

The Reminiscences of

JAMES FREEMAN CURTIS

These reminiscences are the result of a series of interviews with Mr. James Freeman Curtis by Mr. Harlan B. Phillips during the months of February, March, April, May and June 1951.

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The interviewer's questions have been omitted from the account. The questioning was primarily in the form of topics suggested to Mr. Curtis concerning which he might have some intimate knowledge. No editorial insertions have been made other than the brief synopsis of the donor's activities and the index.

The language of the narrative is entirely that of the donor since all interviews were transcribed on a tape-recorder. The completed manuscript has been corrected by Mr. Curtis, and the validity of the information it contains has been attested to by him.

was so tired with signing last minute bills that he could hardly keep his eyes open. Secretary MacVeagh presented his side of this thing - the President knew of course what we were going to talk about - and then I presented my side. The President went to sleep during my talk. A few minutes before midnight when he woke up he said, "I don't know whether this will be legal if it goes after midnight - I guess I've got to sign something now."

We both had our rival programs for him to sign.

He said, "Now I tell you, you can't expect me at this hour to take anything except the Secretary's point, can you?"

I said, "I can hope can't I?"

So Secretary MacVeagh's was signed. It was to go into effect on the following first of July. By that time Mr. William G. McAdoo was Secretary of the Treasury. Mr. McAdoo had asked me to stay on in the Treasury as Assistant Secretary in charge of Customs and I had told him about this reorganization and I had pointed out that Mr. Wilson would have not as many Customs officers to appoint as there had been before the first of July when the proclamation was to take effect.

McAdoo said, "Well, let me think about this a little bit," which he proceeded to do. He talked with various Congressmen and Senators and finally said, "All right. I'll

go along with you but this is pretty terrific isn't it?"

I said, "Yes it is, and you'll have a lot of people on the back of your neck on account of this."

So McAdoo did go along with this and the new scheme went into effect the first of July, 1913. In order not to have any question arise as to the meaning of the law, whether or not we had complied with the law because we weren't going to save quite that full million dollars a year, I had said to Secretary McAdoo, "Now, I'm getting the resignations as of the thirtieth of June from all persons whose jobs are going to be wiped out by this so that we will avoid having a test in the courts of whether or not this scheme is really legal."

McAdoo said, "That's all right with me - they're all Republicans, aren't they?"

And I said, "Yes, they are."

As the thirtieth of June approached there were four or five or six fellows who didn't send in their resignations. I said, "We're not going to have this thing fail just because some recalcitrant Collectors are kicking up in the small places." Of course all the big ones did because most of the big ones were not going to lose their positions; they were going to gain prestige through this. So I said, "I've got a list here and here are some telegrams I've drafted. They're all the same. They say the person addressed is hereby

removed from office, and they're signed by Woodrow Wilson. Is that all right?"

McAdoo said, "Say, you think of almost everything, don't you? Yes, I think that's all right. We'll have to send them over to the White House first though." He got in touch with the President and Mr. Wilson said, "That's okay."

So the telegrams were sent out and no one ever attacked the reorganization scheme. It went into effect and I think it did save a million dollars a year for the first few years. Then of course it began to not save that amount as wages went up and so on. At that time the Customs was the principal source of revenue for the government. We used to average more than three hundred million dollars a year in revenue from Customs. Internal Revenue then was less than that, ordinarily under three hundred million dollars a year. Look at the situation today (1951). It's astounding what a complete reversal the income tax and other taxes have made. I used to always kind of look down on the Internal Revenue group.

The Wanamaker affair was another thing that came at the end of the Taft Administration. Old John Wanamaker had been a seconder of Mr. Taft at the Convention in 1912. Our Special Agents Division made a very careful check-up of things at Philadelphia and discovered that the John Wanamaker Company had been importing a lot of valuable antiques, rugs

and other things and paying no duty on them. We had an investigation there that took months. That was one of the cases that Mr. Penrose talked with me about. You'd think he'd go to the bat very severely on that. He came and talked to me about it and after he'd gone he telephoned in from his office - I remember this very well - and he said, "Now Curtis I have to talk for my constituents, of course. You do what you think is right. Just let me know what you do." Now that was Boise Penrose for Mr. Wanamaker who was a very, very heavy contributor to the Republican party.

We couldn't prove a criminal intent on the part of anybody high up in the organization. We could hardly prove it on anybody. There was a real failure of proof, I've forgotten now why. So we said, "Well, on the civil side there are a lot of duties that haven't been paid." We finally came to a settlement. The Wanamaker people paid a hundred thousand dollars which was assessed as that amount of additional duty and penalty and called it a day.

The matter had been the subject of a good deal of investigation and of conferences with the company and its attorneys. I had inserted a clause in the proposed settlement that this settlement was limited to and based upon the facts that were stated above, and to no others. This I put in specifically to protect the government in case any other improper importations

were subsequently discovered. The attorneys for Wanamaker had agreed to it. I talked it all over with Secretary MacVeagh and he said, "Okay." That was settled just a few days before the end of Mr. Taft's term.

To go back a little, when Mr. McAdoo asked me to stay on, I did so and some day^s after, perhaps a month or so after, I went into his office with a case that puzzled me a good deal and started to tell him about it. I said, "I want to get your instructions on this."

McAdoo leaned back and threw down his pencil and said, "Now listen Curtis, you've run the Customs for about four years. You agree with me that you'll run them the way you have in the past and I'll agree with you that I'll back you up whatever you do. Only bring to me the things that you know contain political dynamite. I don't want to go into the detail of running the Customs. I'm too busy, particularly over the new Federal Reserve business and I just haven't got time to find out how the Customs operates."

So I said, "That suits me. I'll do that and I'll keep you advised on anything I know has dynamite in it and I'll go ahead just the same as before."

McAdoo said, "You're not very much of a Republican, are you?"

I said, "No, I'm a Simon-pure Mugwump. I said the Republicans on the Hill think I'm a Democrat and the Democrats think I'm a Republican so I have no friends except

I sent the check for the \$7000 along to Mrs. Thompson with a modest bill of my own for services rendered - in the neighborhood of \$1500 or something like that. Whereupon I got back from Mrs. Thompson a note enclosing my bill and the check from the United States for \$7000 and a little more, to her order endorsed by her to me, saying that my bill was ridiculously low, here's what you ought to have charged, here's the check for the whole amount of money. That is an experience I've never had since. It just shows how grateful she was to get off all the hooks there were there, and there were some hooks. I've always been very grateful to her to set me up at a time I needed some setting up as I was just starting in practicing law.

I did have a terribly interesting case that came about this way: During the hearings in the Senate on the Federal Reserve Act - the Glass Owen Bill - several New York bankers appeared before the Senate Finance Committee. Among them was Mr. Frank Vanderlip who was then president of the National City Bank. They presented certain criticisms of the pending bill, suggested changes, from their point of view, in the proposed Reserve System. At the end of Mr. Vanderlip's testimony, Senator John W. Weeks of Massachusetts, who was on the Committee, said, "Mr. Vanderlip, you have some very interesting ideas there. Do you suppose you could put them in the form

of a bill to be introduced as a substitute for the Glass-Owen Bill?"

Mr. Vanderlip said, "Well, if I have a little time, I'll try. I can get some of my associates in New York who feel about it as I do, and I'll try and do that."

He got in touch with Mr. Henry P. Davison of J.P. Morgan and Co. and Mr. Benjamin Strong, president of the Banker's Trust Company, and asked them if they would help him draft a Federal Reserve Act as a substitute bill. They said they would. Then they were trying to find somebody to act as counsel for them, and among other people they talked with my former associate, Charlie Norton. They said, "Can you suggest somebody who knows his way around Washington, who's been in the Treasury, knows how to draft bills and can use the English language."

Norton said, "Yes, I think I have just the man for you - a fellow named Curtis from Boston."

Charlie Norton called me up one night and said, "I want you to come down to New York on the midnight train. I've got something very important for you. Have you got anything on tomorrow morning?"

I said, "Not in Court. I haven't any engagement I can't break."

So he said, "Jump on the midnight train and come on here. This really is something."

I came on to New York and breakfasted with Charlie Norton. He introduced me to Vanderlip, Strong, and Davison - no one of whom had I previously known. They told me what they wanted to do and what they wanted me to do - to take charge of the actual draftsmanship of the whole thing, supply ideas from time to time. They were given Mr. J. P. Morgan Senior's private room at the top of the Banker's Trust Company. He had just completed his new offices at the corner of Wall and Broad but Mr. Morgan, Senior, had a private suite of rooms which was practically the whole of the top floor of the Banker's Trust Company.

We retired there and we spent more than a week in constant session drafting a new Federal Reserve Act. Ben Strong had a very bad back and it was almost impossible for him to get around, so sometimes we would meet at his home and he would lie in his bed while we hammered out the new bill. After a little more than a week's hard work, when we were at it morning, noon and night, we finally finished the job. It was just a labor of love for those three men. I expected to be paid for my work, but they were doing it just to meet the wishes of Senator Weeks and his Republican associates on the Finance Committee.

What to do with the bill was the next problem. Those three gentlemen said to me, "You know Senator Weeks?"

I said, "Intimately, since we're both from Massachusetts

and I used to see quite a lot of him."

They said, "You know some other Senators, don't you?"

I said, "I certainly do."

They said, "You take this bill down to Washington and get somebody to introduce it and we'll see what happens."

So I went down to Washington with a number of copies of the bill and got hold of Senator Weeks and explained to him that this was the work of these three men in accordance with his request to Mr. Vanderlip. He said, "I think this bill would be better introduced by somebody not on the Committee. Senator Theodore F. Burton of Ohio is very much interested in the Reserve Act. Talk to him."

So I took the bill to Senator Burton of Ohio and expounded where it differed from the existing Glass-Owen Bill. The principal difference was in giving more centralized authority to the Federal Reserve Board when they had under the Glass-Owen Bill. Under the original Glass-Owen Bill most of the authority was with the Federal Reserve Banks. After we'd discussed it for a while, Senator Burton said, "Yes, I'll introduce that."

He did and made a speech in its favor. Senator Elihu Root also made a similar speech. One or two minor changes were made in the Glass-Owen Bill by the Senate Committee in accordance with the views expounded in the new Burton Bill. In the end the Glass-Owen Bill was passed just the same, but we did have

a little effect.

I got paid for my services and that was that. But I became quite friendly with Messrs. Vanderlip, Strong and Davison. Then I went back to practicing law in Boston.

As I recall it, the Secretary of the Treasury, the Comptroller, and one other person, whose office I don't remember, were made a committee, under the Glass-Owen Bill, to decide how many, and where, Federal Reserve Banks should be in the system. The number was left open. I remember Secretary McAdoo coming to Boston to hold hearings up there. My wife and I were at a party or ball in the Hotel Somerset, that was being given in honor of this committee. I remember McAdoo came up to me and said, "Curtis, where's your wife?" I wanted to talk to him about the Federal Reserve Act but he said, "Where's your wife?"

I said, "I'll find her, but I want to talk to you."

He said, "Oh, I don't want to hear any more about the Federal Reserve Act. We've been sitting all day trying to decide how many banks there should be, where they're to be placed and so on."

I said, "You really want my wife?"

He said, "Why, yes, I want to dance with her."

Finally they finished their labors and decided there would be twelve Federal Reserve Banks and decided which cities

they would be in. Then they started the appropriate machinery to create the first Board of Directors and begin the functioning of the 12 banks.

Mr. Pierre Jay was made chairman of the Board of Directors of the Federal Reserve Bank of New York, and also Federal Reserve Agent. The two positions were required to be the same man at that time. Mr. Benjamin Strong was elected Governor of the Federal Reserve Bank in New York. They set about organizing the bank. The first thing I knew I got a letter from Ben Strong asking me to come on and talk about becoming counsel for the bank and helping to organize it. That was entirely a bolt from the blue to me. Mr. Jay had been Bank Commissioner of the State of Massachusetts when I was in the Attorney General's office, and he was one of the people who received legal advice from me. Mr. Strong, I got to know pretty well, drawing up the Burton Bill.

I came on to New York and had a chat with them. They said, "We want you to come on and be counsel and secretary of the new bank and help us get it organized." After talking it over with my spouse, I could see that this was going to mean giving up Boston as a home and adopting New York. We finally decided that that was the right thing to do. That's how I came to be in the Federal Reserve Bank of New York. It was a very fortuitous way around.

I came on to New York in the autumn of 1914 and assisted in the organization first on a temporary basis and then on a final basis of the Reserve Bank in New York.

It was intensely interesting work because we were charting unknown seas. There never had been a system of the Reserve Banks before and very few precedents to go by. We got in as temporary cashier, Mr. Gregory who was loaned to us from the National City Bank and until we had a permanent cashier he did all the work of setting up the cashier's division and so on.

We all worked pretty hard. My wife did not come on that year as we were expecting a baby in March. I used to commute over the weekends from New York back to Boston. My oldest boy was born in the early part of March, 1915, in Boston and she and the children - there being then, two - didn't come on until sometime later in the spring of 1915.

Shortly after I was associated with the Bank, I was made a Deputy Governor so that I held for a long time those three positions of general counsel, Deputy Governor, and secretary. One of my jobs was to prepare the minutes of all meetings of the Board of Directors and the agenda for all meetings. These three positions kept me quite reasonably occupied.

Under the Federal Reserve Act, the twelve Federal Reserve Banks were supposed to initiate the rediscount rates for the member banks who wished to rediscount commercial paper at the Federal Reserve Banks. Those rates all had to be approved by the Federal Reserve Board in Washington. Fairly early in the administration of the system arose the question of who initiated the rates - the Board of Directors of the Federal Banks, or could the Federal Reserve Board, itself, initiate a rate. This was a very important question for the Board of Directors of the Bank, as can be seen.

The Reserve Board felt that they could not only approve and disapprove rates, but also direct rates and initiate them. We felt otherwise and I gave quite an elaborate opinion to the Board of Directors of the New York Bank to the effect that the Reserve Board could approve or disapprove of a rate, but that the Board of Directors of the Bank was entitled to initiate the rate and change it when they saw fit.

The matter was so important that Governor Strong felt that he must get added, outside, impartial opinion on that point. He and I decided to get it not from a New York lawyer. I was instructed to get the opinion of Mr. John G. Johnson of Philadelphia, who at that time was the leading lawyer

of Philadelphia and one of the leading lawyers of the country.

I wrote a carefully worded letter to Mr. Johnson and asked his opinion on it. I got a reply back which to the horror of Mr. Strong and myself, went the wrong way. Mr. Johnson had come to the conclusion that the Federal Reserve Board did have that right.

Strong said, "We can't lie down under this. You must go down to Philadelphia and have a talk with Mr. Johnson." I telephoned down and arranged for a conference. I had a long interview with Mr. Johnson who was most agreeable and courteous. I said to him, "I don't think you've laid sufficient stress on such-and-such a section of the Act which has a very direct bearing on the question propounded." We went over the situation point by point in great detail.

Finally Mr. Johnson said, "Well, I think I've made a mistake. I think you're right and I'd like to change that opinion if you'll send it down to me."

I said, "Mr. Johnson I hope you won't think I'm forward, but with the idea that you might change, allow me to present you with your decision." I then pulled it out of my pocket.

Mr. Johnson smiled and said, "Thank you very much. I think I'll rewrite this." He did that, sending us a very fine opinion the right way.

In my work in the Federal Reserve Bank as general counsel I naturally came into contact with a few banking lawyers, but by far the most of my contacts in New York were with bankers. In the first place, naturally, I knew the whole Board of Directors of the Federal Reserve Bank extremely well as we used to meet about once a week. I got to know their idiosyncrasies and their views on a great many matters.

As far as practising law individually was concerned my arrangement with the Federal Reserve Bank was that I was entitled to do so if I had an opportunity to do so. I had almost none, I may say. I was a stranger to New York and although I did have one or two small cases they were not much of anything.

I still had some contacts with the Treasury Department. We were in touch with the Treasury right along. The Secretary of the Treasury and the Comptroller of the Currency were ex officii members of the Federal Reserve Board. There were also five others the original members being W.P.G. Harding of Alabama who subsequently became Governor of the Federal Reserve Bank of Boston; Paul M. Warburg, a New York banker who used to be a partner of Kuhn, Loeb and Co.; Frederic A. Delano, who was an uncle of a young man, not so well known at that time, named Franklin Delano Roosevelt; Edmund Platt;

and Adolph C. Miller who came from California. That was the original Federal Reserve Board.

At the Bank we were on very cordial relations with the Federal Reserve Board although we did not always agree with them. But our relations with the individual members were always on a very agreeable plane. They had a secretary who had assisted in drafting the Reserve Act, named Dr. H. Parker Willis. I always thought that he arrogated a good deal of power to himself. We in the Bank did not get along quite so well with him as we did with the members of the Board themselves.

When the Federal Reserve Act was first put into effect, which I think was November 15 or 16, 1914, there was a good deal of disagreement among the bankers of the country as to whether it was going to be any good or not; whether it was workable and if so, how it would work; whether it was an advantage to the country. I think the strongest backer of the new proposed system in New York certainly was the late Mr. James Stillman who was chairman of the board of the National City Bank; also Mr. Frank Vanderlip, who was president of the National City Bank. He was ardently for it and was active in rendering assistance of all kinds to the new system.

On the other hand I remember a number of bankers who thought it was going to fail and just be another piece of

legislation that wouldn't work. Even as distinguished a man as Charles H. ^BSagin who was president of the Guaranty Trust Company said to me at one time, "This new thing you people are trying isn't really any good. It won't work out, it won't do the country any good. You and Ben Strong and Pierre Jay are three idealists who think you've got hold of something wonderful, but us practical bankers know better - it won't work."

The law was that all national banks with a capital of \$25,000 or over were automatically members of the Federal Reserve System. State banks with a minimum of \$25,000 capital could apply for membership if they wanted to and their application would be scrutinized by the Federal Reserve Bank of the district in which they were. Then it would be forwarded to Washington where the Federal Reserve Board could approve or disapprove of their entrance into the System.

For quite a while, no state institution joined the System. We used to have some national bank officers write in and say, "Well, here we are, we're in the system, and we've sent along subscriptions to the capital stock of your Federal Reserve Bank which we are carrying on our books at \$1.00." That really, truly happened. Of course the stock was owned by the member banks in a certain proportion to their capital surplus and undivided profits. If the Reserve Bank had any income it went first towards paying 6% on the

capital stock to the member banks and thereafter to the Treasury. So instead of its being a 6% investment it was put down as a \$1.00 in some banks.

It wasn't till after the war situation had got more desperate that the state institutions began to join the Reserve System. They they joined in great quantities, including the Guaranty Trust Company of New York. The System expanded quite rapidly after the situation of the Allies became more desperate and fortunately long before we went into the war so that we were well-equipped by the time we went into the war.

The problems were new and very interesting. One of the most interesting things, as far as I was concerned, was the fact that it soon became apparent that in order to function smoothly the twelve Federal Reserve Banks must act very closely together and the personnel of the different banks should be on close terms of intimacy and friendship. From that rather obvious situation there came the beginnings of what was called the Governors' Conference. The twelve Governors used to meet amongst themselves and discuss matters of arrangements between the banks, acting as a clearing house for instance for the forwarding, the checks, and all sorts of items of mutual functioning.

I was secretary of that Conference and used to prepare

the agenda, keep the minutes, make arrangements for the meeting places, hotel accommodations and so on. We met three or four times a year, always at different banks around the country. The Federal Reserve Board members were not present at those meetings, but they were always advised of exactly what recommendations were adopted or action taken at every-one of the meetings. Ben Strong was chairman of the Governors' Conference and one of the most astoundingly good chairmen I have ever seen perform. He was a brilliant man.

I can remember one meeting which I think had been held in Washington, which was not our usual place to meet, but we were in Washington and Ben Strong undertook to report to the Federal Reserve Board all that had gone on at the Conference of Governors which had lasted several days, as they usually did. I can remember most of the Governors were there and all of the Federal Reserve Board, not including the two ex officio members. Ben Strong, without a single note, for several hours took up item by item the things that the Conference of Governors had done. It really was an astounding performance. He was much the most able and brilliant member of the Federal Reserve System as a whole that there was. There was no one on the Federal Reserve Board that was really in his class, though the nearest approach was Mr. Paul Warburg, who was a brilliant banker of course.

Later in my career I was astonished to find that banking

was not an exact science by listening to a debate between Mr. Warburg and Mr. Strong on how foreign exchanges work and finding their views completely different from each other.

Legal questions came up all the time and I had my hands filled with problems. The Reserve Act authorized the Federal Reserve Banks to arrange to collect checks for the member banks or to act as a clearing house for the member banks. One of the early things we did in the bank was to organize a transit department where checks went through. Subsequently they took over the functions of a clearing house. The clearing house balances instead of being cleared by checks on the various members of the clearing house and by clearing house certificates were all cleared in a very simple way by making an entry on the books of the Federal Reserve Bank crediting one member bank and debiting another.

The Reserve System simplified so many things that it was almost an unqualified success. I use the word "almost" because it hadn't stopped completely financial panics some people thought it would be able to do. My own personal judgment, getting a good many years ahead of my story here, is that if Ben Strong hadn't died in 1928 the terrific smash of '29 would not have occurred. He would have taken some drastic action before that happened, but he fell ill and died in '28 so that there was nobody of his towering personality and strength to say, "Now this is going to stop!" which I think

he would have done.

The taking over of one function after another required a lot of legal work in deciding exactly what the Federal Reserve Act authorized the banks to do and so on. Just before the United States went into the war in 1915 or '16 there was an issue of Anglo-French bonds - joint bonds of the two governments handled by J. P. Morgan and Company. In connection with that, or some large financial transaction, the House of Morgan was to receive two hundred million dollars, which at that time was the largest sum ever appearing on one check in a transaction in this country. I remember handing a check for two hundred million dollars to Mr. Jack Morgan in person. I took it over to his office and said, "Here's a little piece of money for you."

Jack Morgan took it and smiled, "I'm going to have this photostatted. Would you like to have a copy?"

I said, "I certainly would," which I still have today - a copy of a two hundred million dollar check.

We went on in the Reserve System from one point to another gradually enlarging the functions that it was undertaking and enlarging the personnel employed. Instead of being a very small bank we became a very large one.

The following incident merely illustrates how important affairs sometimes are handled completely behind the scenes

and results achieved that could not be achieved directly. There came a time when we felt in the Bank, where we were incidentally all violently pro-Ally in the war which was then going on in Europe and which began before the Bank was open, that it was very important to take some action with respect to our relationship with the Allied countries and their financial situation.

Secretary McAdoo was rather opposed to the Reserve System taking the action that we wanted. Governor Strong and I and the other officers of the Bank debated for a long while how to get the matter put through. We came to the conclusion that the thing to do was to try to get Mr. Wilson, as President of the United States, to take a hand in it.

I knew Mr. Wilson slightly and I'd served under him for about six months; some of the others also knew him slightly but none very well. I think Ben Strong said, "Why not talk with Colonel Edward House?" and everybody agreed that that was a good idea. I said, "Well, Colonel House is spending the summer on the northshore of Massachusetts. He has taken a cottage about a mile and a half away from where my sisters live in my old family home in Manchester, he being in Magnolia." I went on and suggested to Ben Strong, "How would it be if you and I went up and played some golf at the Essex County Club at Manchester, Massachusetts, at the Myopia Hunt Club,

or other golfing centers. Perhaps we could stay with my sisters' and maybe go over and see Colonel House?"

That struck a responsive chord in Ben Strong's mind so we went up there and played some golf. We stayed at my sisters and I took Ben over to where Colonel House was living. He expounded the situation to House and after about an hour or so, the Colonel said, "You're absolutely right. That must be done. I will see that the President gets the right slope on this." In a few days it was done and I have no doubt that Mr. McAdoo never knew how the rug got pulled out from under his feet on the particular proposition we were struggling over.

I can't remember the proposition exactly, but I think it had to do with accepting paper for vast purchases of munitions and other implements of war that were made in this country by both France and England.

Ben Strong made a good many trips to London and a few to France to keep in touch with the Bank of England and the Bank of France. The Federal Reserve Bank of New York became a depository for both of those banks. They held balances with us.

I remember Ben Strong's telling me of an interview he had with Sir Rufus Isaacs - he may have been Lord Reading at this time, as he was a judge. There was some case of

espionage or treason that was on in England and Ben Strong knew quite a little about one of the actors in it. He was dining with Lord Reading on one occasion and Reading said to him, "Tell me all you know about this man." My recollection is that the trial was then on and Strong said, "Is it quite right for you, a judge, to receive information other than in court?"

Reading said, "Now listen, Strong, there's a war on and I'll take all the information I can get any place, from any source. Tell me what you know about him."

Ben Strong was not physically well and he came back from abroad on one occasion and was met by the news that his wife was leaving him. He managed to get up to his apartment and his doctor came and told him, "You have TB. You've got to go out West at once." His world seemed to be more or less collapsing at that point.

He went out West and was in Estes Park, Colorado, for a good while, and later on in Arizona. I went out to visit him in Arizona and we were in Phoenix together at the time that Ambassador J. H. von Bernstorff was sent home by President Wilson. It was quite clear that war was very imminent and we kept the wires hot between the Federal Reserve Bank of New York and Phoenix for all the time I was out there. His TB had caught him in the throat so he could hardly speak and

I had to do all the talking. We made such preparations as we could for the effect of war on the Reserve System, which was quite considerable.

After war was declared, we naturally lost some men to the Armed Services, but the Board conducting the draft act took the position that anybody that the Directors of the Federal Reserve Bank said was vital to the proper running of the bank with respect to its war functions - and those soon became quite heavy - would be exempted from the draft. So we didn't lose any of our key men.

After a while Ben Strong came back. He was active at the Bank during part of the war and then he had to go off again and recuperate out West.

We had a tremendous responsibility with respect to raising the various Liberty Loans and getting the bonds placed. About two-thirds of the resources of the System was in the New York, as I remember it. There was formed a Liberty Loan Committee of which Ben Strong was chairman and Pierre Jay vice chairman. I was secretary of it. The general manager of it was Arthur M. Anderson who is now one of the partners in J. P. Morgan and Company and who had been loaned to us by the Morgan firm. The other members of the Committee were all very well-known bankers of the 2nd Federal Reserve district. They used to meet frequently and discuss ways and means of distributing the bonds and getting the subscriptions in.

It was an organization that went into every hamlet. We had county chairmen, city chairmen, town chairmen and so on. It was a tremendous organization and there was a very effective women's organization that paralleled the men's. Mrs. John T. Pratt, who was subsequently a Congresswoman from New York, was chairman of the woman's committee. My then wife was, I think, treasurer of the woman's committee - I've forgotten her exact position but she was very active. They were very instrumental in raising the money. Some details of it are amusing - I think it was with respect to the first issue.

Mr. McAdoo's ideas of raising money, as he was the one responsible for the country as a whole, were far bolder than most of the banking group in New York - far bolder. If they set their sights on a billion dollar issue, he'd say, "Make it between two and three," or something like that. He was a very fine man to have at the helm in the war years.

I remember sitting around the table at one meeting of the Liberty Loan Committee of our district, during the first loan, I think. It was the day before the campaign was to close. I had been on the wire with the Treasury in Washington getting the very latest reports from the twelve Federal Reserve districts in the country as a whole. It appeared that the loan wasn't going so well and it might fail. I'd gone back into the

meeting with word of what the very latest plan was from the Treasury, having talked to either Mr. McAdoo or the person in charge in the Department. Mr. Russell C. Leffingwell who is now with Morgan and Company was down there part of this time and I may have talked with him.

I told the meeting what the situation was and Mr. George F. Baker, Sr. who was the most elderly banker on the Loan Committee said, "This loan cannot fail; I propose that we underwrite it here and now." He took out a paper and a pencil and in a rather shaking hand wrote something down on it and said, "The First National Bank had already subscribed to what we feel is its correct quota, but we'll subscribe another ten million dollars." He then went around the table asking each one how much additional they'd underwrite just to make sure. They underwrote at that time and place three hundred and fifty million dollars without batting an eyelash. Ben Strong took no part in this. Mr. Baker did this whole thing himself as Strong didn't want to be in the position of urging the private bankers to underwrite any such loan. But three hundred and fifty million dollars were underwritten there inside of ten minutes. However the loan was a great success, and the underwriters were never called on for that additional amount.

It was a thrilling experience to see those men all come

up to scratch.

There was a good deal of competition between the men and the women's groups, since I've brought the matter up. Those were exciting days.

Another interesting thing in connection with Liberty Loans was a visit from the Governor of the Bank of England, Lord Cunliffe. He came over during the first Liberty Loan campaign to discuss certain matters with the Federal Reserve crowd and the Treasury. I remember he was sitting around one day with Pierre Jay and myself and we were chatting about bond issues and raising money. I said, "Governor Cunliffe, how did the first bond issue go in England?"

He smiled and said, "Very well. Very well, indeed. We only had to take about half of it at the bank."

Jay and I expressed astonishment at this and he said, "Oh yes, that's the way it goes. We had to take a half of it at the Bank of England. Afterwards we got going a little better."

We said, "Well, we hope we don't have to take a half of it at the Federal Reserve System here," which we didn't.

We got up a dinner in honor of Governor Cunliffe and I was in charge of making most of the arrangements. We had a little menu card with the flags of the Empire and the United States crossed on it. I found a quotation from Lord Arthur

Balfour of a speech he'd made when he was just plain Arthur Balfour, which was very apropos and which I put on to the menu.

We had many important functions during the war. One of my jobs was to interview the press. I used to hold, my recollection is, daily sessions with the representatives of principal newspapers in New York and tell them what was going on. I had established a system of talks which consisted of things which were printable, some of them I'd have typed out in advance all ready for them for a press release. I also gave them things that were not printable and "off-the-record."

I remember that at one period of time the flow of gold had begun from Europe to the United States to pay for all the different war materiel that they had bought. Four hundred million dollars worth of gold was brought along on a destroyer that had landed in Canada. I told them off-the-record that it was being shipped from Montreal by rail on a certain day down to the Federal Reserve Bank of New York. Incidentally, we had established a machine-gun guard over our vaults that was something terrific. I said, "Now this is all off-the-record until it arrives. After it arrives then it can be published."

The next morning out of all the newspapers that were there the New York Times carried the story of the fact that that gold was then coming down from Montreal to New York. To say that I was up in the air with anger, is putting it

very lightly. And so was Ben Strong. When the newspaper men came in that afternoon, the New York American man put both his hands up in the air over his head and said, "Not guilty!" I said, "I know who's guilty." I told him in no uncertain terms how outrageous it was. There were seven or eight newspaper men in the room and the New York Times man said he hadn't understood it was "off-the-record." I asked each of the others in turn what their understanding was and whether they would confirm me that it was off-the-record. They had so understood it and not one of their papers had published it.

I said, "Now I've gone over this with Mr. Strong and we're just not going to have any New York Times man come in here and get any news any more. That's the end." As you can imagine, that caused quite a little rumpus. The New York Times thought they had lost something and of course they had. I think Mr. Carr V. Van Anda was at the head of the Times at that point. The first thing you know he was running around to see Mr. Strong and there was hell fire.

Finally after some days the Bank relented on the understanding that that man would not again be welcome and the Times would put on some other man and then the New York Times could still get the news. That was an interesting episode.

During the war, after the first Liberty Loan campaign,

we were in constant work over raising money. If one campaign was over then we'd be laying the preparations for the next one. There were five Liberty Loan campaigns during the course of the war and immediately afterwards. There were four during the war and one, I think, called a Victory Loan just after the war had ended. So that wasn't a very long space of time between campaigns.

I personally had been getting a little restive at fighting the battle of Wall Street and wanted to get into the conflict and fight some other battle. In the spring of 1918, I think it was, after one of the Liberty Loan campaigns, Mr. George F. Baker, Sr., invited Ben Strong, myself and my old friend, Charlie Norton, who was, at this time, a vice president of the First National Bank, to come down and have a little vacation between loans at Jekyll Island off the coast of Georgia. It was a millionaire's club that's now been taken over by the state of Georgia, but at that time it was the most exclusive club I ever heard of. Mr. Baker was a member there and we three younger men went down with him. We played golf, swam and had a very fine time.

While I was down there, the method of locomotion on the island was by bicycle. I think Mr. Baker and Mr. John D. Rockefeller, Sr., were the only two people allowed to have motors down there and that was solely on account of their age. Ben Strong, Charlie Norton and I were off swimming one day when Mr. Baker came along in his car on the wonderful

beach and said, "There's a very large alligator down there at the other end of the island. Put on your clothes and come on down and take a look at him - he's really worth seeing." We all had our bicycles along so we dressed as quickly as we could and the other two got in the car and put their bicycles on the rack. What with bicycles and people there wasn't any room for me. I said, "All right, I'll just tow along. You start off and I'll hang along behind and take a tow."

We started off and I had my hand on a rear mudguard or some other piece of metal and the driver of the car either thought he was being funny or didn't appreciate that bicycles didn't go at the rate of speed of motor cars, so that the first thing I knew I woke up in a sort of a hospital ward and it appeared that my bicycle had collapsed completely and I'd been thrown on my head on this very hard sand which was about as hard as a brickbat. I had quite a concussion of the brain and had been carried home on a shutter in the car. When I came to it was several days later. Fortunately there was a brain specialist there who was a young doctor from Johns Hopkins. They telegraphed for my wife who was about to have another baby. She came down, and in general it was quite a time.

That wasn't quite the kind of a rest I had bargained for. I stayed there beyond all the others for quite a while

as they couldn't move me. The first time I came down into the dining room of the club, which was some weeks after the accident, I hobbled in at lunchtime and the only person who got up and said, "Well, I'm glad to see you alive," and came over and welcomed me back to the land of the living was Mr. William Rockefeller, concerning whom I had said some rather bitter things. I said to myself, "That's what can come of falling on one's head."

I finally got back to the Bank and started in work again. The doctor down at the island said it would be all right but that I musn't work too hard and so on. Along about that time, the United States Army was getting up a brand new thing in the Army called the Chemical Warfare Division. It was the first time that our Army had ever used, or proposed to use, chemical warfare. My friend and classmate, Percy Haughton, had received a commission in the Chemical Warfare Division as Captain and he was given the job of getting some men of experience who knew something about physical sports, how to manage themselves and knew their way around in the world. I remember he was getting several baseball players to come in, receive some training and get a commission if possible. Anyway, he asked me to be one of them.

That just suited my book. I didn't want to keep on

fighting the battle of Wall Street. I told them at the Bank that I thought I'd go. I think the Board of Directors was unanimously of the opinion that I ought not to, but I went to see the doctor who'd been looking after me more or less since I'd got back and said, "Now give me a real going over. I'll tell you why. I want to know if I'm in sufficiently good shape to get into the Chemical Warfare Division, go to the front, and be in the active service." My doctor gave me a very complete going-over from head to toe - mostly the head.

He said, "You would like to have these answers really correct and accurate?"

I said, "Yes, I would - I didn't come to you to hear any fairy tale."

He said, "In my honest judgment, if you went to France you wouldn't last a day. Not only is your situation very bad and one that you simply couldn't do any real strenuous work of the character that you're talking about, but I want you to leave the Bank this afternoon and not go back to it for several months."

I said, "You really mean that?"

He said, "I certainly do, and will tell them at the Bank that you shouldn't be at work. You've had a terrific blow and you're no ways near recovered from it."

So he did talk with the people at the Bank and I left the Bank the following day after this conversation. Instead of getting into the Chemical Warfare Service and fighting a war, I went home at that time in August, 1918 - my accident having been in March of that year - and did not return to the Bank until January, 1919. I spent the last months of the war in absolute idleness and disgust.

What the doctor had said came as an absolute shock to me. I had no idea that I was so badly off. I thought as long as the brain specialist from Baltimore had given me leave to go back and work, I was okay. I knew I got terribly tired, but that was certainly some shock. Instead of becoming a warrior, I became an invalid and was completely out of everything until January, 1919. I then went back into the Bank again and took part in the Fifth Victory Liberty Loan campaign. I stayed on with the Bank until the late summer of 1919. At that time the war had been over for quite a while and I felt that most of the most pressing and interesting problems of the Federal Reserve System had been solved, so I was anxious to leave the Bank and go back to practicing law. I never was much of a banker.

I had talked over returning to the law with Winfred T. Denison who had fairly recently come back from the Philippines where he had been vice governor and had gone back to the firm of Stetson, Jennings & Russell where he was a partner. He

was not very happy there and thought he'd like to start out for himself. So did I. We tried to get others who had seen public service to join with us and we'd thought we'd have a sort of ex-public servant group to make a firm. We asked Mr. Russell C. Leffingwell, who'd been down in the Treasury during the war. He was about to leave the Treasury and go back into private work. We also asked Frank L. Polk who had been both Under Secretary and Acting Secretary of State during the war. Those two gentlemen we lost because Mr. Leffingwell was inveigled by J. P. Morgan and Company to become one of their partners and Mr. Polk was inveigled by Stetson, Jennings and Russell to become one of their partners.

Denison and I decided to go it ourselves. He said there were various younger men in Stetson, Jennings and Russell who would come along and make a staff for us - not as partners, but as employees. We acquired at least three - a fellow named Briggs; a fellow named Watts; and Chauncey Belknap, my present partner. Those three came with us when we started the firm.

Denison said he would like to get as counsel for our firm, Mr. William J. Curtis who was a partner in Sullivan and Cromwell who had become very deaf and was not very happy there. He introduced me to Mr. Curtis who was a Maine man,

as Denison was, and they had known each other for many years. He agreed to come along with us as counsel.

I left the Federal Reserve Bank on 1 August 1919 and we started up the firm of Denison and Curtis, with most elaborate offices in the Woolworth Building about the end of August or the first of September.

Denison, a most brilliant man, was then suffering from what I think they call now cycular insanity. He had periods of great elation and then periods of terrific depression. He had a trained nurse constantly in attendance. The seriousness of his illness had not get into my consciousness. I wasn't really aware of it. It appeared that when we were projecting our proposed firm, he was in one of his most elated periods. We were going to have the world by the tail. We took tremendous offices in the Woolworth Building. I went along with him thinking he knew what he was about. I personally had no clients whatsoever in the city of New York as I had devoted practically all of my time to the Federal Reserve Bank.

We started in. Denison's elation shortly turned to depression. One day his secretary came in to see me and said, "Mr. Denison is really very ill and has got to quit work now. He's afraid to tell you."

I said, "That's all right, I can run this shop."

She said, "Well, he's right in the next room, but he's

just afraid to tell you that news."

I went in and talked with him telling him that I was capable of running the business. He was tired and was going away for the time being till he got his strength back, which he did. I had a long talk with his doctor who was a very famous combination psychoanalyst and neurologist, Dr. A. A. Brill. He told me that Denison was in a fit of depression and said, "It would be a godsend if you could find him a place to live out near you in the country, so that you could keep an eye on him from time to time. He musn't come to work, but he should be interested in what's going on at the office."

My wife and I were then living at Roslyn, not in my present home, but in a place called Roslyn Estates about a mile and a half from where we now live. We got under lease for him a very agreeable little cottage almost next door to where I now live on Bryant Avenue in Roslyn. He, his trained nurse, a cook and a maid established themselves there and lived there for about three months.

When I had talked with Dr. Brill, I had said, "Must we be on the lookout for suicide?"

The reply was, "No, Denison is past that. There was a time when that was very much of a problem, but now he's past that and the thing to do is just nurse him along and try to get him interested in his office."

After three months he said that it would be all right

for Denison to come in and do half a day's work.

The doctor was wrong about Denison's return. He had told me, Denison and Denison's nurse that it would be all right for him to come to town and work for half a day or a few hours. Denison was then still living in Roslyn. A day was set, he was to come in and about the late morning while I was off at a meeting, Watts called me up and said, "I have some bad news."

I said, "You needn't go on. Denison has committed suicide?"

He said, "Yes, just so."

Denison just couldn't take it. He had got as far as the Long Island station of the subway and jumped in front of a subway train. He never did get downtown.

The funeral was at Mr. William J. Curtis' house on Fifth Avenue - the whole thing was very, very sad. After the funeral was over I found myself in the position of having very elaborate offices in the Woolworth Building, practically no clients except a few that were leftovers from Mr. Denison, and thirteen people in my employ, no one of whom, except my own secretary who had come over from the Federal Reserve Bank with me, had I known for as much as ninety days.

I made up my mind to try it. I called the crowd in, mostly by ones but some in groups, and said to then substan-

tially that the situation had been so completely changed by Denison's death that they were all to feel at entire liberty to take other positions if they wanted to; that I was going to go ahead and see whether I could make a go of practising law in New York City without clients; and that I would continue to meet my payroll for as many months as I could and would like to have them all stay if they wanted to take that chance that we might go under and never survive.

They all said that they'd like to stay, rather to my surprise. I didn't know any of them very well, but only one of them left after a few months staying at least for the first few months, and the rest of them stayed with me for a good many years, some of them until they also died. Watts left just before his death to form a little firm of his own. Mr. Belknap, my present partner, was one of the ones that stayed, in fact the chief one.

We managed to survive but it was a very close call, I must say, during the years of 1919 and 1920. I didn't know whether we would sink or swim. Clients came in and the Federal Reserve Bank of New York was extremely helpful. They not only asked me to act temporarily as their general counsel until they could arrange for a new one, which they did after a few months, but also they sent various people to me. I remember Mr. Domenico Gidoni of the Bank of Italy was one of them and I did quite a lot of law work for him.

I had a very amusing relation with the Bank of Italy in my travels, which I shall go into later.

Early in 1920, and this is what really saved the life of the firm for the first few years, the Federal Reserve Bank asked me to supervise the protesting of commercial paper for the Bank. The Reserve Banks act as collection agents for the member banks in their various districts. An enormous volume of checks, drafts, notes and bills of exchange went through the transit and city collection departments of the Reserve Bank. The law provided that paper that was not paid at maturity should or might be protested by a notary public, which involved a notary public going around with the piece of paper, either himself or through an agent, to the obligor on the bond, note or check, presenting it for payment and making a formal demand. This, of course, was almost always refused as it had already been refused once, before it was given to the notary to make the protest. Whereupon the notary would go back and make up a certificate of protest, sending notices of protest to all the endorsers on the piece of paper that was bad, then returning it to the bank the following day.

The fee for protesting commercial paper, and the additional fee for sending notices of protest to persons obligated on that piece of paper as endorsers or otherwise, were

all fixed by statute. My arrangement with the Federal Reserve Bank was that I would charge the exact statutory rates. This business soon assumed immense proportions. The volume of bad checks and bad commercial paper that went through the Federal Reserve Bank of New York was simply enormous. Naturally it provided me, as notary public for them, with a very agreeable income. Of course I had to employ people to make the presentations of the paper and also to make the notices of protests and certificates of protests for each item. This was done by filling in the individual data on the printed forms which we had on hand for that purpose.

After I'd done that for a good while for the Federal Reserve Bank they asked me if I could arrange to supervise having it done in New Jersey. I told them that that would necessitate employing a New Jersey notary or two. The Reserve Bank had got up a little clearing house called the Northern New Jersey Clearing House, which involved the banks of the three northern counties of New Jersey, whose paper was handled by the Federal Reserve Bank of New York, they being in the New York district.

After many years the items to be protested began to decrease very materially, when the New York Clearing House Association reached the conclusion that it was a waste of time, effort and money to have small checks all protested - and it

was rather an anachronism as a matter of fact. So they began to make rules saying first that checks under fifty dollars should not be protested, then checks under one hundred dollars should not be protested, then checks under five hundred dollars should not be protested, so that the number of items fell off so much that I finally had a conference with the people who ran this activity at the Federal Reserve Bank and told them that the amount had dwindled so much that it hardly paid me for the trouble and time of employing people to manage the details of the protesting work, particularly as a notary public was always under a rather unknown liability with respect to whether he had correctly done the notarial work. Some such liabilities might suddenly occur that would put me in a seriously embarrassing position.

One such liability almost did occur at the outbreak of the second World War when some very large foreign drafts of hundreds of thousands of dollars were sent over to be protested. They were Japanese in origin and we had to watch our steps to make sure that we did it exactly right so as to have the appropriate people held as endorsers on these various obligations.

Although the protesting was once in a while carried into court, the Reserve Bank never lost a case and in fact in every court case that we had, which considering the volume was very slight, the court accepted my records of the protesting

without question, the statute providing that the notary's records were prima facie proof of what they said, I had taken great care to have my records correct so that they would be accepted by every court, and they always were.

When I gave up the protesting, in the early '40s, I wrote a note to the Federal Reserve Bank outlining what had gone on and asking to be relieved. Of course I didn't send this letter until after we had made complete arrangements for the protesting, such as it was, to continue at the Bank. I gave a little history of it and pointed out that in the years of my service in supervising the protesting more than one million items, all bad, had passed through my office.

At one time the Federal Reserve Bank used the notarial work as a method of making supplemental retirement allowances to persons that were somewhat superannuated and they were letting go from the staff. At one time we had fifteen notaries doing this work, myself and fourteen others, each of whom would be allocated a sufficient number of items for their signature so that the compensation would go from the Bank direct to them, and they would not be on my payroll.

An amusing part of this was the fact that this arrangement, which as I say was very profitable to me, appeared in public owing to a controversy I had got into with the Income

Tax people. Among other things, the correct treatment of the various sums of money that went through my office on the notarial work was the subject of a court decision in a case that went up to the Circuit Court of Appeals.

For years the income I received from notarial work was ruled by the Bureau of Internal Revenue to be tax-exempt on the ground that it was compensation of a state officer and therefore non-taxable by the Federal government - of course notary publics are state officers. That ruling prevailed until Franklin D. Roosevelt came into office, at which time there were a good many practices that were overhauled, this being one of them. The Commissioner of Internal Revenue issued a ruling to the effect that notary fees would not thereafter be exempt from federal income tax.

I was the leading notary to go to bat on that issue as I think I was the only one in the country on whom the ruling really had quite an effect. I took the case to the tax court, then we went up to the Circuit Court of Appeals. After the decision in the tax court, but before the decision in the Circuit Court of Appeals, Congress passed in 1939, a statute called the Public Salary Tax Act, I think, which provided that in the future all salaries of state public officers would be taxable, but that the salaries received in the past they would be considered as non-taxable. So Congress came to my relief just in time and I didn't have to pay the

tax on all the past years between '34 and '39.

The Supreme Court had held in a very early decision, I think one of Justice John Marshall's dicta, that the power to tax was the power to destroy. Subsequently that phrase was very broadly construed. It only began to be whittled down when the various states began to go into what had theretofore been private businesses. The Supreme Court finally established a rule that state salaries were only exempt from taxation if they were paid in connection with a truly essential function of government. They drew the line there and I claimed that a notary public's job was a truly essential function of government. However, Congress came to my rescue so we didn't have to decide that.

I got a letter from a gentleman in the neighborhood of Buffalo who had read of the case in the courts and said, "I don't see how you can make twenty thousand dollars a year from being a notary public. I make a couple of quarters in a year." I didn't write to explain that, it was too hard.

That notary public work was a lifesaver to me. Then the Federal Reserve Bank was instrumental in getting me into another situation from which I received appropriate compensation. In either 1919 or 1920 the twelve Federal Reserve Banks decided they wanted to establish a retirement system for all officers and employees. They appointed a committee to

prepare such a system and put it into effect. The committee itself then asked me to be counsel for them and prepare a plan, which I did. It was based on the proposition that the Federal Reserve Banks, as a whole, had ample authority under their general banking powers to establish a retirement system. I wrote quite an elaborate opinion along that line.

The Committee accepted the opinion and sent a copy down to the Federal Reserve Board and asked for authority to go ahead and establish the retirement system which would include all the officers and employees of the twelve Federal Reserve Banks and all the employees of the Federal Reserve Board, the officers of the Board being Presidential appointees were not to be included.

The Federal Reserve Board were somewhat timid about it; I'm not clear exactly why. I do know that they were afraid of criticism of a retirement system that had the same ratio of retirement pay to actual pay for both employees and officers. They thought the retirement allowance might be so high for the senior officers of the banks as to be subject to public criticism, and they wanted the committee to include a clause providing that all salaries above twelve thousand dollars in a Reserve Bank should be considered, for retirement purposes, as twelve thousand dollars.

The committee didn't believe in the correctness of the

Board's views, and neither did I, but we put it in.

The Board still hesitated and finally decided to ask the Attorney General for an opinion. They sent over to the Attorney General a copy of my opinion and asked him for his opinion as to whether the Federal Reserve System was authorized to establish its own retirement system. Before the Attorney General got around to writing that opinion, they withdrew the request because the majority of the Board had taken the position that they didn't want to do it irrespective of its legality. We were told that if the twelve Banks wanted to establish such a system they were welcome to go to Congress and get a piece of legislation through specifically authorizing it.

The committee of the Banks had to bow to that point of view of the majority of the Board, though the Board was not quite unanimous on that, and asked me to draft a new plan for the retirement system in the form of a bill to be enacted by Congress; which I did having already drafted a plan for a voluntary trust organization to be managed by persons from the twelve Federal Reserve Banks. I drafted such a bill for Congress and for fourteen years I would go down to Congress at every session and try to get it through, with very little assistance from the Federal Reserve Board. A majority were opposed to it but didn't express their opposition. A minority

of I think two were in favor of it and used to consult with me about it, but they took no public stand.

We got it through the Senate once and then Congress adjourned. We got it through the House once and then Congress adjourned. But we never got it through both Houses at the same session.

Then the complexion in the Federal Reserve Board and the spirit of the times changed. By 1934 the Board took the view that we didn't have to get Congressional authority after all; that Mr. Curtis' original opinion of fourteen years earlier was okay. They authorized the committee to go ahead and get a plan to put into effect.

So I dusted off the original plan; it was duly adopted and it is now still in effect with some modifications, of course. The plan originally took in the officers and employees of the twelve Federal Reserve Banks and the employees of the Federal Reserve Board. At a subsequent time the Congress passed a more favorable, from the point of view of money to be received by the retired person, plan for civil service employees of the government. I say it was more favorable to the person receiving the retirement allowance deliberately and I limit it to that. It wasn't more favorable from the point of view of being a good retirement plan because it never was actuarially sound, and isn't today. Some day the United States may find the government seriously embarrassed because

it's not actuarially sound the way ours was and is in the Federal Reserve retirement system. We had the assistance of two actuarial and pension experts to assist the committee in preparing it. Mr. George B. Buck was the chief expert and he is still employed by the retirement system.

The committee and I were both minded to have the plan include powers sufficiently broad to authorize any member bank of the System to make use of the retirement feature. We never could get the Federal Reserve Board to agree to such an extension of the original plan. Personally, I'm very sorry because it would have meant having a good retirement system prevail throughout the banking world in this country whereas, at present, while some of the big banks have good retirement systems, some of the small ones get along without any or without very well established ones. It would have been a great thing if we could have got it through, but we didn't.

There's a separate plan now (1951) for the employees of the Federal Reserve Board who may choose between the Federal civil service retirement plan and the Federal Reserve Bank retirement plan. I think at the present time they're all under the civil service retirement. The Federal Reserve Board, unlike the Federal Reserve Banks, have their employees as United States government employees, whereas the bank's employees are private employees, as a matter of law.

We still have a good many problems in connection with running the organization of the retirement system. That work is all carried on in our office, mostly by my partner, Mr. John V. Duncan.

My former secretary, when I was in the Treasury in Washington, Mr. Guy Emerson, who was in 1919 an officer in the Bankers Trust Company, sent over to me a man named William F. Coale who was in the coal business. He had a very extensive business with contracts for the export of coal to a great many foreign countries. He was spread very thin and needed a lawyer. So I got into the coal business at that time in an extended way, not only for Mr. Coale but for a good many other coal companies. I worked hard in attending to the legal requirements of a good many organizations in that commodity.

During the war, Mr. McAdoo as Director General of railroads, and some others, had created an organization of a rather loose character of all the bituminous coal producing companies of the country to pool their coal. It was called the Tidewater Coal Exchange. It helped win the war in a very material way because, instead of having vessels waiting to take coal to our own ports and to our Allies around the world, lay up at the port of shipment till the coal that had been ordered for them came down from the mines, the Tidewater Coal Exchange had for its function the loading of the vessel immediately

That just about covers my speculating activities except for one or two amusing incidents. When the so-called gold statutes were enacted by Congress, I felt quite strongly on the subject of the cutting down of the gold content of the dollar, and even more strongly on the repudiation by the administration of the promise in various Liberty Loan bonds that the United States of America would redeem the bonds in gold coin of the existing standard of weight and fineness. I thought that was an outrageous repudiation of a direct promise by the government of the United States and a very bad thing.

The interesting part of that was that my brother, Harry, at that time had a little more money than I did and we went into a speculation joint account with respect to some of the Liberty Loan bonds that had the gold clause in them. I felt, and he agreed, that the Supreme Court would not sustain the government's repudiation on those bonds. So we bought about a million dollars worth of them. The required margin in those days on government bonds was so little that you didn't have to put up very much to buy a million dollars worth of bonds - we didn't put up much.

Then the great day came around when all the gold cases were argued before the Supreme Court of the United States. There were four principal questions; - first, the effect

of the statute reducing the gold content of the dollar; second, the effect of providing that all gold coins and gold certificates must be turned into the government; third, whether the Baltimore and Ohio Railroad could legally pay off its gold bonds in the depreciated currency; and fourth, the character of payment required on the gold obligations of the United States itself.

The fourth question was embodied in a case called Perry v U.S. 294 US 330 (1935) - a personal action brought by Mr. Perry, a well-known lawyer, who's just died (1951). That was the case that we were principally interested in.

I was in Washington at that time and heard some of the arguments. Some days later I was lunching with my former wife, who by that time had organized a little club in Washington called the 1925 F Street Club, which had formerly been the home of Representative Augustus P. Gardner of Massachusetts, my friend Charlie Norton in the Treasury, and I think at this time owned by my wife. We were lunching there one day, she and I, and her cousin, Mrs. Hare Lippincott, who was a very intimate friend of Mr. Justice James C. McReynolds, ~~and the Justice~~. This cousin of my wife's began to joke with the Justice about the gold cases as they were very much in the public eye at that moment, and turned to me and said, "Jim, what do you think about these cases?"

I said, "Considering that they're now in the hands of the court, I think I'd better decline to answer that in this presence."

Mrs. Lippincott said, "Oh, pooh! That's nothing at all. Go ahead - give us your views."

I said, "No, I guess I'll remain silent at the moment."

Whereupon McReynolds popped up and said, "Go ahead, Jim, I'd like to hear your views. Never mind the case being under our jurisdiction now. Go ahead, give us your views."

So I said, "Now as far as the gold content of the dollar is concerned, that clearly is within the competence of the Congress to change any time they want to. I don't think there's any question about that. It's under their general power to coin money and regulate its value.

"As far as people being allowed to have gold coins and gold certificates in their possession, I think that's also clearly within the competence of Congress on the same ground. I'm not sure whether it's constitutional to require people to give them up without receiving full value, as of the time it was issued, but that's a much closer question.

"As far as the Baltimore and Ohio Railroad Company case is concerned, although they've promised to pay their bonds in gold coin at the existing standard of weight and fineness, a superior power to them, i. e. the Congress of

the United States, has told them not to do that and to pay them in something else. I think that excuses the Baltimore and Ohio Railroad Company from paying in that character of money.

"But when it comes to the United States government itself going back on a promise, I think that's unconstitutional. My belief is that they can't do that to the holders of those bonds of whom I am one. I don't think that case was terribly well presented."

McReynolds said, "Why, Jim, you ought to think that case was well presented; we had the learned Solicitor-General arguing it before us," with a great deal of sarcasm in his voice.

I said, "Why, I'd forgotten that, of course."

Then he said, "Well, I'm very glad to get your views. You are not one of the people who say that it's all black or all white, or everything is good or bad as the case may be. I can see you've made a little study of these problems."

I said, "Well, just like any other lawyer, I guess."

When the decisions came down, all of the views that I had expressed turned out to be the views of the majority of the court, with the single exception of the case of the gold clause in the Liberty Loan bonds. There the court divided four-four. The Chief Justice, Charles Evans Hughes,

wrote an opinion in which he said that while Congress could not properly do this, there was no injury to Mr. Perry, because if he received his payment of the bond in coin of the existing standard of weight and fineness, Congress had already required him to turn that in and therefore he wouldn't get anything of any value for himself; a case of damnum absque injuria.

That was the decision on that very point. I still think it was wrong. Of course, four Justices agreed with Chief Justice Hughes on that, and that was the majority opinion.

So all the cases went for the government and against the individual. My brother and I were very much disappointed as we stood to win an enormous sum of money, if the decision had been the other way. I think Hughes was just beating the devil around the stump; I have always thought so. It was not a very logical decision.

As it turned out, it appeared that almost all the holders of Liberty Loan bonds had assumed that that was going to be the decision, so the price of those bonds didn't go down after that decision. In fact, we sold them out shortly thereafter and made a slight profit, in spite of the decision.

I never did discuss it again with Mr. Justice McReynolds. Of course he was very bitter about all those decisions and

thought the country was going to hell in a hack, its good name was gone forever and so on. He got to be more and more of a reactionary thinker as he got older. He was a very agreeable man to be with and I have great admiration for many of the things he did, but he got a little too reactionary for me towards the end of his life.

My brother and I had another speculation that involved the gold clauses in another aspect. It had to do with bonds of American companies that contained an option in favor of the holder to require them to be paid off in the currencies of various foreign countries, instead of the currency of the United States. There was a special situation with regard to that of which we tried to take advantage, but without success.

So far as the law went, I had made up my mind rather early in my career that most lawyers worked too hard and that if I could afford it I wasn't going to work that hard. So in 1923 I told my partners that they could continue to work eleven months out of the twelve, but I wasn't going to work more than eight months out of the twelve. The percentage of compensation out of what we might make practising law was readjusted accordingly, and everybody was pleased.

That was in 1923 and my first sense of freedom came when I started off with William Beebe, the naturalist, on his

middle of the Mediterranean. When the boat arrived at Morocco, a German who was on board was indicted for having pushed her overboard and killed her. He confessed that that was true, and he is now serving a jail sentence of twenty years for that episode in Morocco.

On the other hand, some people who knew her report that they have recently seen her in London. Isn't that a story? A man is serving a jail sentence for a murder that he admits, and she's perhaps still alive in London. Practically everybody who associated with her met a violent end but still she's one of the most charming people I ever saw.

I got a postal card from Joseph Lindon Smith, the artist, and his wife, also signed by Marga written from Persopolis, or some place in Iran, where they were having a good time together, and my name happened to come into the conversation.

I've always maintained that if the story of Marga d'Andurain's life could really be written out intelligently and fully it would be so astounding that people wouldn't believe it. But those things I've said are true, and I still have the story of her life in French in typewritten sheets. Only the story of her last twenty years or so needs to be added to make it complete.

Just after I left the Federal Reserve Bank and started

practising law on my own, Mr. Domenico Gidoni, was in this country and city representing the Banca d'Italia, which in turn represented the Italian government. They were floating some Italian securities in this country and at the Federal Reserve Bank they kindly suggested my name as an appropriate person to do their legal work for them, which I did. I got to know a good many of the Italian group over here pretty well, particularly Gidoni.

On one of my trips in 1924, when I spent several months in a villa on the outskirts of Florence, I was down in Rome on a little side trip, and my pocket had been picked of practically everything I had. My letter of credit and all my money (approximately eleven thousand lira) which was about seven or eight hundred dollars, had been lifted off me in the church of Santa Maria Maggiore.

I had made an engagement to lunch with Mr. Gidoni, who by that time was the head of the Banca d'Italia in Rome. I told him of this episode, which I had promptly reported to the American Ambassador who was a great friend of mine, Henry Prather Fletcher. Gidoni said, "What have you got left?"

I said, "I have left nothing - no money, no means of getting money and they even took my tickets on the good ship Dulio."

Gidoni said, "Your credit at the Banca d'Italia is

who made the round with the fewest putts. She played eighteen holes, going down in one putt on twelve greens, so she still can play. They wouldn't give her the prize however since they had a rule that no person could win two prizes, which seems silly when you had a special prize on putting.

I remember when I beat John Reid, Jr., of Yale in the finals of the intercollegiate championships in 1898. We only played fifteen holes, by which time I had won by a score of 5 up and 3 to play. In those fifteen holes I went down in one putt on seven greens, so that John Reid was really up against it that time. We were playing at Ardsley where most of the intercollegiates were played in those days. The last time that I played in that contest we played at Atlantic City where our team won, but I personally did not.

At one time I played on the Old Elm Course outside of Chicago. We were in Chicago attending the Governor's Conference of the Federal Reserve Banks and were taking an afternoon off to get a little relaxation at golf. Ben Strong, the Governor of the New York Bank, and two gentlemen named Forgan, were with me - James B. Forgan was a director of the Chicago Bank and a very fine banker, and his brother, David, a very fine golfer with whom I had played in Canada in 1898. So we four played out there. As we approached the end of the round, during which I had played very well, the

two Forgans were terribly excited. They were keeping the score and said to me, "Do you know what?"

I said, "No, what?"

They said, "If you make a four on this last hole you will break the course record now held by Chick Evans."

I said, "Now, that's something, isn't it?" whereupon I took a five, but I tied Chick Evans' course record.

I played several of the California courses - Pebble Beach, Cyprus Point, Monterey, San Diego - and I almost made a great score at Cyprus Point. I stood seventy shots on the eighteenth tee, the par was only four on the eighteenth hole, and I thought I might make a seventy-four, which was pretty good, but they had woods on both sides of the course and I bounced between the two, and finally got a seven.

I was being taken to the summer jinks at the Bohemian Grove, which I've already described, by my classmate at college, Ben Dibblee, who was a member. What Ben and I used to do was to spend the weekends with the crowd up at the Bohemian Grove indulging in a great deal of alcohol. Then in the middle of the week we would motor down to Cyprus Point, of which he was a member, and play some golf and get ourselves ready to go back into the drinking bout again. It was with Ben that I played the above-mentioned very fine round.

Many years earlier, about 1901, I had been out at

from our class but the only decision was made by Mr. Curtis without appeal. The active man in that group was Mr. Frederick R. Swift who was also a lawyer and subsequently died. After he left the organization went by the boards quietly, in the words of General Douglas MacArthur "faded away".

During the war, to go back a little, I had many pieces of work thrust upon me at the Federal Reserve Bank. I was sort of a jack of all trades. There was an informal Capital Issues Committee of which I was a member and secretary from shortly after the war started. Its purpose was to prevent capital from being used for purposes that did not advance the war. It had very broad powers, far broader than the law because we had the backing of the Federal Reserve Board and the government at Washington and if we said "no" to a person who wanted to use capital to form some new organization, the answer was no.

I also worked on the Committee to Save the Cotton Crop. The price of cotton had fallen tremendously shortly after the break of the war. I worked with that group.

As a banker, so-called, I was invited to join a little group of golfing bankers headed by Charles Sabin, who was head of the Guaranty Trust Company, and Charles MacDonald, a broker. They held annual golfing parties at the National Golf Links down in Southampton. I frequently attended these