

Wednesday, March 22nd:

After dictating this morning I went directly to Sir Robert Balfour's office, meeting his partner, Mr. Williamson, and accepted an invitation for dinner next Monday night. Had a very pleasant chat about business between Great Britain and the United States. He says that England's imports must necessarily be curtailed for a while, but ~~with~~ with the assistance of our credit after the war is over it will all come back. They do a large business on the Pacific Coast, all the way from Vancouver to Chilian ports. From there I went to Morgan, Grenfell & Company for mail and had a little chat with Grenfell. Teased him a bit in regard to the censorship, which resulted in Montagu Norman quoting to me almost the exact language contained in Boissevain's letter about Dutch exchange. I told him it was all very amusing, and he agreed that we could mutually enjoy the joke.

Grenfell says he is confident that Lord Cunliffe and I have laid the basis for a most important development, and that he is delighted at the attitude which the Reserve Bank System displays towards the Bank of England and is equally pleased that Lord Cunliffe views the possibility of this arrangement with such satisfaction. He urged me to go in and see him from time to time at the Bank of England, before I sail.

From there went to the London County and Westminster Bank for lunch with Mr. Leaf and his directors. Most of the Board appeared to be there, but I do not recall all of the names.

Mr. Edward Brown of Brown Brothers & Co., Lord Cavendish, Sir Alfred Dent, Mr. Henry C. Hambro, Henry Cochran Sturgess, Mr. Arthur Hill were those whom I remember. There was a good deal of discussion of Mexican matters during lunch, as Mr. Hill is Chairman of one of the Mexican Railways, and Mr. Sturgess of another. Nothing, however, that had any bearing upon my trip. After lunch Mr. Hambro, Mr. Brown, Mr. Leaf and I had quite a long discussion in regard to bills. Mr. Brown thought probably £250,000,000 sterling was the average amount of bills held in the London market prior to the war. Mr. Hambro thought about £350,000,000 sterling and possibly 400,000,000, of which about £20,000,000 were German bank agency bills. The largest class of bills, in amount, were trade bills accepted both by merchants, merchant bankers and acceptance houses, and the joint stock banks. There was always, however, a very large volume of bills drawn by bank on bank which would technically pass as finance bills, but were regarded as being equally as good, and in many cases better, than trade bills. These bills were not discriminated against by the Bank of England if they bore one good English name, *as drawn or endorsed by an English acceptor.* Discrimination was exercised both by the market and the Bank of England in respect of the amount of bills accepted by any one acceptor in the market and experience enabled them to tell whether bills were being drawn for purposes not regarded as sound. They spoke of bills drawn by South American Governments or bankers in anticipation of bills and loans here. Thought there was a

possibility of that business having been overdone a little before the war, *but* that the market did not discriminate against them and the Bank of England discounted them. I think they have regarded, generally speaking, the American finance bill, accepted by a clearing bank, as one of the primest in the market. I was surprised to hear Mr. Hambro, who is undoubtedly well posted, say that there were not over 40% of the normal volume of bills now in this market, which would mean possibly \$700,000,000 to \$800,000,000 as against a normal volume of one and one half to two billion dollars. Almost every banker here with whom I have discussed the question of bills, says that we will never have a bill market in America if we discriminate against finance bills or bills drawn in the form of finance bills. They spoke of the large volume of bills in this market drawn by financial institutions and English exporters, drawn for £5,000 without anything on the bill to indicate the purpose for which it is drawn. These would generally be regarded as drawn for exchange purposes unless current report of transactions, of which the market had knowledge, led them to conclude that they were drawn for some other specific purpose such as in anticipation of issues of securities etc. We also had some discussion of the operation of the Clearing House, of which the following brief account (sent to Mr. Jay today,) gives the essential features:

In recent years the practice of giving immediate credit on checks has been growing among the London Joint Stock Banks as a result of more severe competition--the items being credited

immediately to their customers and charged on their books as part of their available cash. One must bear in mind, however, that three days is the maximum distance here, measured by transit time both ways, and that the total of "country" checks cleared through the bankers clearing house in London was £1,389,000,000 sterling in 1913, and £1,370,000,000 sterling in 1914, an average of, say, only ~~246,000,000~~ sterling per business day. Allowing three days, I have no doubt from what they tell me that the percentage of this carried as cash is still but a small part of the total. The gentlemen seemed to agree that the practice was an unsound one, and should be curbed. In fact, they were rather amused when I referred to it, as it had been discussed considerably among themselves as being one of the unfortunate results of keen competition. Allowance should also, of course, be made for the fact that there are other clearing centers besides London where similar practices may develop, and there is undoubtedly some float created by giving immediate credit for checks payable in the Metropolitan District for which the clearing house settlement is deferred for one day only. All the bankers call attention to the fact that distances here are so much shorter than ours that this problem is not as serious as it would be with us.

From the London County & Westminster Bank I stopped in for a moment to see Sir Christopher Nugent at the Union Discount Company. I asked him what tabs the Bank of England kept on the market. He said, no different, generally, than that which the market kept on bills. They could tell, as a rule, either by

inquiry or by rates quoted by the bill brokers, whether any particular name was appearing in the market in excess of what the market regarded as legitimate. This he described as the "resistance" of the market which was essential and easily detected. The bank had, however, required the private accepting houses, which publish no statement, to give them each year the amount of their capital and wealth but did not ask them for the amount of their acceptances outstanding. He thought the bank should do so and let it be known that they were requiring that information. There was some agitation at the present time ~~where~~^{for} requiring private bankers to disclose the amount of their capital and the amount of their acceptance commitments. Said he did not think that large purchases of sterling bills were just now being made in London by American banks. He did think that sterling bills purchased in the United States, maybe, carried in larger volume in portfolio here than was the case some months ago. Had some discussion with him about the possibility of discount companies in New York. He, however, inclined to the view that it would be a good thing for both countries if English banks and financial institutions had agencies in New York, and we had agencies over here. On the whole, I think he is right. From his office stopped in to see Lord Fairfax but he was out. Then to the American Embassy and missed Ambassador Page but had a short visit with Captain Symington and then returned to the hotel.

Willard Straight failed to turn up but Mr. Wolcott called in to see me and to say that he was leaving the next

morning for Paris to discuss another French credit with the French bankers as he understood they wanted to arrange for \$50,000,000. Asked me if I would have a talk with Bonbright when I returned to New York. I explained to Wolcott that I thought a mistake had been made in the method of handling the bills in New York, and he said he agreed with me thoroughly, and that they should be handled through brokers and distributed throughout the street. (Today, the 24th, in looking over bills in Sir Felix Schuster's office I was interested to see that there were considerable amounts of Russia bills in a bundle of about £1,000,000 sterling that I examined, similar to those that I saw in the office of the Union Discount Company. These bills which are being handled by Baring, are distributed through the ~~the~~ ^{bro}kers and discount houses, and are not handled direct by the accepting banks). Wolcott asked me if I felt willing to take a letter home for some lady, which I told him I would not be able to do. He did not understand the regulations, in regard to carrying private mail, which had been put into operation since he came over. Wolcott also said that arrangements were under way for a quiet meeting some evening soon with Lord Kitchener. He was not quite sure whether it would be possible or not but would know on his return from Paris early next week.

Sir Henry Babington Smith came in for tea, at 4:30, and invited me to spend Sunday with him in the country which I was obliged to decline. We had a very interesting discussion about the situation in the East. He made the interesting statement that notwithstanding the criticism of the Gallipoli campaign,

Wednesday afternoon dictation:

March 22nd, 1916.

Since dictating the foregoing yesterday afternoon, I have today lunched with directors of the London County & Westminster Bank Ltd., and had a little further talk with Mr. Leaf and some of his associates at that bank in regard to the question of float.

They tell me that in recent years the practice of giving immediate credit on checks has been growing among the London Joint Stock Banks as a result of more severe competition -- the items being credited immediately to their customers and charged on their books as a part of their available cash. One must bear in mind, however, that three days is the maximum distance here, measured by transit time both ways, and that the total of "country" checks cleared through the bankers clearing house in London was £1,389,000,000 sterling in 1913, and £1,370,000,000 sterling in 1914, an average of, say, only £46,000,000 sterling per business day. Allowing three days, I have no doubt from what they tell me that the percentage of this carried as cash is still but a small part of the total.

The gentlemen seemed to agree that the practice was an unbound one, and should be curbed. In fact, they were rather amused when I referred to it, as it had been discussed considerably among themselves as being one of the unfortunate results of keen competition.

Allowance should also, of course, be made for the fact that there are other clearing centers besides London where similar practices may develop, and there is undoubtedly some float created by giving immediate credit for checks payable in the Metropolitan District for which the Clearing House settlement is deferred for one day only. All the bankers call attention to the fact that distances here are so much shorter than ours that this problem is not as serious as it would be with us.

Willis

standing as to fineness, abrasion, price, ~~necessity~~^{cost of} shipping etc., etc., all of which, however, can be worked out by discussion. At the conclusion of the interview I had a private talk with Montagu Norman regarding the Netherlands exchange situation. I am taking the position that it is none of my business to discuss or in any way interest myself in the blockade matter. That it was a governmental matter which rested between the British, Holland and United States governments. That I did believe, and maintain, that if an American citizen or an American bank owed money to citizens of Netherlands or to a Netherlands bank, that the indebtedness would be paid blockade or no blockade, and if other means of paying it could not be found it would naturally be paid by setting aside the gold, and if the gold could be made the basis of an issue of notes or other credit operations by the Bank of Netherlands, that was of no consequence to us. Mr. Norman admits the soundness of that position, but on the other hand says that the engagement between the Overseas Trust and the British Government is of a character which must be respected in spirit as well as in letter, and an arrangement for ear-marking gold in the way I had suggested would be an evasion of the spirit of the agreement, and result ~~in~~ a serious state of affairs between Great Britain and Holland. The matter was now actively under consideration and representatives of the Overseas Trust were in London. While he did not say so, I gathered that the situation was rather strained. I told him, of course, that the question of illegality of the blockade was not a question that concerned me. That in point of fact, I regarded the blockade as quite

which was of course terribly mismanaged, in the end General *Joffre* had his way in regard to Salonika and it was upon his definite positive insistence that the Salonika landing was made and it had now been proved that *Joffre's* judgment was absolutely correct. Sir Henry, as in the case of all others with whom I have talked here, seemed to be very much better posted and to have a better and more friendly feeling in regard to American opinion in respect to the war on account of having visited America during the war period.

Had dinner with Captain Symington at the Savoy, and then went to the Hippodrome.

Thursday, March 23rd:

Stopped at Morgan, Grenfell & Company for mail and from there went right to the Bank of England in response to a note from Grenfell the night before. Saw Lord Cunliffe, and *Mr. Co-Kayne* Deputy Governor of the Bank of England, and Mr. Montagu Norman, discussing again quite fully the plan which we had outlined in former conversations. It is very apparent that all three of these gentlemen are most friendly to the suggestion. We discussed it in every aspect for about one hour, and finally agreed to spend some time on Friday the 24th, in preparing a memorandum of conversations for submission, mutually, to our respective banks at the proper time. The only difficulty developing from the conversations is the rather complex one of dealing with gold, which necessitates an under-

illegal, but out of my balliweck. He refered to a letter in regard to sales of German securities through Dutch bankers ^{in words which were} ~~was~~ almost a literal quotation from a letter I had just received from Boissevain & Company and I joked him a bit about the censorship, reading to him ~~an~~ ^{the} extract from the letter which caused a good laugh. Mr. Norman told me that he understood that we were already receiving gold on deposit at the Federal Reserve Bank for account of the Bank of Netherlands, and that there was some hitch or difficulty in regard to charges, our suggestion having been 1/20th of 1% per annum per month. I told him I felt quite sure that no deposits had yet been arranged but he was equally positive that they had. (Cable received next day)

From there went to the London & Southwestern bank for luncheon at one o'clock, meeting Mr. Hamblin, Sir J. Fortescue Flannery, Lord Claude Hamilton, and some other directors of the bank. They were all most friendly but it was quite plainly apparent that, as at every other lunch of this character I have attended, all were most interested in American politics and watching anxiously to see if things might turn in the direction of possible participation by the United States in the war situation. After luncheon spent something over an hour with Sir Felix Schuster and went through, with him, a batch of over £1,000,000 sterling ^{of bills} which his bank had just purchased. I was greatly interested to observe the very small proportion of ~~the~~ acceptances by the private accepting houses, most of them being acceptances of the Joint Stock Banks, and provincial and continental banks. There were only two or

three lots that appeared to be finance bills, concerning which Sir Felix said the market would not discriminate as they knew generally the character of the transactions. He said that while the supply of bills was now very much restricted, as I could see from these purchases, it was still possible to get them. Bills of their character are selling at about 5% discount. Talked with him about the domestic exchanges here and he said it was unfortunately a growing practice to give immediate credit for country items. It was a matter of arrangement with each depositor, but of course, only those of excellent standing enjoyed the privilege. I asked him how the banks carried the checks on their statement. He said that some of them carried them as cash. His own bank had done so until 12 or 15 years ago when he stopped the practice believing it unsound, and now they included it in their item of "Money at short notice". They always considered, however, even when checks received on deposit were drawn on their own banknotes, that giving immediate credit was simply a form of advances ~~to~~ their customer, as they would not consider the check was good until it had been presented at the branch to ascertain if the check in all respects was regular. After leaving Sir Felix, dressed at the hotel and stopped at Mrs. Page's where I had a nice talk with Mrs. Page, met Mr. Loughlin and his wife, and also had a short talk with Mr. Page. Then returned to the hotel and spent about an hour with Straight and Perkins, discussing their plans. Advised them to see Mr. Stillman before proceeding very far here.-- though his advice would be of great help.

Dined at Sir Seymour King's house, those present being Lady King and Mr. Vassar-Smith. Had a most delightful time talking over old matters with Sir Seymour, who really seemed to ^{have been} be a devoted friend of father's. He urged me to visit them at their house when I returned to London on my next trip. I have asked a great many people, including those at dinner last night, in regard to the possible duration of the war, and believe the best judgment here is, on the whole, that the war cannot end until the spring or summer of 1917. Many believe that it will last until the fall of next year. There is an underlying current of hope, however, that Germany may collapse sooner than this.

Friday, March 24th:

Spent the morning dictating mail and diary, and preparing a rough outline of memorandum for Lord Cunliffe. Stopped at Morgan, Grenfell & Company for mail and received a cable from Mr. Jay which referred to the discussion about charges, of which Mr. Norman had already advised me. Went to the Bank of England at twelve o'clock and met the Deputy Governor

and learned that Mr. Norman was engaged. We went all over the memorandum carefully, and later on Mr. Norman came in and he read it over. They both thought that the matter would require careful attention and consideration as to detail, but after all the agreement was not of particular importance--the most important thing being experience. We had a long discussion about technical methods of handling various matters, particularly the establishment of an agreed price for fineness gold which the Deputy Governor felt would be a very useful arrangement eliminating much confusion and difficulty in managing ^a gold account. The Bank of England paid, by law, 77⁶:09 per ounce for gold which if presented to the Mint by the owner would produce in sovereign 77:10¹/₂ the difference being what the market ~~generally~~ is willing to allow the Bank of England for giving the owner credit instead of waiting the return from the Mint which is a rather slow process. In the course of the conversation it developed quite clearly that the war situation had led the Bank of England to abandon the practice of allowing no interest on any balance, and as a

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a matter of fact they were now allowing interest [^] on certain special accounts which I gathered were a portion of the funds left by the Joint Stock Banks and possibly some others. It was agreed that in some of these matters experience ~~would~~ ^{must} disclose [^] where our understanding might ^{now} be inadequate to cover situations that might arise, ^{and} [^] we would have to meet them by agreement at the time. It was understood that Lord Cunliffe would look the memorandum over and we would take it up again on Monday if he had opportunity to examine it.

Had a brief chat with Montagu Norman about the Netherlands gold situation. He intimated that it was a rather serious matter just now. They were discussing it with the representatives of the Netherlands people. I ^{gathered} ~~assume~~ the ^{was} policy ~~is~~ along the lines of our last discussion. I told him that, of course, that was entirely out of my line and a matter for the respective governments to deal with, but ^{as to} ~~of~~ the gold deposited in New York, we must of course receive the ~~gold~~ deposits if we could agree upon terms. He said they were taking steps to make sure that all my cables and communications on the subject were gathered together and examined, and I judged that he also referred to the office--^{where messages} ~~which~~ may have been going by wireless so far as I am aware. The whole matter is really a joke in a sense, for it is perfectly apparent that all our communications on the subject are carefully examined before discussing them with me. Lunched with the Court--all of the directors treating me most cordially, and apparently

not knowing the object of my presence. Met Lord Revelstoke with whom I had a very pleasant chat about ^{Conditions} ~~commissions~~ in France.

After luncheon went with Mr. Padgett, Chief of the Bill Division, and he showed me the way they kept their records, purchased their bills, and generally treated with them. That part of the business just now is exceedingly quiet. The bank, when buying bills from the market, apparently considers that the market consists of the discount houses, bill brokers, and banks organized to do business in the East and in the Colonies. This business, consisting of ~~the~~ discounting bills, is always done at bank rate. They also make seven day loans on bills at $\frac{1}{2}$ of 1% above the bank rate. Loans to their own customers are largely done at the market rate and the bank rate does not control loans made through agencies in the Provinces, which are all of course to customers. I asked him how they discriminated in the matter of finance bills. He said, that if you were to address that question to Lord Cunliffe he would say they could tell by the "smell" In fact, ~~if~~ they did not discriminate against finance bills such for instance as those drawn by American banks in June or July every year. They discriminated against excessive amounts of these bills, examined them more closely than trade bills and as a rule know something about the general purpose for which bills of this character are drawn--but it is more a matter of instinct and experience than anything else. Certainly not a matter of

fixed rule. Every bill bore two ^{British} obligations one of which must be the acceptor. One of these may be the obligation of the bill broker or discount house and in the form of a general letter or liability agreement accompanying each bunch of bills, in which the obligor undertakes to furnish endorsements if requested. This is simply to avoid the mechanical trouble of endorsing bills. The bank also advances on certain securities, charging a higher than bank rate. The above statement relates to the practices followed in normal times. These have necessarily been considerably modified during the period of the war. Samples of some of the forms used were furnished me.

From there, Mr. Padgett and I went down to the Bureau where the bills are handled and collected but I did not have time to discuss bills at great length, as the man in charge wished to explain the operation of the bank end of the clearings. Much of it was a repetition of what Mr. Martin Holland explained--the only important fact brought out, different from the explanation by Mr. Holland was that checks on Scotch and Irish banks were not collected directly through the country check department of the London Clearing House. The Bank of England with certain specific exceptions, such as checks of the Disbursing Officer of the Government, only send items to the clearings. If time permits, I expect to get a fuller statement of this matter before leaving.

From there went directly to the War Office and got

Mr. Cameron Forbes to keep our appointment with Lord Kitchener.

Spent about an hour with him and had a very interesting chat.

Returned to the hotel and Sir Charles Addis of the Hong Kong & Shanghai Banking Corporation called. Later Colonel Hunsicker stopped in. Spent the rest of the evening dictating.

Dined in the evening with

Interview with Lord Kitchener

London, March 24, 1916

On Friday, March 24, 1916, on the invitation of Lord Kitchener, Mr. Strong, of the Federal Reserve Bank, New York, and Mr. Forbes, Receiver of the Brazil Railway Company, presented themselves at the War Department and were shortly after received. Lord Kitchener was cordial in his greeting and throughout the interview, which lasted nearly an hour, showed no evidence of the reticence he is reputed to observe, talking steadily, fluently and somewhat intensely. The topic of the interview was mainly the relations between the United States and Great Britain, the attitude of the United States toward the war, and the effect that action by the United States in regard to the atrocities, particularly terminating diplomatic relations with Germany, would have in terminating the war. We discussed no military aspects of the war and only incidentally did Lord Kitchener give any idea as to the probable duration of the war, always referring to the war as likely to be of long duration, speaking always of years, and on one occasion speaking of the coming of peace as "say three years hence", except in the case of the United States ~~should~~ ^{should} taking this action, which he felt would shorten the period of the war.

In preparing these notes no effort has been made to quote the exact language used but to give a general sketch of the purport of the conversation as recalled afterward.

Speaking of a visit to Australia, Lord Kitchener remarked that it was extremely lucky he had made that trip at that time, because he had started the movement which had led to a sort of compulsion, as he called it, which had served an extremely ^{useful} purpose in training Australia for ~~preparedness~~ in this war, besides

which he had brought about the creation of a military school modelled upon West Point. He said there was no school in England where the discipline was so sharp and severe as it was at West Point and that it took a democratic country to be really stern in its disciplinary measures; that the Australian school which had been accordingly established was stricter than any other school in the British Empire.

Coming to the question of present and future relations between our countries, Lord Kitchener expressed the hope that the United States would change its attitude and break off diplomatic relations with Germany, in that way publicly taking up the position of ^{Germany} being Anti-German. He seemed to think it was wholly unnecessary that the United States should become sufficiently Pro-Ally as to take an active participation in the war, merely that we should officially and authoritatively express our condemnation of Germany's barbarism and methods, thus putting ourselves squarely on the side of the great fundamental principle of right for which the Allies were fighting, which was really the principle of freedom of the individual. He felt that this action of the United States would make the Germans feel that they had practically the whole world against them and this would bring about a sense of the helplessness of their position which would have most potent effects.

He stated that in his judgment there would be no real and satisfactory end to the war until the military control of Germany was terminated; that such termination and really the only satisfactory termination of the war would be brought about by an internal revolution in Germany; that there was within Germany now a great

dissatisfaction, a strong feeling against the domination of the military caste, but the Germans had no tangible method of knowing that their policies and methods were abhorrent to other countries. The effect of England's condemnation of them was offset by the fact that England was considered their hereditary enemy. France they felt had a grievance and Russia also was a natural enemy. The United States was ^a ~~the only~~ great powerful country whose standing and opinion could have a controlling weight on the people of Germany. If the United States were to come out and declare themselves as no longer friendly he believed it would stimulate the unrest in Germany to a point that would set the German people to thinking whether they were really right; whether they hadn't been misled; whether after all their rulers hadn't led them into violating ~~some of~~ the fundamental principles of justice and right. Consciousness that they had been misled ~~into doing this~~ he felt would be the controlling factor in leading them to bring about that internal revolution which he felt necessary to end the war and he expressed it as his opinion that this action by the United States would serve to be the last straw and bring about an early termination of the war. He didn't give a period within which this would come about but left us with the impression that he thought it would come about within six months.

He took occasion to express great admiration for the United States. When Mr. Strong suggested that our people hadn't yet become entirely assimilated he replied "Oh, what a country it will be when that time comes".

He said that peace would not be signed in Berlin. He thought

that when peace came the armies would still be in the trenches and probably not very far from their present locations.

Lord Kitchener was very interesting and very positive about the unfortunate effects of a premature peace or an unsatisfactory or indeterminate conclusion to the war. Unless an end were made to this military spirit and control of Germany he felt peace would only last at the outside seven years, at which time Germany would start again and it was reasonable to suppose that they would be more successful in their diplomacy a second time and succeed in catching the Allies disunited. He expressed the difficulty of obtaining and maintaining a satisfactory concert by the Allies. That this had been done in the present instance was most fortunate and he expressed confidence in the power of the Allies to continue these relations but it was an intensely difficult thing to do and it would hardly do to count on it in the future. If the war dragged on until the Allies got fearfully tired of it they might disagree as to the necessity for exacting terms that would assure a durable peace and some of the Allies might assent to letting up. He gave the impression that the influence of the United States having broken off relations with Germany and sided squarely for the establishment and maintenance of a durable peace would be of incalculable advantage toward bringing about a condition that would do away with this menace hanging over the world. If this menace were still left the United States would be one of the countries concerned. The Germans had shown wonderful ingenuity and great persistence in worming their way into the heart of the financial systems of neighboring countries, like some cancer or disease or worm; they

found their way close to the heart's blood of the commercial life and got a strangle hold, as it were, upon the intimate financial workings of the country. He instanced Italy, which even now hadn't declared war on Germany because of the German strength in their financial institutions. He spoke of Russia, where their influence, he said, in lines of finance was paramount, and even England and France, he said, were honeycombed with German financiers and German influence in their financial structure. He said after the war they would be clever enough to see that the United States was the place where the greatest amount of money could be found and that was the place where they would lay their plans for the strongest intervention.

He told us of the extraordinarily subtle way in which the Germans had obtained control of the manufacture of explosives. He himself had been out of the country for thirty or forty years; his service had been all foreign; he didn't know until the war broke out home conditions. He was astonished, when he called the manufacturers of explosives in, to find that they were all Germans; many of them couldn't even speak English, and although the companies had made contracts and agreements for delivery, they were constantly falling short. The whole thing had to be purged of German influence before they could begin with efficiency. It took time to train men up to handle this business and do it properly. The Germans had even taken the factory for the manufacture of benzoine bodily to Holland; there was none manufactured in the United Kingdom, and they were compelled to take necessary measures to return it. This had been accomplished and England is not only supplying herself but also her Allies with this

necessary ingredient for explosives.

Mr. Strong mentioned the growth of a certain irritation respecting the attitude of the United States. Lord Kitchener interrupted to disclaim the existence of such an irritation. He said it was rather a misunderstanding or lack of appreciation of the policy of our Government. Mr. Strong then said that if it was not irritation it might become irritation as the result of the aggressive and rather boastful attitude of the American press regarding our financial strength on the one hand and on the other hand of the propoganda now being undertaken by the British press to promote the continuance of the war commercially after the military war had ended. Mr. Strong said that nothing would so surely establish a basis for future wars as attempts to interfere between the commercial relations of nations by unnatural means, such for instance as protective tariffs, preferential treatment of Allies, etc. Lord Kitchener said that this movement was not directed toward the United States but against Germany, to which Mr. Strong replied that he understood that to be the case now but that possibly if the United States held aloof until peace was ^{discussed} ~~declared~~ it would nevertheless come to apply to the United States. Mr. Strong went on to explain the situation as to American public opinion in regard to these matters. The United States had never had a foreign policy in the sense that European nations had. The sole interests of the United States in foreign matters consisted ^{first} of a certain respect for Washington's advice in regard to foreign entanglements which might involve them in the European political system and ^{second} their respect for the Monroe Doctrine, both of which were designed to protect the integrity

of the United States, and third the more recently developed and still but little understood policy of the open door in China as developed by Mr. Hay. That the same situation prevailed as to the financial relations of the United States with the rest of the world. The development of our resources required the use of all the funds we could raise at home and in the cheaper money markets of Europe. We had been borrowers abroad and not lenders, consequently had not acquainted ourselves with financial conditions abroad or with the credit of Governments or institutions. In other words, the people of the United States were not conscious of any international responsibilities and had not regarded themselves as of any importance in international affairs. Now, suddenly, a war broke out which involved the whole of Europe and it developed that the United States was of very great, possibly of deciding importance, both politically and financially on account of their large population and wealth. It could not be expected that one hundred million people would, in the short period of this war, abandon the ideas so deeply planted in their minds in regard to foreign affairs and suddenly reverse their former view of what the country's position should be. Recognizing, however, the importance of our position, as many people now do, it would be deplorable if misunderstandings arose in regard to commercial and financial matters which would make the United States and Great Britain bitter commercial rivals at the conclusion of the war.

Solution
The ~~conclusion~~, Lord Kitchener felt, was an alliance between the great English speaking peoples, namely, the United States and England. Mr. Forbes expressed the hope that some day we would *Come* ~~grow~~ to some such understanding. Mr. Strong said that in his opinion the tradition of the people of the United States against

what Washington cautioned them as being entangling alliances would prevent the approval by the United States Senate of any treaty of offensive and defensive military alliance; that such an agreement could not be expected to meet with the approval of the United States in the reasonably near future. Lord Kitchener, without defining the exact nature of the agreement, expressed the hope that England and the United States would enter into some relation that would result in bringing all English speaking people together in a determination to prevent recurrence of Germany's aggression and make it impossible for the German military spirit ever again to become formidable in influencing world development or bringing about general war.

Lord Kitchener spoke with great earnestness in regard to America's hope that it might act as mediator. He said that if the Allies won the war, and he expressed his confidence in their determination and power to do so, the mediation of the United States would not be sought or welcomed; there would be no need of a mediator. It was only if the war went against them that any mediation could be considered. By "going against them" it is presumed he includes some such condition as a stale mate, in which case mediation might be profitable.

Mr. Forbes put the direct question as to what steps were necessary to bring about peace. Mr. Strong suggested that perhaps the Allies might announce the terms upon which they would accept peace and let Germany come to them when they ~~willed~~ saw the hopelessness of obtaining anything better. - Lord Kitchener said the announcement of terms was a sign of weakness. It seemed to be somewhat like throwing up the sponge; the fact of terms

being announced would put heart into the other side and stiffen their determination. He said that is what England was hoping Germany would do, but they would not consider doing it. (Note: apropos of this, it is interesting to observe that the British Prime Minister already, at the beginning of the war, has done something of this sort. This indicated exactly what England is fighting for and what it proposes to get, including a very general statement of terms.)

Lord Kitchener emphasized the extremely improved position that the United States would have in influencing the situation after the war if she had ranged herself squarely on the side of the Allies by breaking off terms with Germany in case the Allies, as he expects, are victorious, an expectation which would be much more likely to be realized were the United States to take this step.

Lord Kitchener, as we were saying goodbye, spoke very bitterly of the German atrocities, their duplicity and their thoroughly underhand manner of conducting the war. He characterized their policy as foul play of the most dastardly sort; in comparison he said the Dervishes, the Boers and the Turks, with all of whom he had conducted warfare, were gentlemen; that they fought each with their code of honor. He told us that the Turkish soldiers refused to do the dirty underhand things ordered by their German officers. He said that after fighting with any of the others ~~that~~ he was glad to be friends with them; that he would shake the hand of his enemy and made special mention of General Smuts, who is commanding a campaign under his orders now and with whom he had fought over an important part of a continent, but he said that he never wanted to shake hands with a German foe.

Messrs. Strong and Forbes came away with a feeling that Lord Kitchener had brought about the interview with the particular purpose of ^{Convincing} (letting) representative Americans ^{and having them} know and bring back to their own people their conviction that no permanent peace in Europe could be expected except as a result of some effective arrangement between Great Britain and the United States; that now was the time to prepare the foundations for this; that public opinion in England would welcome any such movement, and it would be most effective in assuring a world peace. Great Britain will undoubtedly have similar close relations with her present Allies but their nearness to Germany and the heavy burden of debt which they must carry after the war will bring it about that the assistance and the cordial cooperation of the United States will be necessary to give the arrangement the greatest degree of efficiency.

Friday, March 24th:

Dined at Sir Frederick Huth Jackson's residence, the company consisting of himself and Lady Jackson, Mrs. Runciman and Mr. Runciman of the Cabinet and President of the Board of Trade, Mr. Jackson's brother-in-law, and one other gentleman whose name I did not get. Spent most of the evening after dinner discussing the British labor question with Mr. Runciman who seemed to be exceedingly well informed. After he and his wife had left, Sir Frederick asked me to join him in his library, and he told me a good many interesting incidents connected with the crisis here in 1914; particularly in regard to the issue of currency notes. There is no doubt but that these Englishmen are great fellows for criticizing each other, but I constantly gain the impression that this is simply talk and when it comes to real business they generally get it done. Sir Frederick's son who was an aviator has been interned in Holland since early in the war and Mrs. Jackson expressed deep gratitude to Ambassador Van Dyke for courtesies and assistance to her son and friends of his who were with him.

Saturday, March 25th:

Met Lord Reading at his house at 10:30 by appointment and spent about one hour discussing the whole war situation over here, particularly the possibilities of various arrangements in connection with a treaty of peace which would result in a fairly permanent situation. He seems to be of the same opinion that a number of other really substantial men here hold, namely, that the safest

restrictions on Germany and the bellicose nations will be an arrangement between England and the United States. Lord Reading has shown me the greatest cordiality although I know that he is an exceedingly busy man. He expressed a strong desire to come to the United States again. He concurs with me absolutely that the people of the United States cannot be expected to fight for such an abstract proposition as democracy (whatever that means) That it will take strong German provocations to even cause a severance of diplomatic relations, the Lusitania case now having lost its snap. He believes, however, that it would bring the war to a much speedier conclusion if we severed diplomatic relations with Germany, and that it would lead to ^{the} formation of an English public opinion that would put the peace terms very much in the hands of England and the United States.

From there stopped in at Morgan, Grenfell & Company for mail and had a chat with Grenfell about the domestic bill business. He says that the Bank of England has very little contact with that business nor does his own firm. Domestic bills are largely drawn by certain special trades and not at all by others. The shipbuilding, lumber, woollens, building, and certain of the textile trades. The bills are drawn and accepted generally by the larger dealers and not by the retail trade. At the present time the shipbuilding and the shipping business is so prosperous and so largely conducted on a cash basis that the bills have absolutely disappeared from the market. Before the war the construction of big liners was very largely financed by ~~with~~ bills drawn by the building company on the shipping company which were regularly sold through

the bills brokers and discount houses, and by them distributed throughout the market. Bills drawn by Harlan & Wolff on say the P & O, the White Star, Cunard or Oceanic Steamship Cos., were regarded as first class in every way and would be taken by the Bank of England without any hesitation. At times there were many millions of these bills in the market. They were generally liquidated when the ship was completed and debentures or other securities issued. Occasionally, they would be renewed by new bills being issued to provide funds to meet the maturing ones. On the way back to the hotel left my card for Sir. George Paish who was not in the city. Lunched with Captain Symington, a Russian Naval Attache', and an Admiral of the Russian Navy who was in London on admiralty business. Played squash with Captain Symington after lunch and returned to the hotel. Had a call from Shiverick, and at eight o'clock went with Willard Straight and Perkins to Mr. and Mrs. William Waldorf Astor's home for dinner to meet some of the members of the "Round Table". Astors were very cordial, gave us a simple war dinner, but the discussion at the table was exceedingly interesting. Those present; A. J. Balfour, Carr, Brand, and Hitchins, all of the "Round Table", and a Mr. Weismann, a Hebrew in the government service who has just perfected a process for producing high explosives at the whiskey distilleries, practically all of which have been taken over by the Government. This man is of great learning and a prominent Zionist promoter, and he appeared to me an unfathomable Jew. ~~Mr. Balfour and Mrs.~~

Mr. Balfour and Mrs. Astor spent most of the dinner in a running fire of railiery, and there was not much serious discussion. Mr. Balfour is a charming old gentleman of the old school English politician type and undoubtedly a /man of much learning with great personal charm. Mrs. Astor is violently pro-English and was very outspoken in expressing the hope that some Americans had been killed on the steamer "Sussex" so that we might finally be forced into a situation with Germany. I sat next to Mr. Brand who impressed me as being an exceedingly intelligent and able fellow. Among this class of men, the present agitation for continuing the war commercially, after the military war is over, against Germany, does not find favor. Everywhere I hear discussion of the difficulties expected with the labor question after the war, and on which I think the ~~the~~ apprehensions are somewhat unfounded. They are now incurring some difficulties with working men who are badly led, and follow somewhat the principles of our colored labor. Feel that they need just so much to live on. They do their work largely by piece work, and after a man has made a certain amount --all that they feel they need to live on, they are not inclined to work further, believing that the surplus profit accruing from their efforts are an unjust additional contribution to capital in which they do not share. Those around the table impressed me rather as being idealists, but it was an exceedingly pleasant evening.

Sunday, March 26th:

March 26th, 1916:

Had breakfast with Ambassador and Mrs. Page at nine o'clock and spent the morning there until 11:30. Ambassador Page is exceedingly keen to discuss many matters of great interest to me and to him as well, and he made clear to me, without equivocation, what his feeling was in regard to the war and our own attitude towards it. I explained to him completely the object of my visit here, and the program so far carried out which he seemed to think was a splendid thing. I also explained the Dutch exchange difficulties and the position I had taken at the Bank of England, as well as the seriousness of the present position between England and Holland. He seemed to find no objections to the statement of my attitude, but he did say that there was a good deal of procrastination in the home office in dealing with him on the subject, explaining the repeated notes which contained the suggestion that "further elaboration would follow later on". We had a long talk about Colonel House's visit, and he told me of a particularly interesting meeting when Lloyd George pressed certain questions on House which the latter evaded answering---others present being Austin Chamberlain, ~~Mr. Long~~ *Mr. Long* and Asquith as I recall.

Mr. and Mrs. Page are both charming simple people and very much appreciated here for their work, their ~~great~~ *great* ~~simplicity~~ *simplicity* hospitality and simplicity.

Returned to the hotel, Montagu Norman stopping in at twelve o'clock. We walked out to his house for luncheon, and during luncheon, and afterwards until 5:30 P.M. we discussed

at great length, the whole economic situation in England and France also the political question as it affected the United States, the importance of relations between the Federal Reserve system and the Bank of England and Banque de France, the Dutch exchange, and the blockade matter. He will be an earnest advocate of the Bank of England arrangement, and says that next to the question of finance of the British nation there is nothing so close to Lord Cunliffe's heart as getting the right kind of a relationship established. He thoroughly understands the position I have taken in regard to the illegality of the Dutch blockade and agrees that the matter should be dealt with between Holland and England in the first instance, and that we can do nothing else but handle our end of the matter, as suggested in our many conversations. I pointed out to him that an agreement between England and Holland in regard to transactions between the United States and Germany might involve a violation of our rights---that it was a matter I had very little information about but that certainly we could not enter into any agreement, or become a party in any way which would actually, or by ^{implication} ~~indication~~, commit us to ^{approval or becoming a party to a} ~~a campaign~~ of blockade or embargo which we regarded as illegal. That I was only interested in the banking end of it, and that if they were going to apply a sieve to this commerce, the indebtedness resulting between the two countries on such transactions that did pass through the "sieve" must be settled. If their sieve was so fine that it arrested transactions that our Government considered proper, then that

was a matter for the respective governments to deal with, and with which I had no concern. We have exchanged a good deal of good natured banter about the censorship, but I am satisfied that every scrap of communication on this subject is in his hands, and has been thoroughly studied. I was glad to ascertain that there were no real black marks against one of my close associates, although he is of course looked upon with some doubt. (make a note of the interesting matter told me about a member of the President's Cabinet). Before I left a Mr. Booth called. He has an important position under Lloyd George in the Munitions Department. He is a member of the firm of shipping people of that name, and I gathered from some remarks that were exchanged that he was about to be elected a director of the Bank of England. He was very much interested, and asked me many questions about ~~the~~ our new banking system. Returned to the hotel and did some reading before going to dinner with Captain Symington, Lieutenant Quekemyer and Mr. Shiverick at Ciro's.

Monday, March 27th:

Called at Morgan, Grenfell & Company for mail and found another cable from the office about Dutch exchange. Received too late however to get a reply off today or to catch my earlier cable. From Morgan, Grenfell & Company went to Baring Brothers, to call upon Mr. Ferrar who was not in the city, and not feeling very well, but I saw Lord Revelstoke and had a nice chat with him for fifteen or twenty minutes. Found him, like most Englishmen just now, very much interested in American politics, all of course with just one object in mind. Repeated my invariable story on the subject of American public opinion, with which he was polite enough to agree but subsequent discussion rather indicated that he, like the others, are rather skeptical of our good faith and protestations of good faith. He did not say this directly, but I thought ~~this~~ manner implied it a bit. From there called on Mr. Bell and found that he had an accumulation of forms regarding domestic collections which would require too much time for explanation this morning so I agreed to stop tomorrow. Met Lord Fairfax in the office and said goodbye to him. Then called at Mr. Skinner's (U S Consul) office who asked what I thought about the taking of securities from Dutch boats. We went over it in some detail and I explained to him the views that I had expressed to some English bankers (Montagu Norman et al) and thought that he was inclined to agree with me that that should be our attitude. I understood him to feel that

it could hardly be expected that the Admiralty would permit these securities to go forward when they were satisfied they were of German origin. It looks very much to me as though the situation with Holland was getting rather tense, and probably the entire dispute grows out of this very matter. Then called on Sir Edward Holden, and found him quite miserable. He is full of complaint about the Government handling of the loan matter. He thinks the Government should enter into a commitment to limit the income tax so that the new issue of bonds would pay £4:5s% net after allowance for a maximum income tax collected at the source. This is rather different from the view held by Montagu Norman. Lord Cunliffe, in these matters, has great weight, McKenna ~~probably~~ ^{apparently} relying upon him considerably. Had quite a chat with Sir Edward about Inland bills of exchange. He says they are a very important element in the interior banking system. Some of the bills, notably those drawn by cotton brokers on spinners, by ship-builders on ship-owners, and by the woolen trade as well as others, reach the London bill market and are regarded as first class, next in fact to the clearing bankers acceptances in many cases. About one half of the bills held by the London City & Midland Bank, he roughly estimates, are of that type, they getting them through their branch offices who get them from their customers who draw the bills and discount them. They do not consider these coming over their counter as secondary reserve as they do their import bills. Some of them

are of sufficient excellence to be classed as floaters^s-- a floater being considered the very best collateral for day to day or seven day money, as they are always available at the Bank of England even in preference to any other paper. He said one of the chief features of the domestic bill exchange ^{or} ~~is~~ ⁱⁿ an economic sense is ^{that} it insures the prompt payment of bills by merchants. The little men here, that is the retail trade, do not ~~expect~~ ^{accept} very much. The acceptances were more in the larger businesses--between manufacturers, wholesalers and generally the large dealers in the wholesale lines. The ~~time~~ varied considerably but rarely more than three months. Bills drawn to cover ship construction were sometimes given one or two renewals but they were, nevertheless, available at the ~~Bank~~ and ~~very~~ generally regarded as very good when the acceptor was high grade.

From there stopped in to see Sir Felix Schuster to say good bye, and learned that he was at the Treasury. Drove immediately to Captain Hall's office at the Admiralty and had quite a chat with him. He says very little but I gathered that he was quite puzzled by this latest outbreak on the part of the Germans in sinking the "Sussex". It seemed possibly to be inspired by Germany to avoid the rigors and hazards of another winters campaign, and simply showed a disposition to spread ruin broadcast in order to force discussion of peace. He felt absolutely convinced that they would not sink an American Line boat. He told me that Marshall's story of the "Sussex" disaster, as published, was absolutely correct.

He had just talked with Marshall and there was absolutely no doubt of the "Sussex" having been torpedoed as they had taken the head of ^{the} torpedo out of the hold. That this was equally true of the "Tabantia" in which were found fragments of a German torpedo. (Grenfell told me confidentially this morning that it had been established that when the sailors were leaving the "Englishman", recently sunk, and they were getting into the boats and dropping over the side of the ship, that the men on the German boat which ~~sunk~~ ^{sunk} her opened up their machine guns on the men going overboard and killed many of them, and he thought, one American). I agreed to lunch with Captain Hall on Thursday, stopping at his office to pick him up. Captain Hall told me that it had been definitely established that 117 lives were lost from the Sussex--probably no Americans although Miss Baldwin was lying in Dover very dangerously injured and Mr. Crocker was at Dieppe probably fatally injured with his skull crushed.

From there stopped over at the American Line and saw Mr. Parkman and Mr. Workman. They stated that in their opinion it did not make much difference what boat one sailed on from now on--they were all in danger of being sunk. It struck me that they were in a bit of a panic over the situation. After doing some shopping at the drug store, I came to the hotel and had afternoon tea with Mr. Shiverick.

Sir Robert Balfour's dinner at the Reform Club turned out to be quite a large affair there being some 25 or 30

guests present. Many of them were merchants from the city, but some were bankers whom I already knew including Sir Charles Addis, Sir Christopher Nugent and Mr. Brandt. Among them was one gentleman whose name I failed to get and who is a director in the Bank of England. After dinner Sir Robert made a few remarks quite complimentary in regard to the Federal Reserve System, and asked if I would explain it, the organization and the operations. I made a brief description of the defects of our old situation, and what was aimed to be accomplished by the new system, explaining the organization and functions of the reserve banks etc. They all seemed very much interested and after I was through asked a great many questions which I am sorry to say indicated a considerable lack of knowledge of banking in the United States. There was a good deal of criticism in the city of the lack of flexibility in the English banking situation and apparently a growing desire to modify it so that the Bank of England would command a larger gold reserve. After dinner a number of those present asked if some of the features of our new banking system were not applicable to the Bank of England.

Tuesday, March 28th:

Called at Morgan, Grenfell & Company for mail. Saw Grenfell for a few minutes. From there went to Lloyds Bank. Mr. Bell sent for two of his men who understood about the clearing house and check collection matters, and we had a long

discussion of methods. I have discovered from this conversation and from talks with others, including Sir Felix Schuster, that Mr. R. Martin Holland, while well posted on the machinery of the Clearing House is not at all well posted generally as to the practice of the big banks. Martin's Bank while a clearing bank is a small concern, very conservative, and has only twelve or fifteen branches. Unfortunately, some of the information he gave me the other day was unreliable, and I also learned incidentally that he was somewhat inclined to give information on subjects on which he was not thoroughly informed, not with an intention of misleading but rather haphazard and possibly to avoid appearing uninformed. The substance of my conversations with these gentlemen, this morning, disclosed the following state of facts:

CLEARING HOUSE: Items sent to the Clearing House are divided by district; that is, Town, Metropolitan and Country, exactly as formerly described. There are items drawn not only on the clearing banks but on all banks in England and Wales which have clearing agents in London. Bills domiciled in these banks are likewise sent to the Clearing House. On the other hand, all items on the Scotch and Irish banks are collected direct. The deferred time is as formerly stated, and the method of settlement as formerly stated. Samples of all forms used were furnished me by Lloyd's Bank. The important matter is the custom in relation to the credit of checks. The Scotch banks have an absolute cast-iron agreement not to give immediate

credit on country checks except the customer pays a discount covering the period of time required for collection in each instance. The time allowed is not only sufficient to cover the collection cost but any interest loss involved as well. The same is the practice in Ireland although I do not understand that the banks there have a rigid agreement. The banks throughout the Provinces and agencies throughout the Provinces also give immediate credit in many instances, although they invariably make a deduction of interest. But, they tell me that in a very large number of instances the banks in the Provinces still receive checks for deferred credit. I am inclined to think that the opinion on this, generally, was that more checks were deferred than were given immediate credit. In the city of London immediate credit is given very largely for checks payable throughout England and Wales, but deferred credit is generally given those payable in Scotland and Ireland, and in addition a collection charge the equivalent of what Scotch and Irish banks charge, is invariably made against the depositor of checks on those banks. This is either in form of a deduction from the amount credited, or a deduction for, say, ten days from the interest account. Lloyd's bank has a rule, which these gentlemen believed prevailed in some form in most of the big banks, by which all checks ^{for} ~~over~~ £1,000 or over were treated as holdout items. When the depositor makes his deposit every day, the checks are divided into two classes-- those that go through the Town ~~and~~ Metropolitan clearings in one class, and those that go through the Country clearings in another.

They are entered separately in a ledger---the balances are carefully watched. These country collections are deducted from the interest balance and the balance is scrutinized every day to ascertain whether uncollected items are being drawn against. After experience with each account they are able to determine to what extent they must require the customer to maintain a minimum balance free of interest to protect the bank against uncollected items. I asked them how many checks they sent to the Clearing House, and what amount likely was credited before returns are received. He tells me that they send about 40,000 to 50,000 checks to the Clearing House every day and pay about an equal ~~amount~~ number, and that the bank has outstanding uncollected items averaging about £1,000,000 sterling although this may sometimes ^{but rarely} reach as high as £2,000,000 sterling. They keep a separate account of all uncollected checks which they call "deferred cash" just as they call deposits which are not available to depositors until returns are received "deferred credits". This "deferred cash" item is similar to our "due from banks" and is generally included in the item "Cash in Vault--due from Bank of England, and at short notice". The item varies somewhat in language on the different bank statements but it is generally considered as due at short notice. Mr. Bell stated that this matter of giving immediate credit for checks, eliminating in some cases collection charges formerly imposed, etc., etc., had not been very well handled by the Bank of England and English banks. Formerly it was in good shape but,

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without mentioning any names, in recent years one prominent bank had been guilty of debauching the business by extending privileges to customers in order to get business away from other banks. He referred to Holden. He and others have stated to me that the Scotch system was the best. They never gave immediate credit except the check is really discounted, and they always impose charges on country checks. The banks in London, generally, have an arrangement with the Scotch banks for mutual exchange of items for which charges are made either directly or by interest deductions. It would have taken much more time than I had at my disposal just then to work out all the detail of this business. There are innumerable exceptions to general rules but the above gives some picture of how checks are handled here. One method of shortening time and saving labor is the direct interchange of items between branches of the clearing banks. For instance, if Lloyd's London receives from its branch in Huddersfield a check drawn on a branch of the London City & Midland at Leeds, -- this check would be sent by ~~the Lloyd's Home Office~~ ^{to} the Head Office ^{to} the London Clearing House and would be received by the London City & Midland of London say on a Monday. The London City & Midland bank would send it to Leeds Monday night, and by Tuesday night or Wednesday morning would receive advice that it was good, or, advice that it was not good. In Thursdays clearings ^{the amount of} this item would appear in the settlement, and the settlement would be effected by a transfer check going through the Bank of England. On the other hand if the check was not good, advice would come back to London

to that effect but the item itself would be dealt with directly between the branch in Huddersfield and the branch in Leeds. This of course saves time. They all agreed that the Scotch system was very much better than the English system, and thought methods of crediting and collecting checks and the amount of charges and interest deductions should be made uniform by agreement.

Returned directly to the hotel, dressed and went to Lord Bryce's for luncheon. Lady Bryce was there, also Lord Islington formerly Governor of New Zealand and now serving on ~~the~~ a Government Committee having something to do with the blockade, as I understand it. He impressed me as being a man of much ability. Also, present, a Mr. Mitchell whom Lady Bryce informed me was a leading member of the bar of Australia and who was here on some important legal mission. Practically the entire discussion at luncheon, and afterwards, was the war, American politics and English feeling in regard to the United States. I sat between Lord and Lady Bryce and most of my talk was with Lord Bryce. Leaving out matters of little consequence Lord Bryce expressed his sympathies with the difficulties of the President during the entire war period, and expressed it as his view that President Wilson had considered himself bound to his course of action by American public opinion which he felt required to follow. He agreed with me that the President must be conscious of the ~~taxes~~ tremendous responsibility resting upon him by reason of the fact that in such a situation as this it was only the President who could lead, shape or form public

public opinion, and if the country were to become involved in a war with Germany it could only be in response to a public opinion which the President would largely create by his own policy in dealing with Germany. I was again, as always, impressed with the judicial and fair attitude displayed by Lord Bryce in discussing these matters. He asked me very frankly in regard to the question, now very much discussed over here, whether this Government has showed too little energy in placing the cause of the Allies before the American public, particularly in view of the activity of the German propoganda. I told him that, in my opinion, anything in the nature of a propoganda by England in the United States would be offensive in America--particularly if it emanated either from the British Embassy or any official source in America. That the American public was tired of propoganda, had ^{resented} ~~refused~~ the German propoganda and that that had had a considerable influence in its complete failure. He said he thought that was so, and asked me how I thought it would be possible to convey to the American people the real import of the war and what it meant to the world. I told him that I had thought a good deal about it since I came over here, and felt that there was only one way to do it so that it would appeal to the American people in the right way, and that was to take the American newspaper correspondents in this country into their confidence and tell them the facts and let the news originate in its customary way. The American newspaper correspondent

was proud of establishing relations with men of importance from whom reliable news could be had. They would pass the news through hands that knew how to deal with it from a journalistic point of view for the American press. That what American newspaper readers needed was not predigested material, or as Lord Bryce expressed it "views about news" but they wanted news and would form their own views, and if the news was accurate and official in its source it would come through as news and not as prop^aganda and be of much greater value. He and the others agreed that the censorship on the news had been too severe in England, and Lord Bryce very heartily agreed with the views I expressed as to the means of conveying facts to the American newspapers. We discussed Senator Root's speech at some length. They agreed that it was rather partisan and ^apolitical arraignment of the Administration but very ably done. I expressed some disapproval of the whole idea of conducting the campaign for election of a president on any such issues as the European war, although it was certainly a fact that the most important political issues in the United States today, were the war and Mexico. That the various economic issues heretofore occupying first place in party programs had been submerged by these two subjects and by the agitation of them. Any one who desired a Republican president, for instance, might well express the view that a presidential campaign conducted on these issues gave a great advantage to the existing President as he could

steal the thunder of the republicans, and in a matter of this kind really make public opinion, more than on almost any other issue. I repeated the statement which I had frequently made in regard to the lack of understanding at home of foreign affairs, and how the American people did not realize their own political and financial importance in the worlds affairs today. Nor had they been educated to believe that any responsibility rested upon them in that respect. This was, of course, not so true along the Atlantic coast but it was true to a considerable extent in the middle West. California was affected by the Jap question, and the South-West by the Mexican question, which would likewise distract public attention from European affairs. Lord Bryce said that he could see no way by which the President could now avoid difficulty with Germany since the sinking of the "Tabentia", and particularly the "Sussex". He and Lady Bryce both felt very strongly that that was one of the worst crimes committed in this whole war. After luncheon the discussion drifted around to the question of peace, how it could be brought about, and what influence the United States would have. We had a long discussion of the antagonisms which were gradually developing as result of the aggressiveness of the American press in exploiting the idea that we were going to steal the world's business from the belligerent nations, and the idea that after the war was over measures must be taken to monopolize commerce, and to recover lost ground by the war.

Lord Bryce told me that so far as the plans being discussed in the newspapers, they were simply directed against Germany. I expressed the view that if we avoided trouble with Germany and kept out of the war they would inevitably be directed to some extent against us. He was not altogether inclined to agree to that--possibly through politeness, but on the other hand he said that he thought the whole ~~was~~^{plan} was a mistake and that if it bore fruit we would all pay bitterly for it. He asked me what my own views were on this subject, and I repeated the statement made to Sir Robert Balfour, at dinner, that while our newspapers and some business men might present this matter as a ~~was~~ program of expansion at home, the fact was that the business we were now getting at home had come to us unsolicited, unsought, and was really an inevitable consequence of the war over which no party exercised the slightest control. The world had to be fed and clothed. The currents of commerce and banking were being changed and we were benefiting. When the war was over ~~the~~ matters would readjust themselves again. If we were able to keep some of the business it would stay there. If not, it would go to the competitor best able to get and keep it. To illustrate the point I described the discussion in regard to the bill market, and also expressed the view that the economic problem was high taxes, high interest rates, and low labor costs, in ^e belligerent countries-versus, low taxes, low interest rates, and high labor costs ~~and advances~~ in the United States. They seemed to agree with this except low labor costs in England.

I asked Lord Bryce to consider whether they had ^{fully} ~~really~~ studied the domestic situation in regard to labor. Take for instance a bank like the London City & Midland, which is today employing 2800 women to do the work of 1650 male clerks gone to the front. If those men were willing to come back and work in the bank again, (and they were all on full pay,) the survivors would be in competition with the women now employed. Likewise in the Lancashire Cotton Mills. If Germany restored her cotton industry, and the Russian and Polish cotton industries were restored, would not the Lancashire operatives, returning to operate these mills in Lancashire, be in competition with the German, Russian and Polish operators returning to operate their mills? Would not there be an overproduction of cotton, temporarily at least, and some idleness in Lancashire? So, in Cornwall, where mining companies are pressed to the limit now to produce coal for France, ^{Italy and} Great Britain as well as the fleets. When the Belgian and French mines were again opened to the world, and shipping ^{was} released from transport service to carry coal from America, would not the returning laborers, now in the army, find a surplus of labor in Cornwall? He said that he had not thought of it in that way--that it might be so, and if it was the economic problem was probably as I had stated. I expressed a view that the process of readjustment, ^{if} before an enduring peace could be established, would be; First, ^{readjustment} the financial and industrial peace, the United States to use its surplus credit throughout the world to restore the damage caused by the war; second, efforts to lower taxes abroad by reducing

armament, and third, but most gradual, the readjustment of prices of goods as a result of the equalization of credit ~~and~~ taxes ^{and labor.} There was no difference of opinion expressed as to its being of paramount importance ~~to~~ avoid ~~the~~ friction between England and the United States in matters of finance and commerce. The discussion of peace was along the line of the possible position of role of the United States when the time came to make peace. Lord Bryce diffidently expressed, not only as his view but as that entertained by many more, that the position of the United States as a belligerent would very much simplify the situation, strengthen England's hand, and enable agreements to be entered into which would make efforts for permanency successful. I said that I was not sure that it was necessary that we should be a belligerent although I recognized that the influence on public opinion, brought about by ^{the} participation ~~of~~ the United States ^{which would} ~~serve~~ serve to shorten the war, would be considerable, but that on the whole I thought ~~the~~ the most unfortunate situation that we could occupy would be that of a mediator. We could not hope to sit on the ^{bench} ~~throne~~ and dispense justice without being more or less unpopular with everybody, and furthermore it was hard to see how, if we occupied that position, the weight of our influence could be permanently directed towards insuring peace. Personally I would rather see the negotiations conducted in such a way that England, France and the United States would be working in partnership. He heartily agreed with that and said that he thought the South American Republics should be brought in and

was hopeful they could be. I said I thought that would strengthen public opinion at home, ^{in favor} ~~instead~~ of our taking an active part in support of a peace plan. As I was leaving he asked me to step out in the hall for a few moments, and then asked me very earnestly, and with some emotion, if I thought public opinion in the United States would support a union of ^{U.S.} England, France, and possibly other allies, in an effort to enter into some pretty binding peace undertakings at the conclusion of the war. I told him that I thought the best minds of our country, such men as Taft, Root, Elliott, Lodge, Hadley, et al., could be depended upon to support it and that, generally, public opinion in the United States would be inclined to favor our taking a large part in arrangements for insuring permanent peace. On the other hand, if that should take the form of a treaty containing anything in the nature of an alliance, particularly for the purpose of defence or offence, it would be most difficult to get ratification by the Senate, (unless of course we had become a belligerent). On the other ~~hand~~, if the whole world was to enter into ^{an} engagement for insuring peace, and it should not take the form of a treaty of this character, I felt that there was a very good chance that public opinion would support it. He asked if I thought the Senate could be expected to ratify any arrangement ^{which} would place some obligation upon the country to ^{enforce} ~~insure~~ peace. I told him that while the Senate was doubtful, ^{and} I thought the sentiment in the country was ^{still} ~~so~~ strong to keep out of ~~the~~ war and avoid heavy armaments, still

they would rally to support so obvious and humane a peace action. Just as I was leaving he assured me very earnestly, and with some emotion, that he did not think any plan for the imposing of peace would be worth a "rap" unless the United States was a party to it, and he clearly desired me to understand that serious men here felt that the situation was very much in our hands.

No one could have been more cordial than he, and I left him with a stronger feeling than ever that he is our best friend over here.

Mr. Chandler Anderson called at the hotel about 5:30 and told me that he had completed the settlement of the most cases, the only one now unsettled being in the hands of someone else, and I inferred that it was the Sulzberger case. He expected the agreement to be signed in a few days, just as soon as they could be engrossed. He was about to keep an appointment with Lord Reading who had asked him to call, and he asked me if I could suggest why Lord Reading wanted to see him. I told him that, judging from my experience here, it was owing to the great interest and even anxiety prevailing over here in regard to conditions in America politically. That they were allowing no opportunity to pass for sounding Americans as to American feeling at home. I asked Anderson if he thought the United States could be brought into a situation at the conclusion of the war destined to insure a permanent peace. Anderson thought it would be very difficult to get a treaty ratified by

the Senate if it contained any provision for the use of force. In fact, it was difficult to get any treaty ratified by the Senate *on account of the Senate's* timidity, etc. He thought possibly a treaty involving, not the use of force but the complete withdrawal of all ~~our resources~~ ^{intercourse, Commercial}, financial, etc., with any government breaking faith with a concert of powers could possibly be put through the Senate, but the difficulty would be to find means of determining what constituted breaking faith, and whether it had actually transpired or not. I personally have felt right along, as I told Lord Bryce, that the United States might favor an arrangement, to which all the powers are bound, looking toward the insurance of peace, if it were taken up on the basis of ^a peace understanding ~~under~~ under the auspices of the Hague Tribunal or something of that sort. The difficulty at present lies in the lack of the kind of leadership in these matters that would crystallize public sentiment so that the Senate would feel the pressure.

Later on, Captain Symington and Mr. Shiverick called.

Shortly before eight o'clock, Mr. Grenfell called for me to dine with Montagu Norman. We spent the entire evening, until after eleven o'clock, discussing the revision of my memorandum upon relations with the Bank of England. Only slight changes were made by Mr. Norman, all but one being satisfactory, and this was changed to a satisfactory form. Lord Cunliffe being detained out of town by the storm, there may be only a short time for further discussion with him but I

am assured by both Norman and Grenfell that the matter is very close to his heart, and they feel quite confident of the arrangement being put through in an entirely satisfactory form.

Our discussion throughout the evening was principally in regard to the general plan of an arrangement between the two institutions, and which we all agreed should include the Banque de France in order to make the control of the exchanges complete and which without the Banque de France would be more difficult, and a clause had been added to the memorandum to cover that point. I explained that while in Paris I had not felt, for various reasons, willing to develop the matter with Monsieur Pallain in quite the detail that had been done here, but it would certainly be necessary to take it up again, and to probably make another trip for the purpose. They all regard Pallain here as being a little difficult to deal with, particularly in the matter of gold. Something will have to be done in regard to ^{days of grace.} ~~this case.~~ All bills here, coming from the East, are drawn at 90 days but there are 3 days grace so that usance is really 93 days. If we cannot buy a bill drawn at 90 days but which is actually paid at 93 days, the bills available to us will be much restricted inasmuch as the 90 day bill is turned over immediately upon arrival ^{when} ~~and~~ it has 92 days to run, and the volume would have largely passed ^{out of} ~~into~~ the hands of brokers, and discount houses and never reach our hands. We discussed four possible methods of dealing with this matter:

1....To get a ruling that a bill drawn at 90 days, plus grace, complied with the Federal Reserve Act. This looks a little difficult to me.

2...Have the Federal Reserve Act amended.

3....Have an Act of Parliament passed eliminating grace. This they stated was possible but would occasion considerable opposition and derangement of trade custom.

4....Have the Bank of England buy and carry the bills for the two days and then turn them over to us.

On the whole, the best plan will probably be to get the Federal Reserve Act amended. If the publicity entailed by this course makes it impossible, the fourth plan would probably have to be employed, although there are some very awkward features connected with that plan. These two gentlemen attach great importance to the conclusion of an arrangement as outlined in the memorandum. They feel that it will enable the three great banks to perform a service long needed and never possible until the Federal Reserve System came into existence. They are quite willing to deal with us without any very definite understanding of how the plan will work, and to rely upon experience to smooth out difficulties.

There will be some difficulty experienced in the exchange of information, not only due to custom and to the conservatism of the Bank of England, but because of the extremely severe libel laws which impose heavy penalties where information of this character results in injury to ^a ~~the~~ third party, but they think it can be dealt with, ~~without difficulty~~. Much can be accomplished

by personal visits. The necessity for making no announcement of tentative understanding to be put into operation, after the war has ended, is thoroughly understood by everyone. They fear that there will be some newspaper speculations about my trip after I leave.

No discussion took place in regard to the question of gold prices. That is simply a question of mathematics which can be worked out by experts.

In connection with the handling of gold it will be necessary to make a little study of the question of quality. I learn that from time to time the Bank of England received gold, in some cases from Scandinavia and occasionally from Germany, which is termed "brittle". In other words, it does not work properly in the minting. I have explained that I am under the impression that the United States Mint has a regular system of charges for treating gold which varies from our standard in quality, and which would affect the net value realized for coin treated with on a bullion basis. It may be necessary in dealing with this subject to have an arrangement to handle bars as far as possible in the adjustment between the two institutions.

Wednesday, March 29th:

Called at Morgan, Grenfell & Company and received Mr. Jay's latest letter. Had a short chat with Grenfell. From there went direct to Mr. Martin-Holland who gave me quite a collection of data and papers regarding the London Clearing House. We then went to the Clearing House and met the Chief Inspector who took me through the building while the clearings were in operation. Again it is necessary to slightly modify the statements made by others who apparently were not informed in detail of the operation. Town clearings go through just as formerly described. Metropolitan clearings go through when presented prior to four o'clock, being settled promptly at five. Where checks presented to the Clearing House are in too great volume for a Metropolitan branch to examine before settling hours, they nevertheless make settlement "under protest" in which case they, in effect, give notice that items so received and settled under protest may be returned the next day. Country clearings close at 10:30, the effect of that being that only checks received by the banks in the early morning mail are cleared the same day. These country checks are distributed in the Country Check Department to the various banks or branches on which they are drawn. They are then sent by the bank to which they are presented, to the various branches in the country. If the checks are received on a Monday, the return from the country will be received, of course, not later than Wednesday, and on Wednesday's settlement the debit ^{and} ~~is~~ credit represented by these checks is included in the total on the settlement sheet of the bank clearing these items

and forms a part of the total which is settled by transfer check drawn on ~~or payable by~~ the Bank of England. The Bank of England only clears items which it receives on deposit, and sends to the Clearing House. Items drawn on the Bank of England do not go through the Clearing House but are deposited directly with the Bank of England by the banks which received them on deposit, as they ~~are~~ all, of course, ^{carry} ~~after~~ accounts with the Bank of England. The Chief Inspector told me that in ordinary times they handled about one million checks per day all told. This includes bills domiciled in London. All bills so domiciled are cleared provided they can reach the Clearing House so as to go through for presentation and protest. If they cannot be cleared in time for protest, they are presented direct. Bills domiciled in the country ~~do~~ not go through the Clearing House as opportunity to protest would be lost. The operations of the Clearing House, they told me, would not be possible without the use of American adding machines. One very necessary arrangement is invariably followed;--every check book issued by banks located within the town district bears the letter "T" on the left hand end, ^{of each check,} to indicate that they go through town clearings. Similarly banks and branches of banks located in the Metropolitan district ^{print} ~~have~~ the letter "M" in the margin and all other checks in the country districts, that is England and Wales, have the letter "C". A good deal of difficulty is experienced at times by improper routing of items, due to consolidations of banks and transfers of branches from one bank to another. They have a special method of treating these which is not of enough importance to describe but which relieves the Clearing House of working out the

detail of adjustments. I was impressed first by the lack of order in the Clearing House, and secondly by the tremendous volume of business which seemed to go through without friction or delay. Inasmuch as the town and metropolitan clearings ^{are} ~~is~~ continuous for the better part of the day, it means that a continuous stream of items are coming in and being distributed, and the clerks of the various banks become very skillful in sorting the items among the various banks and branches for which they act. Instead of a bank having but one desk, or possibly two, at the Clearing House, the better part of a room will be given up ^{to} ~~for~~ desks for the clerks from one bank.

I inquired in regard to immediate credit. The Chief Inspector said that he thought the practice of giving immediate credit was growing among the London banks, but not so much so in the country. He said that some of the banks used to be imposed upon and spoke of one instance where a customer had ~~a large~~ an account which showed apparently a large balance which when analysed disclosed that this customer ^{had} never ~~had~~ really had a balance for some years, but had been living, so to speak, on uncollected checks. The system now followed by most of the banks ~~now~~ eliminates this as the ledger account shows separate credits for country items and for the town and metropolitan items. They now have under consideration a plan ^{to} ~~that~~ require~~d~~ all banks to adopt a number and have the number printed on the check. This applies likewise to branches, and is designed to facilitate the sorting process which is very laboriously done. Some years ago branches of the Clearing banks

were in the habit of sending ^{unsorted} items to the head office for clearing. Now, however, all of these items come to London in envelopes with ^{machine} margin slips and the total on the envelope. The envelopes are ^{delivered} ~~diverted~~ to the paying bank unopened, and only the total listed on the presenting banks list. The paying bank makes a separate margin slip of all the items in the envelope, this being a check on the total shown by the presenting bank. Differences are of constant occurrence. The Clearing House does not settle if the difference exceeds £1,000, and sometimes banks are kept until quite late to locate such a difference. Differences ^{of} ^{of differences is} ~~A~~ list amounts ~~are~~ posted on a big sheet indicating how much ^{Each bank is} ~~they are~~ over or short on the "in" or "out" side as they describe it. From these lists the clerks in the different banks are generally able to run down the differences and adjust them between themselves. There is no system of fines. I arranged that our men might correspond with the Chief Inspector through Mr. Martin Holland, if that were thought to be desirable later on, in regard to Clearing House methods.

From the Clearing House I returned to the hotel and ^{later} ~~then~~ met Captain Symington and Mr. Loughlin at the Naval & Military Club for lunch. Loughlin told me some most interesting stories of his experiences with ~~the~~ German diplomacy. He is one of the most curious men I ever met. He is the son ^{and is} of Loughlin of Jones & Loughlin of Pittsburgh--supposed to be worth ten million or over. He is working his heart out at his job in London and apparently has been doing the same thing for the past ten years at the various embassies.

He is now Secretary at the London Embassy. He is a nervous excitable little fellow with a great fund of common sense but no humour. He says that if we do not take a crack at Germany pretty soon, in fact right away, there will be no nation in Europe that will have the slightest respect for our Government or its representatives abroad. I asked him particularly about the fate of a treaty in the Senate such as Lord Bryce and I discussed. He was emphatic that, if properly handled by the Administration, it could be put through.

From there I went to the Princes Club and played squash with Captain Symington. At six o'clock Chandler Anderson called at the hotel and we had a quiet chat about the American position. He has concluded his meat settlement, and apparently with great success. He believes that President Wilson will lose every shred of prestige he has if he does not deal vigorously with Germany, also that the country will be in great peril of isolation, commercially and otherwise, after the war.

Dined with Captain Symington, Mr. Shiverick and Lieutenant Quekquer at the Savoy. Late in the evening on return to the hotel, Mr. Cameron Forbes called to say that he had prepared a statement of our interview with Lord Kitchener, which he wanted me to read and correct where his memory was inaccurate, and ^{Suggested 2} take a copy home to the President. ^{Not!} I arranged to meet him at the hotel late Thursday afternoon.

Thursday, March 30th:

Called at Morgan, Grenfell & Company for mail and saw Grenfell, ~~and Vivian-Smith~~ and Stettinius, who also ~~returns~~ returns on the "St. Paul". Said good bye to Grenfell and ~~Vivian-Smith~~, both of whom expressed satisfaction with the way things had turned out in connection with my trip. From there I stepped in to Sir Felix Schuster's office to say good bye. He spoke of the Dutch exchange matter, with which he seemed to have some familiarity, stating that intercepted wireless messages etc., had kept them posted, and he asked me how I felt about it. I told him, as I said to Lord Bryce, that American bankers and citizens were going to pay their debts to citizens of other neutral countries and that England certainly could not prevent it and neither should she try. If they had the right either by military force or by agreement with Holland to intercept shipments, that ~~was~~ a different matter so long as it did not interfere with our rights as a neutral nation, but that it was quite a mistake to attempt to prevent the adjustment of exchanges. He seemed to agree with what I said. He was quite anxious if anything arose whereby his bank could be of service to us, that we should let him know. He thought they could arrange to buy bills for us and I told him that it was a little too early to have any program definitely possible for the joint stock banks. Told him that I appreciated the value of the services which his institution could perform for us, and that ~~certainly the~~

certainly the matter would be considered. Then called to see Mr. Gow of the London Joint Stock Bank, and found Mr. Brandt there. Mr. Gow also offered the services of his bank saying that they were very conservative, but after all we would find them of value to us. Then stepped over to Brown, Shipley & Company to say good bye. From there called at the Bank of England and had a long talk with Lord Cunliffe, Mr. Cokayne, the Deputy Governor, and Mr. Montagu Norman, going over the second draft of the memorandum of conversations very carefully. Lord Cunliffe agreed to everything, including two changes I had made, with the exception of the paragraph about the Banque de France. He had just returned recently from a trip to Paris which he had made without anybody knowing it, and was in a frame of mind to criticize anything and everything the Banque de France did. He says that they are distrustful, do not cooperate, and as he expressed it--"instead of looking upon us as a son, which the Bank of England would be inclined to do, they were more inclined to look upon us as a grandson. The dispute between the two institutions is in regard to ~~gold~~ the use of gold in the Banque de France. I told them briefly of my discussions with them, and that in some ways I sympathized with them and with the attitude of the Banque de France which really carried a greater load of responsibility in some ways than the Bank of England, and particularly ~~that~~ ^{as} the French people worshipped their gold as a sort of fetish. I thought that Norman agreed with this view, but Lord Cunliffe was

too irritated by their attitude to agree with me. They were all very strongly in favor of some arrangement being effected between the New York and Paris institutions, ^{but felt} ~~and~~ that any effort made by the Bank of England to bring that about would do harm. I told him I would like to see the agreement set out their views on that matter, and he thought it was important that it should do so. Montagu Norman wanted a very positive statement that efforts would be made to bring the Banque de France into the plan. Finally language was agreed upon and is now embodied in the memorandum. I told Lord Cunliffe that I understood the situation in France to be materially different from that in England or the United States---that the Banque de France did not have to pay gold, it could pay silver, and the character of payment they made was really directly controlled by the Government, consequently to put the Banque de France on the same footing with the Bank of England and ourselves would require an extra-legal agreement between New York and Paris to which the ^{French} governments assented and which would have the effect of making relations between New York and Paris the one open spigot, so to speak, through which gold might flow ^{out of France.} They agreed that this was so and highly desirable. Lord Cunliffe expressed the hope that I would come over here again before the plan was put into operation, and make a determined effort to persuade Pallain to go as far as the Bank of England had gone. They regard Pallain as timid, stupid and obstinate, but think that ~~Sargent~~

Sergent is a man of ability. I was very much amused to find that Monsieur Pallain had presented Lord Cunliffe with the same medals he had presented me. Lord Cunliffe was inclined to treat them with some disrespect. I was greatly amused at his humorous but expressive remarks about "the old bank". He admitted that the Bank of England was a museum, but that after all they could change when necessity required, whereas the Banque de France was much more a museum than the Bank of England and apparently did not have the capacity or courage to change. Norman surprised me by saying that in his opinion, if I had proposed definite guarantees ^{by} the Banque de France, they would have jumped at it. I had thought that over and talked it over with Herman Harjes but believe it would have been impolitic and would probably have aroused suspicion. The matter can be better dealt with later. Lord Cunliffe told Norman that if he felt that way he would nominate him hereafter to deal with them--that he (Norman) was welcome to the job.

We all agreed that the memorandum just completed was a matter of greatest possible importance but that it would not be fully effective until we broke through the reserve of the Banque de France, and for that they relied upon us. Lord Cunliffe wants me to come over again before the thing is settled, and I told him I would try and do so. We shook hands, exchanged expressions of good will, and I left with the understanding that three copies of the memorandum would be

sent to the hotel. ~~At~~ where they arrived later on in the afternoon.

From there drove to Captain Hall's office at the Admiralty and we went to the Carlton for lunch. He told me some very interesting stories in regard to the fighting in France, and said they had "got" many more submarines this month. ~~Was~~ That nobody in England was able to explain this sudden outburst of horribleness on the part of Germany--it was so inconsistent with their own interests that it was totally inexplicable. I told him about seeing the periscope of a submarine when crossing the channel on the "Sussex", and asked him what he made of it. He said there would be no ^{Submerged} English submarines there and that it undoubtedly was a German craft. He surmises that as it was a very rough day, the meeting was unexpected to the submarine as well as to us and that there was a very good chance that if they ^{had} had the time to manoeuvre [^] into position that she would have thrown a torpedo into us, although the fact that it was before the first of March may have explained their not doing so. He told me confidentially that he had sent a man over on the boat with Colonel House, and offered to send this same man over with me. I told him that his judgment was much better than mine, that I would think it over and let him know. He admitted that care was necessary, but considered there was no possibility of anything being undertaken as long as I was in England.

From there I stopped at the steamship office, and

learned that the St Paul sailing was indefinitely postponed, although they thought she would get away in a day or two. It was too late to make arrangements to shift to the "Ryndam" which would have necessitated leaving yesterday afternoon, and the chances are that the "St Paul" will get away by Sunday or Monday.

Dressed and went to the Pages for afternoon tea, and agreed to go there tonight for dinner and Sunday morning for breakfast if I was still in London. Mrs. Page said that it was quite a relief for Mr. Page to unburden himself, and if I would come over on Sunday morning we could have another visit together.

Captain Symington came back to the hotel with me and Cameron Forbes came in, also Mr. Stright^a and Mr. Perkins. Forbes had prepared a brief memorandum of our conversation with Lord Kitchener which he proposed to hand to Ambassador Page, and asked me if I would read it over and agree to its accuracy. I found it rather incomplete and we arranged to amplify it and go over it once more. I suggested the inadvisability of using it in any way except to confidentially hand it to Ambassador Page for such use as met with his discretion, and with the statement, of course, that it was confidential.

Had dinner with Hartley Withers at his house, his mother and a Mr. Henry Ford (an artist) being present. After dinner we discussed at great length the economic ~~praktis~~ position of England and ~~the United States and~~ Germany. Mr. Withers ~~believes that~~

believes that wages will be rather high in England, ^{after the war,} and in that respect only differs ^{from} ~~is~~ the statement which I made to Lord Bryce. He thinks that production throughout the world will be at a rate never before known and that there will be a great wave of prosperity, new enterprise etc. Personally I think he is absolutely wrong. He is one of the most ardent advocates of ~~the~~ restriction ~~of~~ the use of luxuries in England, and thinks that only by that method can the country carry the burden of taxation after the war. In discussing German finance, I was surprised to find how little information he had. He thinks they are very much stronger financially than they are credited with being. That they have not inflated their currency through the issue of Dahlen ^{and} ~~Kassen~~ Schein, and similar issues to the extent that the world supposes. He was inclined to agree that their great problem would be the purchase of raw materials but he thought that ~~the~~ credits for this purpose could be negotiated with rich Germans abroad, ~~and~~ which would give them a great fund to use in rebuilding their industries. I told him I thought that most of the rich Germans were German Jews who would not be inclined to make extensive loans unless they were assured of gold payment and that Germany's difficulty would be to maintain gold payment, and she would probably struggle with it for many years. Withers impressed me as being a text-book man who expounded theoretical formula not based upon business experience. On the other hand, he is certainly much sounder than Paish, whom I regard as an extreme opt^lmist who is

constantly struggling to support his optimism with a lot of theoretical arguments that won't hold water. He spoke very forcefully of the traditions of ~~our~~ country being upon a higher plane than that of any European nation; that our treatment of China, Spain, the Panama Canal matter, Cuba and Mexico all indicated that we had been educated to deal with these international questions on a very elevated standard of international ethics. That we now had an opportunity to say to the world that the rights of all neutrals were imperilled by Germany's procedure, and that we had determined to throw the weight of our influence in with the Allies to stop it, not only selfishly in our own behalf but in behalf of ^{smaller} ~~similar~~ neutral states that were today absolutely without protection.

Friday, March 31st:

Mr. Cameron Forbes came in for breakfast and to discuss further the Lord Kitchener memorandum. We agreed as to how it should be re-drafted and handled. There was no doubt in our minds but that Lord Kitchener's talk ~~was~~ was for the purpose of having it used, and I see no objection to turning it over to Ambassador Page.

Friday, March 31st:

Dined in the evening at Ambassador Page's house with Captain Symington, and found one of Arthur Fowler's young sisters there, her brother having been at the Embassy and who is now enlisted with the British Flying Corp. Continued a discussion with Mr. Page, who told me some very interesting things which transpired at a visit he had that day with Sir Edward Grey and with whom he spent an hour. A most interesting and important thing is Sir Edward Grey's statement that while commercial hostilities would not be practicable after the war, nevertheless there would be some things that could be done, and would have to be done to satisfy public opinion here and in France.

Saturday, March 1st,

After picking up clubs and golf clothes from Captain Symington called at the Embassy for Ambassador Page and we went to the Comb Hill Club for golf, where I gave him a good trouncing. He has too much on his mind to be very successful at the game just now, but his enjoyment of the day was really pathetic. He told me some interesting stories of conversations he had had with Mrs. Asquith, and particularly again referring to the question of commercial development after the war. After having tea with Mr. and Mrs. Page alone, I met Willard Straight for a few minutes at the Ritz, then Captain Symington came in and we went to dinner and to the theatre.

Sunday, April 2nd:

Took breakfast with Mr. and Mrs. Page.

Sunday, April 2nd:

Took breakfast with Mr. and Mrs. Page. Mr. Page is quite urgent that I see President Wilson on my return and explain the situation over here. It seems he has written President Wilson suggesting that he thinks it would be a good plan.

From there returned to the Hotel Ritz. Spent the rest of the day in the hotel, and late in the afternoon stopped at Mrs. Astor's for tea. From there called on Mr. and Mrs. Laughlin.

In the evening Captain Symington, Captain Sayles, Mr. Smith who is in the English Aviation Service, Mr. Donovan of the Rockefeller Foundation, Mr. Shiverick and I had dinner in Princes--Captain Symington leaving for the fleet that evening.

Monday, April 3rd:

Mr. Cameron Forbes came in for breakfast and we went over the revised memorandum of our conversation with Lord Kitchener making various corrections which he is to have embodied, sending me two corrected copies. Later Mr. F. E. Wilkinson called in for lunch. After lunch I took him back to the city and stopped in at Grenfells and missed him. From there went to the Bank of England and had a short talk with the Governor who was exceedingly cordial. Said that he was hopeful, now that we had our preliminaries pretty well thrashed out, that we would in due course get the business started. He attaches great importance to it. Afterwards I had a little visit with Norman who showed me an

interesting wireless message. He thinks the situation in Holland is serious but intimated that he knew no more about it than anybody else. Undoubtedly pressure is being exerted from some quarter. Norman says that Lord Cunliffe is much pleased at our general understanding, and after going over the memorandum once more very carefully he is convinced that the extension of the arrangement with the Banque de France is most essential but that we must do it. The Bank of England would spoil it by entering in negotiations.

Called at the Embassy and missed Ambassador Page who had gone to the Doctors. Also called at Arundel House to see Mr. Hirst, and found that his newspaper had moved. At any rate, it was not in Arundel House just off the Strand.

April 3rd, 1916.

Dictate story told you by Frazer re Howard Taylor's visit

" memo re French Statistics

" gist of conversation with Monsieur Pallain, Robineau and the Secretaire Generale re bills, methods and finance,

" Holden's remarks re Kitchenor, Lloyds, Barings, Lord Revelstoke, Lord Reading and Cunliffe, rather as gossip than any particular value.

" interesting data re member of President's Cabinet, told by Norman

" story told you by Laughlin re his conversation with B Von Helwig in Berlin at the unveiling of statue presented the Emperor by U.S.A. Also his relations with German Ambassador in Serbia when located there. Also re the potash controversy in Berlin.

✓ F. C. Wolcott is arranging set Belgium War Emergency Currency.

✓ H. H. Harjes is arranging set French Emergency Legislation

Brown-Stevens are to forward balance of posters by mail.

Complete set Dutch currency

PROMPTLY AFTER ARRIVAL:

~~You wish to see Brederick's report~~

~~Advise J F Harris that Mr. Graves sent his regards from Paris. Also take care of J F H's valet.~~

~~Obtain from Treasury Department in Washington a set of press proofs of F R B notes to send to Banque de France~~

~~Send Sir Christopher Nugent a list of names which the F R B takes on bills~~

~~Mr. Graves, Paris, advised you that Toulmin or Lambton would be in New York within the next six months~~

Mr. Harris, a director in Lloyds Bank, London, will be in New York within the next two months.

You are expecting a reply from Russell Jr., re whereabouts of maid's family.

Bank of England memo: 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 he 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.

See folder - 7
for items which
had only one copy

1. Books, etc. in
series

2. Papers of
Crawford with

handwritten

Dec 20, 1916

3. Papers, about

4. ...

...

...

...

...

Original or duplicate

of material in the Diary
England - France 1916

W. H. R.

7/22/44

The Diary "England - France 1916"

ends Feb 29, 1916; and does not

include the Pallan interview

Warren 7/24/99

Original or duplicate of
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August 16, 1961

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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 credit 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 Bank to handle 750,000 bills 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

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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 depleted by the war, and has been largely made up by women clerks.

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