassador Page. I explained to him exactly what the object of my visit was, and what progress I had made, as well as the questions of neutrality involved, stating the proposition as fully and clearly as I knew how. He thought I was pursuing exactly the right course and said in his opinion, *it would do an immense amount of good if we* could get these arrangements made with the French and English banks. I then discussed with him the subject of Dutch exchange, and his suggestion, with which I heartily agreed, was to take this up with absolute frankness with the authorities here and tell them just what our position was. Ambassador Page is clear headed, does not pretend to understand the technique of the business, but his judgement is fair and straightforward.

✓ Lunched with Vivian-Smith at the Royal Exchange, ^{and} with the directors of an insurance company of which he is chairman. Those present being, Mr. ~~Edwards~~ Brown of Brown Brothers & Company, Mr. Hambro, Mr. Kimberly, and two or three others whose names I did not catch. The conversation was entirely about the war, particularly the submarine matter, and the same interest in our politics was displayed which seems to be in the minds of everyone over here and some anxiety to see matters develop in their favor. After lunch called at the Guaranty Trust Company and had a short talk with Mr. Wyse. From there called upon Sir Christopher Nugent with whom I had a very long and interesting talk about bills.

He showed me a batch of £150,000 just received from the Equitable Trust Company--£50,000 of them were drawn by the Bank of California on one of the London Banks--the balance of them were, without exception, commercial bills, principally cotton, drawn on the very best London banks. Among other names I saw Lloyds, Union of London & Smiths Bank, Glyn, Mills, Currie, Barclay & Co., Parr's Bank, London City & Midland Bank, Hambro, Wm. Brandt & Sons, and a number of other good names, almost all of the London and Scotch banks including the Bank of Liverpool. He had purchased them at $5\frac{1}{2}\%$ discount, and will probably turn them over at 5% or a little less with the endorsement of the Union Discount Company. They were already endorsed by the Equitable Trust Company, and a better lot of paper one could not want. He said, just as Robineau of the Banque de France said, that the only way really to tell a finance bill was to feel it with your fingers to see if it was a counterfeit or not, as one would a bank bill--there is no set rule, law, policy, doctrine--nothing to govern except instinct, judgement and experience. Many bills that looked like finance bills are only exchange bills, and go without difficulty at the Bank of England. I was interested to note in the records submitted to me, a few discounts, advances and overdrafts, at 5% and quite a few at $5\frac{1}{2}\%$, but the vast majority at 6% . In normal times the rates on this business would run from $2\frac{1}{2}\%$ to 4% with the bulk at 3% to $3\frac{1}{2}\%$.

at least

In normal times, a very large volume of the bills which freely circulate in this market, are bills of brokers, bankers etc., many of them American bills which are regarded as prime. ~~Here~~, and he thought the market generally depended a good deal upon their knowledge of the kind of business conducted by the drawer and acceptor. They would know, for instance, that a concern like the Bankers Trust Company would not draw finance bills--such bills as might be drawn by the Bankers Trust Company being of course, without exception, drawn for exchange in order to cover their position, meet the requirements of their customers, etc., which was regarded as quite legitimate so long as not carried to excess. Almost all of the bills that I examined were drawn to order, endorsed by the drawer in blank, payable to the Equitable Trust Company, and endorsed in blank by the Equitable Trust Company office, they having a London office and a signing officer here. Sir Christopher said that the volume of bills coming forward from the United States was now so small that he was not even sending his daily telegram to institutions that had formerly remitted bills to the Union Discount Company. He thought it was due to the very low money rate, *to the* steadier rate of exchange and the consequent carrying of bills by American institutions which found it more profitable to do so than to discount them. He spoke very highly of the Bankers Trust Company and the way its business was done, and of Mr. Kent personally--in fact, everybody here knows him favorably.

From there I returned to the hotel and met Mr. William Mackenzie of the Alliance Trust Company ^{of} Dundee, Scotland, at four o'clock and spent the afternoon with him, then taking dinner and spending the evening with him. He has done what apparently many others, situated as the Alliance Trust Company is, have done. Instead of selling American securities, has borrowed large sums in the United States on their American securities and brought the money over here, paying off the loans gradually out of income, liquidations, etc. ~~As the Alliance Trust Company funds are practically all invested in America, and in mortgage loans, they would have to liquidate and go out of business.~~ *If they sold out.*

He said that he, his Company and associates, have brought over £500,000 sterling in one way or another and prepared to bring more if it proves necessary. Late in the afternoon Sir Felix Schuster called and invited me to take dinner with him Tuesday evening to meet a Mr. Abrams who is in charge of the finances of the Indian Council, and who Sir Felix says is, in his opinion, today, the greatest authority on currency in the Empire. Sir Felix is anxious for me to spend some more time in his bank and I have promised to go there and look things over with him again. Spent the rest of the evening with Mr. Mackenzie, and shortly after dinner he left at about 10:30.

Friday, March 17th:

Stopped at Morgan, Grenfell & Company and picked up the mail and sent a cable ^{to} Mr. Jay that I was sailing on April first. Had a chat with Grenfell about Dutch exchange. He asked me to take the first opportunity to talk this matter over with Mr. Montagu Norman who was dealing with this subject for the Bank of England for the past three months. From there I went to the Union Discount Company and had lunch with Sir Christopher Nugent, Sir Robert Balfour, and Mr. William T. Brand. Most of the luncheon was devoted to discussion of the bill business and of the Federal Reserve Bank system; the probabilities of heavy foreign travel by Americans after the war was over, and California where Sir Robert Balfour (head of Balfour & Williamson Company) has large business interests. They all agreed that the so-called "Inland bill" now rose more out of the transactions between manufacturers, wholesalers, jobbers, etc., than out of dealings with the retail trade. ---The retail trade now being conducted on a cash basis or on book accounts. Sir Christopher Nugent was interested to ascertain whether we could deal with them in buying bills, and I explained that we could but that feature of our business had not been developed, and it was uncertain when we would start. Went with Mr. Brand to the London Joint Stock bank and had a visit with Mr. Gow. In the course of discussion of their business he explained that the Inland bill while to some extent discounted by the drawer, with the Joint Stock Banks, in a vast number of

cases holders of bills, that is the drawers, negotiated them with the bill brokers and discount companies which quoted slightly better rates than the Joint Stock Banks, carried them either on call or seven days, and enabled the bill brokers and discount houses to make a slight turn or "shave" of interest, ~~the~~ discount houses frequently carrying them for a month say, and then selling them as two months paper or less to the Joint Stock Banks or bill buyers.

I returned to see Mr. Grenfell, and discussed at greater length the Dutch exchange problem which he said was an important and pressing problem, and that he would be glad to talk it over at any time and particularly wishing that I would discuss it with Montagu Norman. He said that the accepting houses had reduced their business very considerably--that there had been discrimination against them partly because many of them were of German origin, doing German business, and partly because their credit had been somewhat affected by reason of the volume of acceptance credits which they had granted prior to the war, and which were somewhat embarrassing when the war broke out. This business had been taken over to some extent by the big banks but he did not think it was sound for big banks of deposit to extend acceptance credits when it was uncertain how the business would develop in the future. The Joint Stock banks had undoubtedly made a drive against the acceptance houses to get their business, and with some success, particularly Holden. At the outset it was rather generally

understood that the acceptances of Morgan, Rothschilds and Baring would be generally handled by the market, the others not so freely. The Bank of England had not discriminated. I judged this was covered, as to the houses of German affiliations, by the terms of the Government guarantee. He said their firm had rather reduced their acceptance business, and had never discounted a bill. That they were lenders, on call, to the bill brokers on bills. The bill brokers always being liable for the advance and it being generally understood that if the lender so desired they would endorse the bills. When the bill brokers melted their portfolio at the bank, they filed a letter of liability but did not endorse each bill although they could be required to do so. The Bank of England did not go into the market to buy bills in London in a large way at all-- that aroused antagonism in the city, and as a matter of fact, in normal times, the Bank of England was handicapped by its inability to get *a sufficient supply of bills* they might hold. They, however, had separate branches where this provision did not apply, and these branches in the Provinces discounted rather freely and were not even governed by the bank rate. They furnished the bank with a considerable amount of bills and a good portion of its revenue. The bank was paid by the Government for various services which it performed for the Government, including the printing and issuing of notes, but that after all the bank was not run primarily for profit and did not care to show much over 10% earned on the stock. However, the profits to some extent, were set aside in special reserves or by some

such method. ~~In~~ ^A all of my discussions of bank methods in London and particularly my discussion with Mr. Gow, indicate that they follow custom and precedent almost entirely, and as Sir Christopher Nugent ~~one~~ ^{one} afternoon expressed it, "if they followed strictly ~~the~~ ^{the} law of ~~the~~ ^{the} statute, there would be no occasion to hire high ~~priced~~ ^{paid} officials in these London banks, the object of having the highly paid official who would exercise his judgment ~~to get men in the service~~ ^{was to have a man who knew when} to violate ~~judgment~~ ^{the law} when it was desirable and good business to do so".

From Grenfell's office called on Captain Hall at the Admiralty and had tea with him. ^{Also there came in} ~~His~~ sister, two of Lord Derby's daughters, and a friend, who were at that time canvassing the Admiralty for subscriptions to the Irish Relief Fund (this being St. Patrick's day) ~~are there~~.

After I returned to the hotel, Captain Symington and Mr. Shiverick called.

Saturday, March 18th:

Slept late, and lunched with Captain Symington and Mr. Shiverick at the Strand. In the afternoon went to the Alhambra and later to the Army Exhibition to see the *Exhibition* of ~~the~~ trenches *etc.*

Mr. Montagu Norman sent his car for me and I took dinner alone with him at his house. We spent the evening discussing the position of affairs in France; the British Government's Short borrowings and funding operations; New York exchange, and the Dutch exchange. I did not think that Mr. Norman took a very optimistic view of the French position, although he seemed inclined to agree with me that no one could tell what would be the effect of the war upon the industrial life of the nation, upon which everything depended. As to the English position, and the Government's short borrowings, and the currency note issues, he expressed very much the same feeling that I have felt--that the ease with which this great mass of Government short loans ^{and} *and currency note issues* had been absorbed in circulation would lead to a lot of political quackery and financial heresies, especially with regard to fiat currency or silver issues. He thought the great danger, if it existed, as he thought it did, was to be apprehended from Parliament's failure to recognize that the currency notes must be retired in due time by the issue of an interest-bearing obligation. He was not particularly apprehensive about the short borrowings of the Government, believing that if the market ^{attempted} ~~pretended~~ to reject them it would result in accumulation of great balances with the Joint Stock banks, which would keep these deposits with the Bank of England, and the Bank of England could then take care of the Government situation. I am not inclined to agree with this view. It puts too great a strain on the bank, would reduce its reserve percentage, and ~~lead~~ ^{tend} to cause

uncomfortable feelings about the gold reserves particularly if New York exchange were adverse. He was very positive in feeling that the principal and most important problem was the New York exchange. That no means should be overlooked for keeping the exchange steady and normal. As to the general level of interest rates in London, he rather agreed with me that the high rates which now prevailed tended to accumulate balances from New York, and bills in New York portfolio undiscounted led to some menace in case exchange should decline, New York on London, as the tendency would be to withdraw these balances. He felt, however, that any radical changes towards lower rates would be unsettling. That the soundest policy was to maintain the position without changes because people were accustomed to these rates, and a sudden lowering of these rates to a level which could not be permanently maintained, would be unsettling.

We discussed the question of the Government's borrowings, and I explained my own view of the unwisdom of conceding anything to those who believed that the income tax on Government bonds should be eliminated or limited. He explained his view to me, that a compromise would be preferable by putting a limit upon the Normal income tax, deducted at the source, until a year or two after the war was over. making the bonds so issued say at fixed interest, free of income tax for three, four or five years and thereafter at a higher rate of interest subject to both normal and surtax. This may prove a wise compromise, and tend to a larger flotation than could be otherwise be arranged. The last war loan which pays $4\frac{1}{2}\%$ gross only nets about $3\frac{3}{4}\%$ to the holder, and of course less than that when the holder pays a surtax. He inclines to a three, four or five year 4% bond, free of tax and running thereafter for a long period, say 30, 40 or 50 years at 5% subject to tax. It is a difficult question and one which must be worked out at an early date, as the Government is now obliged to issue about one million sterling short loans in excess of

those retired, and the account is getting too large. We went all
all over the question of Dutch exchange at some length. I explained
to him the view which would undoubtedly be taken in America. That
where debts arose from Americans, payable in Holland whether by
reason of trade or security transactions, the American was entitled,
to pay those debts and without paying a penalty by reason of a ^{premium} ruling
on Dutch exchange, over the cost of exporting gold. If England was
able to stop the ^{movement of} goods or securities that was quite another matter.
If they were German ^{and} contraband, it simply means the extension of ~~the~~
blockade principle which we all at home regarded as illegal or extra-
legal, but so far as the Dutch exchanges were concerned, these
American debts to Holland would be paid anyway and why attempt the
futile scheme of interfering with the exchanges by arresting gold
shipments when the real effort should be to arrest the real contra-
brand goods which were tangible. I called his attention to the
fact that the Federal Reserve Bank would receive gold from its
members on deposit, and with an amendment of the Dutch law, the Bank
of New Nederlands might be able to issue notes against the gold, thus
avoiding the shipment of gold but accomplishing the same result;
that we had advised the Bank of ~~New~~ ^{the} Nederlands and other Dutch bankers
that we agreed in principle to this suggestion. Personally, that I
did not hesitate to say to him that I believed any such an arrangement
would likely be construed by the British Government as avoiding the
intention of the Netherlands Overseas Trust Agreement even though it
did not specifically violate any ^{specific} provision of the agreement, the
probable result being that the British Government would insist upon
a revision of the agreement with Holland to cover that very point.
He said, of course, that was so and implied that he was acquainted
with cable exchanges etc., but I thought that he was inclined to
agree that the matter would have to be handled between Holland and
Great Britian and that the United States was free to make any

arrangement with Holland which Holland and ^{the U.S.} Great Britian generally found feasible. He said there was no doubt about the British Government insisting upon the efficacy of the blockade, But I think he was inclined to agree with me that the only efficacious blockade would be one extending along the frontier between Holland and Germany instead of in the channel and the North Sea, and that the way to treat with these matters was by agreement between Great Britian and Holland. I pointed out to him that in some ways the existing blockade appeared to distinctly violate the rights of neutrals, but he said, as I expected him to say, that those were matters which would have to take their course--that this was a life and death struggle, Germany had abandoned all rules both as to the conduct of the war and the rights of neutrals, and that England could not afford to relax the rigor of the blockade.

Mr. Norman pointed out that no objection was made by the Government to the export of gold from the United States to Holland where it was plainly shown to have no connection with enemy transactions. This I insisted was a fiction, and while ~~he~~ he did not say so, I believe that he agrees you can no more ear-mark gold than you can ear-mark securities or goods, under the conditions that now prevail as to Dutch--German trade. The whole situation is most complicated but ought to be worked out by an agreement that the exchanges will be allowed to operate freely, and the control of the movement of gold and securities be dealt with by an agreement between Great Britian and Holland. He seemed to think that the existence of a discount in Holland on dollar exchange would prove a deterrent ~~in~~ the sale of German securities directly through Holland. I am inclined to disagree with him on account of the large discount on ^{German} Dutch exchange in Holland which gives the Dutch trader the opportunity to make a large profit so long as he is willing to extend some credit to Germany a

and this is particularly true where German securities can be purchased by Dutch bankers and Dutch-held American securities sold in New York against them. It presents the opportunity for a profitable arbitrage, in which Dutch bankers are skillful, and the speculative features are reduced to a minimum. The only risk involved being the unconvertibility of German stamped American securities until after the war. The discussion was inconclusive but interesting.

Sunday, March 19th:

Slept late and played squash with Captain Symington before luncheon. Lunched at the hotel and later attended the afternoon service, with Mr. Shiverick, at Westminster. Took tea at the Carlton, and later, Shiverick, Symington and I dined at the Prince's Restaurant.

Monday, March 20th:

Called at Morgan, Grenfell & Company for mail and had a few words with Grenfell. Then called upon Mr. Leaf of the London County & Westminster but he was out. Called on Mr. Tritton of Barclay & Company and he was out. Called to see R. Martin Holland but he had not yet reached the city but I had a talk with his partner Mr. Martin, arranging to meet Mr. Holland later by appointment. Lunched at Prince's and returned to the hotel. Mr. Holland called me up and later came over for tea. We spent a couple of hours discussing operations of the Clearing House, and country check collections. His story is about as follows:

(see next following page)

LONDON CLEARING HOUSE OPERATIONS AND COUNTRY
CHECK COLLECTIONS.

Practically all banks in the United Kingdom appoint certain of the clearing banks or bankers as their collection or clearing agents. The clearing banks consist of the following 16, with the Bank of England clearing in addition on the charge side only:

Barclay and Company Ltd.	54, Lombard Street, E.C.
The Capital and Counties Bank Ltd.,	39, Threadneedle St., E.C.
Glyn, Mills, Currie & Co.,	67, Lombard St., E.C.
Lloyds Bank Ltd.,	72, Lombard St., E. C.
London County and West- minster Bank Ltd.	41, Lothbury, E. C.
London and Southwestern Bank Ltd.	170, Fenchurch St., E.C.
London City & Midland Bank Ltd.,	5, Threadneedle St., E.C.
London Joint Stock Bank Ltd.	5, Princes Street, E.C.
Martin's Bank Ltd.,	68 Lombard St., E. C.
National Bank Ltd.,	13, Old Broad St., E.C.
National Provincial Bank of England Ltd.	112, Bishopsgate St., E.C.
Parr's Bank Ltd.,	4, Bartholemew Lane, E.C.
Union of London and Smiths Bank Ltd.	2, Princes Street, E.C.
Biggerstaff, W. and I.	(clear thru Parr's Bank Ltd)
Child & Company,	(" " Bank of England)
Cocks, Biddulph and Company,	(" " Martin's Bank Ltd)

making seventeen all told. So, it may be said that all checks reaching London, no matter upon what banks they may be drawn, go through one of the three departments of the London Clearing House. The clearings begin at various hours, according to department, the

earliest being the Saturday Metropolitan clearing which opens at 8:45 A.M., and the latest being the 5:20 P.M. settlement, on certain days succeeding bank holidays. The three classes of clearings are: 1.....Town; comprising checks that are payable within a certain district and which may be roughly described as the old city of London, although it does not follow exactly the line of the city. 2.....Metropolitan; which is the Metropolitan district of the city of London surrounding the old city; 3.....Country; which covers checks drawn on all banks in the United Kingdom outside of the town and ~~metropolitan~~ important districts (including, of course, branches of banks) ~~the~~ checks being handled on Scotland, Wales and Ireland. The town clearings are settled by a transfer on the Bank of England on the day of clearing. The Metropolitan clearings are settled by a transfer on the books of the Bank of England the day following clearing, and the Country clearing is settled by a transfer on the books of the Bank of England on the third day following the day of clearing. These checks when cleared are, of course, delivered to the respective clearing banks which make payment for the banks in the Provinces or in the city or in the Metropolitan district which do not clear directly, and the settlement is adjusted either the same day, the following day or three days later, making allowance for checks that are not good.

The principle of the Clearing House operation is to ~~draw~~ ^{Send} all checks ^{into the Clearing} which are drawn upon the sixteen banks, or their branches, that are members of the Clearing House, and known as clearing bankers, and to ~~draw~~ ^{Send} all checks payable by banks for which these sixteen banks have agreed to clear, for settlement through the London Clearing House, and as described above, these are settled upon three time bases, depending upon where they are payable

Mr. Holland tells me that in the old days many banks and their branches in the Provinces made a charge for handling checks drawn on them and remitting cover, likewise the London banks made a similar charge; in fact, many of them still do. The amount is trifling, rarely over 6d per item, but this charge has largely been abandoned by the provincial banks as one of the results of the numerous consolidations of banks throughout the empire, so that now, practically the only banks which make charges on checks are the Scotch banks and some of the Irish banks. On these checks the London banks likewise make charges to their customers. I questioned him particularly as to the float, and whether any existed. He said that ^{except} in a few ~~cases~~ ^{special} cases, principally insurance companies, which by custom were given immediate credit on checks payable in the provinces, it was not customary for any bank to give credit to its customers until the three day time had elapsed, and of course no interest was allowed on items in transit. It will be seen that this method of clearing, which allows time to get a return on every check handled by the London Clearing House, no matter in what part of the Kingdom payable, except on a few remote points in Ireland, together with the scheme of settlement by transfer on the books of the Bank of England, makes it impossible that any float be created at all. Mr. Holland likewise said that there were other clearing centres operating like London, such as Manchester, Liverpool etc.---These, however, operating in a more limited territory. Mr. Holland proposes to collect a complete set of all forms used, not only in London but also the country banks, in connection with their check items, and then go ^{over} _{vo} them and explain them to me. He has already left with me the rules of the Clearing House, and its annual report.

Float

Dined in the evening with Mr. Grenfell at his house, Mr. Gaspard Farrar of Baring Brothers, and Mr. Montagu Norman of the Bank of England being present also. Most of the evening was spent in discussing American and English politics. Our American politics is the subject of lively discussion just now. We also had some discussion in regard to the possible political effect of the issue of currency notes, as well as the situation in American exchange this fall. I rode home with Montagu Norman who seemed to agree with me that a good round Government loan to reduce the volume of short borrowings would be most desirable.

Tuesday, March 21st:

Played squash with Captain Symington and then stopped in at Morgan, Grenfell and Company for mail. From there to Mr. Bell's office at Lloyds Bank and spent about one hour going through his department for auditing and examining agencies. They have a staff of about 35 inspectors doing nothing else. The care with which these investigations are conducted much exceeds the care with which our National Banks are examined, and probably state banks in New York. They have four different forms for reporting examinations of different classes. Every branch is examined at least once a year, and the inspectors live in various parts of England accessible to the various ^{branches} banks of their respective districts. Very elaborate sets of questions are included in the forms indicating that a very searching scrutiny is pursued of each manager in running his office. These inspectors are an important influence in the bank as it is largely based upon their reports that the managers or assistant managers are promoted or removed. In the case of Lloyds Bank, they cover 900 branches where apparently the main control is divided over three departments; 1...the

Staff Department; 2...Advance Department; 3...Inspection Department. It is undoubtedly a fact, however, that the general officers of these big banks are unable to exercise very intimate control with their branches and branch managers, and must rely upon the routine grind of a machine. The bookkeeping seems to become very complicated by reason of the inter-branch transactions all of which are reported to the Head Office and go through the Head Office books. The striking thing about the branch system here is the ease with which they conduct their business at long range, and the degree to which it entails trusting the men who are managing the various offices.

At 1:30 I went to the Bank of England to keep a luncheon appointment with Lord Cunliffe. He was engaged when I got there and I had a short visit with Montagu Norman, discussing at some length again the question of Dutch exchange. He was under the impression that we had already made arrangements in New York to receive gold for account of the Bank of Netherlands. All the cables, correspondence, etc., in regard to this matter are, of course, in the hands of the authorities here, and the matter is a very active pressing question at this time. I have taken the position right along that while they might, by their blockade (which could in some respects be regarded as legal, --) be able to arrest goods going both ways, and securities as well, nevertheless when an indebtedness arose by an American to the Dutch, or in fact to a German citizen, particularly the former, that debt was going to be paid one way or another. They might be able to interfere with the operation in some way by arresting gold shipments and make it more expensive to Americans to pay these debts--nevertheless they would be paid. Our stand was that, on principle, we must *have* that gold received in

New York ear-marked for Dutch account was a perfectly legal transaction and that we would not decline to receive it. Their dispute really was with Holland so far as the securities were concerned, and that I was not able to pass on the question as to whether agreements entered into between England and Holland would violate our rights, but that once the debt arose we were entitled to pay it. It is a difficult and complicated question, and I think that Mr. Norman agrees that the only way to deal with it is by direct negotiation with the Government. He laughed when I told about my letter received from Boissevain & Company, which had of course been opened by the censor and immediately reported to the proper authorities in charge of that matter.

At 1:30 I lunched with Lord Cunliffe and the directors of the Bank of England in the Court (Directors Room). The conversation was generally on the subject of the German submarine matter. After luncheon, Lord Cunliffe took me all through the bank; in the vaults where they keep their supplies of notes, gold coin, etc.; through the coin rooms where coins are weighed, and into the Printing Division where the notes etc., are printed, as well as the Cashiers Department, etc, etc. Afterwards I spent about one hour with him in his office discussing the plan for an arrangement with the Bank of England for the ~~purpose~~ purchase of bills and a close working relationship after the conclusion of the war, or earlier if circumstances made it desirable.

Lord Cunliffe, who apparently requires time to think things over and to inform himself, was a little timid in getting up to the point of discussing what was in his mind on this subject. With some little hesitation, and after describing the difficulties which he had encountered in the early months of the war, he finally said that the arrangement which I had outlined

to ^{to} ~~he~~ and Grenfell appeared to him to be quite feasible, and that he was prepared to say that it could be put into operation whenever we desired to start our business on this side. He would like first to consult with a few of his associates, probably not all of them, and ultimately have a minute made as a matter of record. He said that the Bank of England had never acted with any American bank, as it would be difficult if not impossible to select one bank out of the large number of National and State institutions, as the bank's representative in New York. That the Bank of England would like to have the arrangement reciprocal -- they to buy bills for us in this market, for the payment of which they would be responsible, and we to buy bills for the Bank of England in New York with equal responsibility upon us. We should also have an arrangement for mutually ear-marking gold and generally for the handling of gold shipments--avoiding gold shipments and avoiding re-coinage of our respective gold coins. He said that the Bank of England in acting for us would discriminate most carefully as to the bills which it bought, and that we should not expect the highest rate on such paper --rates such as would be quoted to us were we dealing through the Joint Stock Banks. The arrangement at the outset should be known only between ourselves, as the Joint Stock Banks might raise a great howl about it. The question of interest on balances, he said, need not trouble us as the Bank of England would find a way of meeting that situation, but at the outset he thought it might be desirable to say that any balance not invested in bills was held as earmarked gold. Lord Cunliffe was apparently willing to leave it quite to our discretion as to the purchase of bills as long as we were willing to assume a

responsibility similar to what they were doing for the payment of bills. He quite clearly understood that the arrangement might not be ~~feasible~~ feasible until after the conclusion of the war-at any rate until the whole question of the neutral character of this business was thoroughly discussed on our side, and that the present discussion was tentative and subject to action when I returned home. At his request, I told him that I would prepare a memorandum when I returned home which could be made the basis for such formal action as the Bank of England would care to take in the matter, and if it were necessary I would return again. He emphasized the fact that he was most anxious to conclude his term as Governor of the Bank, and whenever this was put into operation it might be under the management of his successor but that he would still be a member of the Court, and available for advice in the matter.

Lord Cunliffe has undoubtedly consulted Grenfell and Norman, and I gathered from his statement that he and those of his associates with whom he has consulted see the wisdom of close working relationship between the Bank of England and the Federal Reserve Banks with the view of exercising reasonable control over the exchange, and over gold shipments. They have apparently discussed this in the past but have felt unwilling to make an arrangement with any one American bank, and would not care to have their business distributed among a number, so that the organization of the Federal Reserve Banks, corresponding in their functions with the Bank of England, gives them an opportunity to make an arrangement, the desirability of which they had already recognized. While Lord Cunliffe seemed at first hesitant about making any definite statement which would appear

to commit the Bank of England, when we finally discussed the matter more freely, he disclosed quite positively that it appealed to him strongly as a scientific and feasible method of creating a "buffer" between the two countries, and one which was only feasible by a close relationship between the two institutions. He urged quite strongly, that neither the Bank of England nor the Federal Reserve Banks place definite lines or limits upon the amounts of the various bills to be purchased. His position was that the Bank of England was good for any obligations they might ever make to us, as ours would be to them, and once we undertook operations together we should handle them with confidence and courage.

One cannot come into contact with the management of the Bank of England without gaining great confidence in its solid, conservative management. Of course the minute that the Bank of England puts its endorsement on bills purchased for our account, the question of credit information becomes one of minor importance. The Bank of England watches the market very closely and keeps close tabs on the amount of acceptances being put out by the various accepting concerns. I am inclined to think that it might be desirable for us to carry a few complimentary accounts in some of the larger Joint Stock Banks for the purpose of having available various sources of information about credits, but our best course would be to develop this gradually after operating solely through the Bank of England. Lord Cunliffe made it quite clear that he wanted to see me again before I left for home, and it is understood that I will take the first opportunity to have a look at their methods of handling bills which it was arranged would be shown me by one of their men who is particularly familiar with that department. Lord Cunliffe sent me back to the hotel

in his automobile at about quarter past four o'clock, and at the hotel I met Willard Straight and a Mr. Perkins (brother of Jim Perkins of the City Bank). Straight ~~took tea with me and~~ explained the object of his visit here which was to look over the ground preparatory to making London connections for the American International ~~Banking~~ Corporation. I promised to help him with such information as might prove of value to him and he is to stop again this afternoon for tea. Later Mr. Wolcott called to advise me that he was going to France to see Ribot and some of the French bankers in regard to another French credit similar to the ones already arranged. They had mentioned fifty million as a possible amount. I told him that I thought these credits in their present form *were inserted and* that the bills should be drawn on American banks, by American exporters, and by that means they would create a variety of American names on bills. The bills would disclose more closely their commercial character and that the market would not be glutted with too much of one kind of paper. Besides that, the American exporter was the one making the profit, and the one to extend credit. He said that he agreed with me and he thought the French bankers did also but that it was difficult to arrange. I also told him that it was inadvisable and impossible for the Federal Reserve Banks to buy these bills as rapidly as they were made. That the way to arrange it was to have the bills placed on the market through brokers as had been done by Brown Brothers, and furthermore, the Federal Reserve Bank could not take part in negotiating credits of this kind.

Dined in the evening at Sir Felix Schuster's home, the party consisting of Sir Felix and Lady Schuster, their two daughters

who are charming young ladies, both very much interested in various forms of relief work--one of them at present working in the India office. Also Sir Seymour and Lady King, and Sir Lionel ^{ah} Abrams of the India Council. There was very ^{general} little discussion ~~but~~ of matters of local interest here. Sir Lionel Abrams being much interested in the subject of our currency reform at home ~~and~~ ^{it} which we discussed at considerable length. He is regarded as a great expert on currency matters, particularly in the East, but I did not think him particularly well informed in American affairs of that character. He, as well as Sir Felix and Sir Seymour agree that the English currency system is too inflexible and that ^{while} the situation as to currency was saved temporarily by the issue of currency notes by the Government, ~~that~~ that this was a more or less dangerous expedient. Sir Seymour was of the opinion that it would have the effect of releasing gold from circulation, which had been used by the Bank of England for settlement of debts to the United States and elsewhere. I thought they all agreed that the Bank of England would, some day, be forced to expand its power of note issue so as to meet the demands of trade, and accumulate more gold. The discussion brought out the fact that the Bank was strenuously opposed to the issue of currency notes apparently on the ground that it was an invasion of the bank's monopoly.

Saturday, March 18th:

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Strong's diary
of Europe - trip
1916

Slept late, and lunched with Mr. Shiverick at the Strand. In the afternoon went to the Alhambra later to the Army Exhibition to see the reticullmm of the trenches.

Mr. Montagu Norman sent his car for me and I took dinner alone with him at his house. We spent the evening discussing the position of affairs in France; the British Government's Short borrowings and funding operations; New York exchange, and the Dutch exchange. I did not think that Mr. Norman took a very optimistic view of the French position, although he seemed inclined to agree with me that no one could tell what would be the effect of the war upon the industrial life of the nation, upon which everything depended. As to the English position, and the Government's short borrowings, and the currency note issues, he expressed very much the same feeling that I have felt--that the ease with which this great mass of Government short loans and currency note issues had been absorbed in circulation would lead to a lot of political quackery and financial heresies especially with regard to fiat currency or silver issues. He thought the great danger, if it existed, as he thought it did, was to be apprehended from Parliament's failure to recognize that the currency notes must be retired in due time by the issue of an interest bearing obligation. He was not particularly apprehensive about the short borrowings of the Government, believing that if the market pretended to reject them it would result in accumulation of great balances with the Joint Stock banks, which would keep these deposits with the Bank of England, and the Bank of England could then take care of the Government situation. I am not inclined to agree with this view. It puts too great a strain on the bank, would reduce its reserve percentage, and tend to cause