

[Trip 7 1916]

Friday, February 11th: Arrived Falmouth

Saturday, February 12th:

- A.M. Visit B.P. Blissett
Lunch J.M. Harris and Capt. Symington
- P.M. Visit Lowery, U.S. Embassy
Motor trip to Aldershot
- P.M. Dinner Shiverick and Lieut. Quekenyer
- P.M. Supper Shiverick, Lieut. Quekenyer and Capt. Symington at Giro's

Sunday, February 13th:

- A.M. Visit Chandler Anderson

Monday, February 14th:

- A.M. Visit Morgan, Grenfell & Co
Chas. Cambie, Canadian Bank of Commerce
Sir Edward Holden, London City & Midland Bank
Henry Bell, Lloyds Bank
Colonel Hussicker
- Lunch Captain Symington and Lieut. Quekenyer
- Visit French Consul General
U. S. Consul
- Dinner Shiverick, Capt. Symington and Lieut. Quekenyer and Miss Curtiss et al at Savoy

Tuesday, February 15th:

- A.M. Visit Photographer - passport photos
French Consul General
American Embassy
Lord Reading - Royal Law Courts

Tuesday, February 15th (Continued)

P.M. Visit Dr. Hunter Tod

Dinner, Sir Edward Holden at Ritz

Wednesday, February 16th:

En route Paris

Thursday, February 17th:

7 P.M. Arrived Paris late

Friday, February 18th:

A.M. Visit Morgan, Harjes & Co

Grande Maison du Blanc

Ambassador Sharpe

Lunch Captain Sayles at Cafe de Paris

Visit Thackers, U.S. Consul

" Andrew Graves, Lloyds Bank

Dinner Chas. Phillips at Ritz

Saturday, February 19th:

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

Lunch Chas. Phillips, Cafe de Paris

Visit American Ambulance at Neuilly

" C. Sergent, Banque de France

Sunday, February 20th:

En route Cannes

Auto trip with Mr. Stillman

Monday, February 21st:

Auto trip with Mr. Stillman to Monte Carlo

Tuesday, February 22nd

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

Wednesday, February 23rd:

KKKK En route Paris

Thursday, February 24th:

A.M. Visit Mr. H H Harjes

" *M.* Lewandowski Comptoir

Lunch Chas. Phillips at Ritz

3 pm Visit Sergent & Pallain, Banque de France

" Andrew Graves, Lloyds

Dinner Mr. Harris and Mr. Stillman at Ritz

Friday, February 25th:

11 am Visit A. Ribot - Ministre des Finance

12 Lunch H H Harjes at Crillon Hotel

visit *at Embassy*
Visit Mr. Stillman at Ritz

" *Roscelli - Credit Lyonnais.*

3:00 P.M. Visit A. Heidelberg

" Baron de Rothschilds

7:15 Dinner Chas. Phillips and Andrew Graves

Saturday, February 26th:

1:00 Lunch ?

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

7:45 " Dinner - *H H Harjes - Hotel Crillon*

Sunday, February 27th:

Visit Lewandowski, Comptoir -

" Invalides Museum

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

7:10 " Dinner Chas. Phillips

Monday, February 28th:

10:00 Visit Morgan Harjes & Co

" *Baron de Neuflize*

" Mr. Slade, Equitable Trust Co

12:15 Lunch

Monday, February 28th:

12:15 Lunch Monday Lunch Club

Visit Chas. Phillips and Baron de Neuflize

3 — " Baron de Neuflize
Chas. Rergent

Tuesday, February 29th:

10 — ~~174 Hargreaves~~

11 — Visit Chas. Sergent; Banque de France

" Rosselli, Credit Lyonnais

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

Visit Lewandowski, Comptoir

9:00 pm Visit M. Pallein at Ritz

Wednesday, March 1st:

10:30 A.M. Visit H. H. Harjes, 31 Boulevard Haussmann
12:15 P.M. " Mr. Thackara, U.S. Consul
1:00 P.M. Lunch Mme. Rosselli, Credit Lyonnaise, at Henri's
6:00 P.M. Visit Baron Edouard de Rothschild
8:00 P.M. Dinner Ambassador Sharp

Thursday, March 2nd:

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

Friday, March 3rd:

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

Saturday, March 4th:

En route London

Sunday, March 5th:

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

Monday, March 6th:

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

Tuesday, March 7th:

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

Wednesday, March 8th:

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

Thursday, March 9th:

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

Friday, March 10th:

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

Saturday, March 11th:

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

Sunday, March 12th:

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

Monday, March 13th:

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

Tuesday, March 14th:

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

Wednesday, March 15th:

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

Thursday, March 16th:

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

Friday, March 17th:

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

Saturday, March 18th:

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

Sunday, March 19th:

Service, Westminster with Shiverick
4:30 P.M. Tea Carlton Hotel
8:00 P.M. Dinner Captain Symington and Shiverick

Monday, March 20th:

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

Tuesday, March 21st:

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

Wednesday, March 22nd:

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

Thursday, March 23rd:

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

Friday, March 24th:

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

Saturday, March 25th:

- 10:30 A.M. Visit Lord Reading, 52 Curzon Street
" Sir George Haish
1:00 P.M. Lunch Captain Symington et al (Russian Military attaches)
8:00 P.M. Dinner Mr. and Mrs. Astor

Sunday, March 26th:

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

Monday, March 27th:

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

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

Tuesday, March 28th:

am. visits Chas Low & Harry Bell

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

Wednesday, March 29th:

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

Thursday, March 30th:

A.M.

Thursday, March 30th:

A.M. Visit Martin-Rolland
1:00 P.M. Lunch Captain Eyrington and Laughlin at Naval and Military Club
4:00 P.M. Tea Ambassador Page
8:00 P.M. Dinner Hertley Withers

KM Note:

Strong sailed in company a male Secretary (from Bankers' Trust Co, Mr. H. D. Burrell, via SS Rotterdam on Wed. Feb. 2, 1916, arrived at Falmouth Feb. 10

Time spent in England - Feb. 11-15; Mar. 1-

The following narrative of a short visit to Europe during the Winter of 1916 is made simply to preserve a record of experiences of sufficient interest to justify keeping them in connection with other data relating to war conditions.

The narrative is dictated some months after returning from abroad, but is based upon elaborate notes made during the trip.

For some months, the conviction had been growing upon me that the time had arrived when conditions were favorable for a preliminary discussion of banking connections abroad for the Federal reserve banks and my decision to make the trip was partly for this purpose, but even more to give me an opportunity to gather what information I could on the ground in regard to financial conditions, and particularly methods which were being employed, in England and France to finance the huge war expenditures.

I arranged with Mr. H. D. Burrell, one of my old Bankers Trust Company boys, to accompany me as secretary and shortly before sailing ascertained that Mr. John F. Harris, of Harris, Winthrop & Company, was also going over and we joined forces in engaging a suite of rooms on the "Rotterdam" to sail February 1st.

A few days before sailing, J. P. Morgan asked me to luncheon with him and informed me, much to my surprise, that he, also, expected to sail on the same boat accompanied by Mrs. Morgan.

Sailing was delayed until 6 o'clock, February 2nd, and on reaching the dock at about 5 o'clock, I found elaborate arrangements had been made for examining all passengers and their passports. Was delighted to find on arriving at the dock that Captain Symington, our Naval Attaché in London was also returning by the same boat. After having my passports viséd by the American passport

authorities, I ran into Mr. Stettinius of J. P. Morgan & Company, who introduced me to General Ellershaw of the British Army, who was returning with Mr. Morgan. Talking with them delayed me in going aboard so that I got caught in the crush of passengers awaiting final examination of their passports by the English passport officers and I had to spend over two hours in the crowd which was a very ill-natured one. We finally left in a sleet and snow storm at about 8 o'clock in the evening.

I found a great collection of gifts from friends and members of the family, as did Mr. Harris, there being no less than 700 cigars which I managed to dispose of by turning them over to Symington with the request that he present them to Mr. Page, who is a great smoker, as being the gift of Symington. After agreeing to do so, he broke the bargain and told Ambassador Page that I had sent them to him.

The trip across was uneventful, (the weather not rough, but more or less rain,) though never for a moment uninteresting on account of good company. Harris, Symington and Captain Shivareck, (who was with Symington), joined us at the same dining table.

Four passengers whom I had not met were on board with letters of introduction to me, one a friend of Mr. Daniel G. Reid's, now living in London, by the name of Marsh and occupying Warwick Castle; Mr. Henry Rulmonde, secretary to Mr. Van de Vyvere, Minister of Finance for Belgium; Mr. A. J. Fransella, secretary to Mr. Westerman, President of the Rotterdamsche Bank of Holland and Mr. Henri Wertheim-van Heukelom, formerly of New York but now living in Paris, who was introduced by Mr. Frederick Strauss and who is a relative of the Seligman's.

My name not being on the passenger list, I saw little of these gentlemen before landing. Among other passengers on the boat was Mr. J. F. Curtis' sister with a party of friends from Boston, who were on their way to Paris to take part in some war relief work; also, Miss Devereaux whom I had known in Englewood and who was returning to France to do Red Cross work.

The "Rotterdam" arrived at Falmouth late in the afternoon of February 10th in very bad weather and immediately on arrival a tender pulled up alongside the boat and took Mr. and Mrs. Morgan and General Ellershaw with his aide, Mr. Russell of the American Embassy in Berlin and one

one or two other passengers connected with the British Government. All the rest of the passengers were notified to assemble in the dining saloon at 5:30 the next morning with all personal papers, letters of introduction, passports, etc. Understanding that the passengers would be examined alphabetically, I ignored the notice and turned up about half past eight and was locked in the dining saloon until nearly three o'clock in the afternoon. Many passengers were subjected to the most rigid scrutiny, at least half a dozen and possibly more, were taken to their cabins, stripped and searched and had all of their luggage searched. Among others, was a young governess of Alsatian parentage who was traveling with the two children of Mr. van Heukelom and who was not only searched but was finally not permitted to leave the boat. I learned afterwards that she was released only after representations had been made through the Home Office to the American Embassy.

Burrelle in some way aroused the suspicion of the officers and was required to stay in a corner until I had been examined. When my passports were submitted, very little attention was paid to them or my papers, but they were most particular that I should vouch for Burrell.

We got on a tender that was to go ashore about 4 o'clock and sat there without cover in a sleet storm for nearly two hours. Finally Symington and I reached the dock, made a dash for the custom house, succeeded in locating our hand-bags, gave the officers a sovereign to mark them at once and left the rest of our luggage for Burrell and Harris' valet to bring on by a later train. By this manoeuver we managed to catch the first train for London which, however, did not pull out until late at night and finally reached London, where it was still raining, at 2 o'clock in the morning. There were no cabs in the station but we finally located a "growler" and drove to the Ritz Hotel through a city that was almost absolutely black and found at the hotel that they had been good enough to stay up awaiting our arrival. Burrell and Harris' valet arrived about 5 in the morning with our trunks.

Saturday, February 12, 1916.

I expected to sleep until time for luncheon but both Mr. Harris and I were awakened around 9 o'clock by drums, etc., outside the hotel and on looking out we discovered that in the courtyard of the Duke of Devonshire's house immediately across Piccadilly, a squad of recruits were lined up for

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Sunday, February 13th.

The trouble with my antrum seemed to be getting worse and as Mr. Harris had an engagement with friends, I asked Mr. Chandler Anderson, formerly Counselor to the State Department, to make me a visit in my sitting room. Mr. Anderson was in London representing all of the meat packers but one who were negotiating for some adjustment of claims of Armour and others against the British Government arising out of cargoes of meat having been confiscated, on the grounds that they were intended for ultimate enemy destination.

Anderson told me confidentially the whole story of his negotiations which was most interesting. It seems that the British Government had exhibited such vigilance in censoring all mail and cable communications that he had found it necessary to have all communications with his clients carried on through the Embassy and State Department and it was practically impossible to use the cables. The amount involved was about \$10,000,000 and claims which he did not represent and which were being negotiated by Mr. Lloyd Griscom, amounted to one or two millions more.

The Committee with which he was dealing exhibited a very strong desire to effect an adjustment of the claims but I gathered that they felt unwilling to adjust Mr. Anderson's claims without also concluding an arrangement with Mr. Griscom and the latter's clients were suspected of having German affiliations which made it difficult for them to reach a conclusion. The Committee also displayed a strong desire to announce a favorable adjustment of the claims, which Mr. Anderson felt would very shortly be concluded in such a way as to create favorable sentiment in the United States. At a later interview with Mr. Anderson, after the arrangement had been concluded and approved all around, he said that effort had been made to induce him to persuade his clients to accept some sort of government obligations. He had declined such an arrangement, but was considering leaving some part of the funds on deposit in England so as to avoid disarrangement of exchange by the transfer of such a large sum. He finally told me that the matter had all been concluded and that the money was to be deposited in London and gradually withdrawn by his clients in the usual course of business so as not to disturb exchange rates.

Mr. Anderson undoubtedly achieved notable success in adjusting this claim which amount, I believe, is second in importance only to the "Alabama" claim, and might have given rise to serious dispute between the two countries.

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The weather clearing up, we took a short walk through Hyde Park which was crowded. Many of the benches were occupied by convalescent soldiers with their friends or nurses. They all wore a hospital uniform consisting of loose khaki coat, blue trousers and red cravat. It was noticeable that a great many men passing groups of these soldiers either touched their hats or took them off and ladies frequently stopped to chat with them. Also, it was not uncommon to see one or more of these convalescents driving about the Park or through the streets of London in fine automobiles, generally with a lady, and at times I saw them driving through the Park on improvised stretchers attached to motorcycles. Some of these men were all bandaged up and apparently badly wounded.

After luncheon with Anderson, I declined to take a motor trip with some of the men from the Embassy on account of the condition of my face and spent the afternoon in my room until time to keep an appointment with Dr. Todd.

(COPY)

Memorandum for Mons. Pallain:

Section 14, of the Federal Reserve Act, a copy of which is attached, confers upon Federal Reserve banks the power to transact certain business in foreign countries. Reference is made particularly to paragraph "E" on page 16, from which it will be observed that with the consent of the Federal Reserve Board the Federal Reserve banks are authorized to open and maintain banking accounts in foreign countries, appoint correspondents and establish agencies "for the purpose of purchasing, selling and collecting Bills of Exchange, and to buy and sell, with or without its endorsement, through such correspondents or agencies, Bills of Exchange arising out of actual commercial transactions which have not more than ninety days to run and which bear the signature of two or more responsible parties".

It is felt that in anticipation of the conclusion of the war (and possibly prior thereto, if circumstances render it possible and necessary) Federal Reserve banks should perfect plans for putting this section of the law into effect. This, it will be observed, would involve:

- a.....Opening bank accounts in foreign countries;
- b.....Appointing foreign correspondents in foreign countries, and if necessary,
- c.....Establishing agencies in foreign countries.

The law, however, does not provide for establishing branches of Federal Reserve banks but rather indicates that this business shall be conducted in foreign countries principally through the medium of bank correspondents and that an "Agency" or "Agencies" establish in conformity with the statute shall consist possibly of a personal representative with necessary staff of clerks and assistants. Such an agency, however, would not conduct a general banking business such as opening credits or receiving deposits.

It is therefore important to emphasize the language of the Act which uses the word "Agency" instead of "Branch".

The motif for making the present investigation of the feasibility of appointing correspondents and opening bank accounts is in order to anticipate occurrences which may possibly arise after the war, and which might result in a derangement of the exchanges to the disadvantage of the financial position both in the United States and in those countries with which the United States has close commercial relations.

The experiences of the last eighteen months demonstrate that abnormal exchange rates and violent fluctuation of exchange are detrimental to the interest of both countries affected. Greater stability to the exchanges during the period of readjustment following the conclusion of the war (and if circumstances permit, possibly prior thereto,) would be maintained if some part of the resources of the Federal Reserve Banks were employed in the purchase of commercial bills in foreign markets as authorized by Section 14 of the statute above referred to.

The steps necessary for the accomplishment of this programme, according to the writer's view would be:

- 1.....In the case of France, to establish a close relationship with the Banque de France for the object of mutual exchange of information.
- 2.....The arrangement of terms for the establishment of deposit, or current account with the Banque de France.
- 3.....The arrangement of terms for the establishment of similar accounts with certain important French banks and bankers to be selected.
- 4.....The establishment of arrangements with banks or bankers to be selected, for the purchase of bills such as Federal Reserve Banks are authorized to buy.

5.....The establishment of arrangements for procuring information in respect of the credit and standing of the drawers, acceptors and endorsers of any bills purchased.

Anticipating the development of even closer commercial and banking relations between France and the United States than have heretofore existed, and of a large commerce between these countries, and with the possibility of many uncertain factors arising as a consequence of the war, it has seemed desirable that plans for the accomplishment of the purposes above suggested should be perfected in the near future, and emphasis is laid upon the desirability of close cooperation with the Banque de France. It is suggested that the Federal Reserve Bank of New York may also be of service to the Banque de France in American affairs as the relationship developed.

The memorandum was translated twice to M. Pallain, I endeavoring to explain the technical meaning of the various phrases, and we then went over it paragraph by paragraph. M. Pallain emphasized repeatedly that our discussion was tentative and confidential and entirely subject to such disposition as might be made by the regents of the Bank of France, but the entire program seemed to meet his approval and that of his associates. He inquired most particularly and more than once whether we would desire discounts, that possibility not, apparently, appealing to him as feasible. I explained to him, however, that under present conditions no such thought was in our minds, - the Federal Reserve Bank, being a reserve institution, held the reserves of the commercial banks of the country and, except under most unusual conditions such as war, etc., or great financial crises, it would not contemplate endorsing and discounting bills. The general purposes of our plan were elaborated in great detail, I explaining also that the entire conversation was tentative, subject to the approval of the directors and officers of our bank and of the Federal Reserve Board, upon my return to New York, and particularly emphasizing that unless unusual circumstances made it necessary, it was highly improbable that any arrangements could be completed and put into operation until after the conclusion of the war, unless indeed the United States should become a belligerent. To this they all assented, but later on in our conversation M. Pallain emphasized very strongly his view that the sooner an arrangement of the kind suggested could be brought about, the more advantageous it would be for the interests of both countries. He also explained that whatever information they might furnish us in regard to banks and banking conditions or bills or credits, would be without responsibility to the Banque de France, nor, on the other hand, would they hold us in any way financially, or in any other way, responsible for such information as we furnished to them. I stated that it was quite improbable that arrangements of similar character would be made at the outset, or for sometime, elsewhere than in London and Paris, although it was impossible just then to state positively how our future plans would develop. I particularly emphasized that if satisfactory arrangements could be made, they would be primarily for the purpose of stabilizing exchange, controlling gold shipments, etc. M. Pallain inquired whether this meant that any money we might employ in Paris would remain there indefinitely. I explained to him that deposits would be made and purchases of bills affected in those markets where exchange rates rendered it most desirable and profitable, and that there would accordingly be a certain amount of arbitrage between the various markets where our business was conducted. I also stated to him very explicitly that while profit was some consideration, it was quite subordinate to safety and that our policy would confine us very definitely to the purchase only of bills of the very highest grade and which were undoubted. He desired to know the character of information we would find it necessary to accumulate. This I explained to him would include not only general conditions, but the character, management and responsibility of financial institutions and firms with which we conducted our business, as well as the character and responsibility of the drawers, acceptors and endorsers of

bills which we might buy. That the volume of our business would not develop more rapidly than was made possible by the extent and character of the information which we were able to accumulate and which must be authentic and complete. This led to my explaining that the operations and machinery of the London Bill market were not only well known to us, but were of a character that made it particularly easy for us to conduct the business we had in contemplation in London (referring to the operations of the acceptance and discount houses and the bill brokers); that the situation in Paris where no such market existed was so different that I felt our own interests would require a careful study of this matter before we could undertake any extensive business. M. Pallain intimated once or twice that there was considerable jealousy between Paris and London and that they would welcome the opportunity to do as much business as possible with us. This interview was more than interesting, in fact rather picturesque, and typically French. Now and then considerable excitement and interest developing, when everybody talked at once and when there was a good deal of jesticulating, but the great cordiality and enthusiasm which was displayed towards my proposal convinced me that no difficulty would be experienced in making very satisfactory banking arrangements with the Bank of France when the time arrived.

After my interview with these gentlemen, they showed me somewhat through the Bank of France, particularly that portion of the building where the bank notes are printed and where I signed the visitors' register. It was four o'clock when I left the bank, too late to make further calls, and I met Captain Symington and Captain Sayles by appointment and we dined together. As I kept only brief notes of some of the conversations in Paris, not wishing to run the risk of having them examined or taken from me, I found it necessary to elaborate various conversations which I had in Paris after returning to London and this seems an appropriate place in which to insert this memorandum of various details:

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

REAL ESTATE AND RENTS: Considerable distress has arisen by reason of the operation of the moratorium in respect of rent payments. Tenants under this law can appear before a tribunal and show cause why they should be temporarily relieved of some of their obligations for paying rent and frequently

this relief is granted, and the result is that real estate prices are absolutely paralyzed and real estate owners in considerable distress. A large part of the investments of insurance companies and other investment companies and corporations are in mortgages and real estate, and with rents not being paid, real estate owners are unable to pay interest. The whole scheme seems to have been badly handled, and while possibly designed originally for the relief of families where the men were at the front, advantage is now being taken of it by all classes of rent payers and the effect is thoroughly bad.

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

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

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

FINANCE: The officers of the Banque de France and Baron de Rothschild gave me a good deal of interesting information generally in regard to the finances of the country. I was informed that the Banque de France has an arrangement with the Government by which the Banque is promised payment of its advances to the Government prior to the payment of any other Government indebtedness and out of the first general loans placed by the Government for refunding and other purposes. This represents a prior claim running from 6,000,000,000 to \$8,000,000,000 francs, that being the extent of the Government's borrowing from the Banque de France. It was estimated that of the 13,500,000,000 francs of the Banque's note issue, about 5,000,000,000 francs have been hoarded or held in reserves of other banks. Baron de Rothschild thought that the Banque de France could easily support an issue of from 25,000,000,000 to 30,000,000,000 francs, being about double the present issue, or say a margin of 12,000,000,000 to 15,000,000,000 francs for further use.

Monsieur Pallain said that the Banque had already shipped 20,000,000 pounds sterling of its gold to the Bank of England, and under the existing arrangement had agreed to ship 12,000,000 pounds sterling in addition. The peasants had turned in about 250,000,000 pounds sterling in response to the appeal of last year, and Baron de Rothschild estimated that there was still hoarded from 90,000,000 to 100,000,000 pounds sterling; this being the estimate of the Government and the Banque de France. Pallain and Robineau told me that when the crisis arose, the policy of the Banque de France was to rediscount without limit, and I gathered from what they told me of the scenes during the first few days, that it was Pallain, Robineau and the Secrétaire Générale who really saved the day for the French banks generally, as they took in bills literally in bales. The Banque still has a large amount of "frozen" bills, figures for which appear in the annual reports. I asked Robineau, the head of the discount department, to describe how he would define or detect a finance bill which was ineligible for discount at the Banque. He picked up and fingered a piece of paper, as one would a bank note to detect whether it was a counterfeit or not, said that it was really a matter of instinct and experience. The Banque always requires three obligations, of which two must be French and one always the acceptor. They do not necessarily discriminate against finance bills. The only bill which they absolutely decline to discount is a bill drawn by a foreigner on a foreigner and domiciled in France, even though the endorser is French. They consider that such bills are drawn for the benefit entirely of foreign business, and simply domiciled in France for the purpose of getting the lower rate of discount prevailing in that market. The Banque de France discounts a tremendous volume of domestic bills, largely to meet the convenience of French banks in collecting the bills. Robineau said that in one day his department had collected as many as 100,000 items in Paris, involving the use of over 1,000 messengers. I believe his regular staff in the discount department, in addition to the messenger service, is 450 to 500 men. The officers of the Banque told me that they felt that the big banks imposed upon the Banque de France in dumping these collections upon them.

The Banque de France is undoubtedly the hub of the whole financial system and both the other banks and the public generally have unlimited confidence in it. The Regents of the banque, by reason of their position, have great influence and, as is the case with the Bank of England, they are largely drawn from the banking houses which in London are considered to be merchant bankers. The so-called finance banks have recently had a very black eye, with the exception of the Credit Lyonnais and the Comptoir National d'Escompte. The so-called Hautbanque, or private bankers, have been driven

into the background by the operations of the finance banks, but as a class they have managed their affairs more carefully and conservatively than such institutions as the Societe Generale, etc. The strongest of the so-called Hautbanques are de Rothschild, Hoetinger, Mallet-Freres, Heine & Co., Verne & Co., deNeuflize, and I should say that Morgan, Harjes & Co. in rating stand right alongside de Rothschild. A number of the private banking houses are under some suspicion of German affiliations. I should say that this does not apply at all to de Rothschild. These private bankers are men of very great caution, and, while they have occasionally handled some things that did not turn out very well such, for instance, as the Banque le Union Parisienne, etc., they are on the whole regarded as being of very high grade and in good condition. I had a long talk with Baron de Rothschild regarding gold payments by the Banque de France. He thought there was no question in regard to their maintaining gold payment as to any exterior obligation, no matter what the outcome of the war. The Banque de France could, if necessary, give up over \$300,000,000 of it gold but, of course, they did not want to do so until pressing necessity arose. Baron de Rothschild said that when he and his associates were asked to draw the bills for the Creusot credit, he and the other bankers were quite unwilling to do so unless they were protected by a pledge of gold. They could not get it directly from the Banque de France, Monsieur Pallain being unwilling to make a commitment that would appear in his statement, but that M. Ribot gave them the Government's guarantee to furnish gold if exchange could not be had, and which they considered to be just as good as the pledge of the Banque de France.

There are certainly some serious situations to face in regard to the investments of the French people and, to some extent, French banks in foreign securities such as those of Brazil, Turkey, Russia, Servia, Mexico, etc. There is a lot of doubtful and possibly worthless stuff in the nation which will be of very slow liquidation. The big banks like the Credit Lyonnais, Comptoir National d'Escompte, etc., are carrying about 50% cash reserves. The Government is now borrowing very large sums, the figures being given in a separate memorandum, on bills running 3, 6 and 12 months, the rates being 4% for 3 months and 5% for 6 and 12 months. The amount of this short debt is much too large and they are hoping to quickly reduce it by a new loan which may embody the same lottery features as now prevail in many of the municipal loans. The French loans, however, seem to have been better handled than the English, as they are all selling at a premium. M. Ribot seems to be broad minded enough to pay the going rate so as to keep a good market for additional issues.

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

I discovered that there is a very strong feeling of suspicion and uneasiness towards England and the English management of affairs. I judge it is based upon their belief that England is endeavoring to dominate the situation in financial matters, and a very strong feeling that France has little to gain by the war and much to lose; that England will turn the outcome of the war to her own advantage. There seems to be a considerable and very active cabal directed against Joffre by Cailloux, Clemenceau and their followers. This matter took the form of a Committee of Investigation by the Chamber of Deputies into Joffre's conduct of the war. I had opportunity to read their report which was bitterly critical of Joffre's whole programme, and giving credit for what had been done principally to Gallieni and Castelnau. Among other things in the report was the statement that the total French losses to the date of the report, some months ago, amounted to 3,200,000 men. In this figure were, of course, included the wounded who have since returned to the front. I have subsequently learned that during the battle of Verdun a serious blunder was made by a French General in the early stage of the battle, who completely

lost his head, became panic stricken and subsequently insane. The Germans got through the French lines, captured 180 French field guns, most of which had been nearly destroyed, and nearly 200 machine guns. The disaster was so serious that the French Government again contemplated moving all records to Bordeaux. General Petain at last succeeded in repairing the damage before it became a disaster. This has been completely suppressed from the French public, but it is more or less the subject of gossip privately. The guns lost included most of the big guns that had been removed from the fortress of Verdun and remounted, many of which, however, had been badly worn with use and destroyed by exploding the breeches before being abandoned. I was informed that when General Petain took charge at Verdun he found that that part of the French army, which is very large, which was north of the River Meuse would have been absolutely destroyed had the Germans broken through, as there were only three bridges available for a retreat. The General in charge of that section was immediately removed and General Petain constructed no less than fifty bridges for use in case of an emergency. He is today the popular hero in France. When the disaster above referred to occurred the Cailloux element thought they would be strong enough to launch their attack on Joffre and a committee report was submitted to the Cabinet, with the demand that Joffre be removed and the conduct of the army be put under the direction of a committee of the Chamber. Much to their chagrin the Cabinet voted down unanimously the report with the exception of the one member who introduced it, and for the time being at least the Cailloux cabal is dead.

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

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

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

the service; that is, kept in the open air, living upon simple food and away from the debilitating cafe life.

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

JAMES STILLMAN: I have not dictated the substance of my conversations with Mr. Stillman for various reasons.

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

Mr. Fraser told me that I would be interested in a conversation he had with Howard Taylor who, a few months before, had stopped in Paris on his way back to America from Germany. Said that when Taylor was in Berlin some of the leading Berlin bankers had a private meeting with him and told him that Germany was headed for financial destruction; that the rest of the world would go down with them financially, and urged him upon reaching Paris to see Baron de Neuflyze and endeavor to persuade him to have a meeting of the French bankers so as to start a movement among bankers to bring about peace discussions. He gave Fraser the impression that German bankers were in a great state of excitement and distress over the German financial situation. Baron de Neuflyze was understood to have consulted some members of the French Government, and, upon their instructions, is said to have replied that if Germany wanted information as to what the French demanded before discussing peace, he might say that they demanded the return of the lives of 1,000,000 Frenchmen.

The delay in Dieppe was so long that our train did not reach Paris until 7 o'clock that evening. Mr. Ellis, Manager of the Ritz Hotel, told us on arriving that he only had about a dozen guests and we could have our choice of rooms. There were only twelve people in the dining room, including Mr. Harris and myself and five of these were English army officers. After a short walk, we retired early.

Paris, Friday, February 18th.

Called at Morgan, Harjes & Company but missed Mr. Harjes who was out of town. I made some purchases at the Maison de Blanc where I was the only customer I could see in the store. Also, purchased a new traveling bag at Mappin & Webb's to replace the one ruined on the boat, and there I was the only customer in the store. I had the same experience at Doucet's where I ordered some cravats. Later in the morning, I drove to the Embassy, as arranged with Captain Sayles, to meet Ambassador Sharpe, with whom I spent about an hour. He was most agreeable, recounted the difficulties of his position during the war, but much to my surprise he had his son join us in his office and take notes of everything that was said.

Mr. Sharpe was particularly bitter that Americans residing in Paris had been so outspoken in their criticisms of the President and said it was doing much harm. From one or two trifling remarks, I gathered that he and Ambassador Herrick had had some difficulties before Herrick returned home and later Captain Sayles confirmed this and said that Herrick had not behaved very well to Mr. Sharpe.

Captain Sayles and I had luncheon together at the Cafe de Paris and afterward I presented Mr. Carr's letter of introduction to Mr. Thackera, American Consul General at Paris, who was most cordial and anxious to get first hand news from home. He assured me that the forms which I had filled out at the hotel the previous evening, giving a statement of the object of my visit, personal description and itinerary were all that I would be required to furnish the authorities until it was time to leave Paris. He stamped my passports, however, with the regular stamp of his office as a matter of protection.

On returning to the hotel, found Andrew Graves of Lloyd's Bank, and later, Charlie Phillips came over for dinner. After dinner, Graves, Phillips, Harris and I went to see "Olympia". It was crowded principally with soldiers who seemed to be of all colors and nationalities, but it was a very poor show.

drill. Every day during our stay in London troops were being drilled right outside of our windows, no matter what were the weather conditions, and frequently they started from there with their troops making practice marches and carrying full equipment.

Shortly after breakfast, I drove to the Treasury to call on Mr. Basil P. Blackett, who gave me a very warm welcome and urged me to call on him for anything which would facilitate the object of my visit. The substance of my conversation with him was as follows:

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

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

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

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

It was arranged that I should see Mr. Blackett on returning from France where Harris and I had agreed to go at once from London, Harris having business in Paris and both of us desiring to see Mr. Stillman who had written us he was at Cannes.

Lunched with Harris and Captain Symington at the Savoy and immediately after luncheon we picked up Mr. Lowrey, who was attached to the American Embassy in charge of examination and supervision of German prisoners and interned German citizens. We motored to Aldershot where we drove through the English training camp and the encampment where many German prisoners had been held, but from which they had been removed to dryer and more suitable quarters.

Aldershot had been expanded into a tremendous encampment miles in extent, covered with huge corrugated iron barracks and notwithstanding a recent heavy movement of troops to France, it still seemed filled with soldiers. The roads

in and about the camp were indescribably bad. The supply trucks constantly carrying provisions to the encampment in bad weather had converted the roads into channels of mud which had been driven over the sidewalks and hedges until the hedges were literally bent under the weight of mud, and even in this respect the destructive effects of the war could be seen right in orderly England.

On the way back to London, we stopped alongside an enormous aeroplane plant which was surrounded by a corrugated fence about 15 feet high, but from a hill we were able to observe the immense extent of the plant and watch half a dozen men trying out new machines. Three or four, or more, were constantly in the air going through evolutions and in many cases it could be observed by mishaps in landing that the machines were new and that the men had not used them before.

That evening Harris and I dined with Lieutenant Shivareck and Lieutenant Quekemeyer, Military Attaché at the Embassy. Mr. Harris and I went to a theatre and later were joined by Symington, Shivareck and Quekemeyer at *Ciro's* for supper.

The theatre was interesting principally on account of the percentage of soldiers in the audience and at least two-thirds of the men were in uniform. On the other hand, none of the men at *Ciro's* wore uniforms and I learned on inquiry that the army regulations prohibited any officer or soldier appearing in uniform at any of the night places of entertainment, the matter being under the regulation of the Provost Marshal of London, Lord Athlumney. Any officer appearing in any night restaurant in uniform is immediately arrested and court-martialed.

The wetting on the tender at Falmouth resulted in a cold which settled in my face and brought on a recurrence of inflammation which I had to have treated at once. That afternoon, I looked up a Dr. Hunter Todd, who displayed the ignorance and incapacity of most English doctors. I had to tell him what to do and suffered for some days from a sore face.

Monday, February 14th.

Called first at the office of Morgan, Grenfell & Co. and had a short visit with Jack Morgan and Mr. Grenfell. We had quite a discussion about possible banking arrangements in London for the reserve banks and I finally told Mr. Morgan and Mr. Grenfell that while my mind was still entirely open to suggestions as to both the character of our arrangements and the character of the institutions which we should appoint as correspondents, I was gradually coming to the conviction that it would be unwise, and possibly unsafe, for us to deal with any but the Bank of England. They both agreed that this would probably prove to be the case, but were quite uncertain (particularly Mr. Grenfell), as to the willingness of the Bank of England to enter into the kind of arrangement which I stated would probably be necessary.

After explaining that I had planned to go to Paris almost immediately, they undertook to find opportunity during my absence to sound Lord Cunliffe, Governor of the Bank of England, as to his possible attitude and to prepare the way for some sort of negotiation.

Found a cable from the office indicating that everything was quiet and also received a letter from William Mackenzie, Managing Director of the Alliance Trust Company of Dundee, stating that he would be in London March 7th and hoped to see me.

Called on Mr. Cambie at the London Agency of the Canadian Bank of Commerce and presented letters to him and to his assistant manager from Mr. Kains of the Federal Reserve Bank of San Francisco. Both stated that while they appreciated that there was nothing they could do for me officially in London, any information I desired from them was entirely at my disposal.

I spent about an hour and a half with Sir Edward Holden at the London City and Midland Bank. He said he was far from well; that the strain of the war as well as the many duties imposed upon him and other bankers by the government had proven almost too much for him. He also told me that the London Clearing Bankers' Committee proposed to give me a dinner at my convenience and I arranged with him to fix a date after my return from France. He said it would be the first time in the history of the organization that they had ever had dinner together as a body.

Called on Mr. Bell, Manager of Lloyds Bank and Colonel Hunsicker of Herbert Stearn & Company, but they were both out of town.

I afterwards drove to the American Embassy taking a chance of seeing Ambassador Page who happened to be engaged, and then lunched with Captain Symington and Lieutenant Quekemeyer at the Carlton Hotel.

Having decided to go to Paris on the 16th and having been warned that there would be a good deal of red tape about passports, I called at the office of the French Consul General and learned that it would first be necessary to have passports viséd by the United States Consul General. From there, I called on Mr. Skinner at the Consulate, presented a letter of introduction from Mr. Carr, Head of the Consular Bureau in Washington, and had a very pleasant visit with him. He told me of the many difficulties he was encountering in performing his duties in connection with our shipping business. The diversion of cargoes, the confiscation of American goods and the thousand and one difficulties arising as a result of the war had swamped his office with work and he was constantly in hot water with the British authorities.

Mr. Skinner impressed me most favorably as being efficient and knowing his business. He gave me a card to Captain Savy in charge of the French Passport Bureau and suggested that it might facilitate having my passports viséd if I gave the orderly at the door a shilling. Various delays in making these calls consumed the entire afternoon.

That evening I dined with Lieutenant Shivareck, Lieutenant Quekemeyer, Captain Symington, Mr. Curtis' sister, Miss Devereaux and the Sturgis's, with one or two others at the Carlton Hotel. The ladies were all preparing to go to France and had arranged to associate themselves with some institution there which was engaged in taking care of babies and young children whose mothers were obliged to work all day, owing to the absence of their husbands at the front. After dinner, we went down to the ball room and watched the dancing. It was crowded and apparently most of the men were English officers who were on leave, but none of them were in uniform, while most of those who were dining up stairs in the main dining room to the extent of possibly two-thirds of all the men in the room, were officers in uniform.

Thursday, February 24th.

We arrived in Paris from Cannes at 8 A. M. and all breakfasted together. Mr. Harris was at the hotel awaiting us. After breakfast Mr. Edouard Vidoudez of the Banque Suisse et Francaise, 20, Rue La Fayette, called. I had met him in Chicago some months before and he was anxious to continue a discussion of the Brown Bank of France credit arrangements, as well as the possibility of a further extension of these transactions. I called his attention to the increasing difficulty which would be experienced in New York because the number of institutions which were drawing and accepting bills of this character was so small as to place a limit on the volume, and strongly recommended endeavoring to promote the opening of banking credits by French banks, under which American exporters would draw bills on American banks which could be guaranteed by their French correspondents. He saw difficulties in this matter but thought it well worth pushing. After he left I called at Morgan, Harjes & Company for mail but found that Mr. Harjes was still at the front, engaged in moving his ambulance unit to the region of Verdun. From there called on Mr. Lewandowski of the Comptoir, with whom I had a very interesting talk for about three quarters of an hour. He spoke very enthusiastically of the improvement which had taken place in banking conditions in Paris. As a result of the protection of the Moratorium said that they had all been able to liquidate a good deal of slow stuff and fortify their reserves most impressively, showed me the figures of their comptroller, which disclosed a reserve percentage of cash and deposits with the Bank of France exceeding fifty per cent of the liabilities and he thought most of the other good French banks were in equally liquid condition. The same situation seemed to prevail in Paris as in London in respect to all bills. The enormous evolution of industry in the direction of munitions manufacturing and other army supplies, for which the Government paid cash, had denuded the market of commercial bills, in place of which the borrowings of the Government had been enormously expended on short notes. He said that notwithstanding the huge expansion of the note issue of the Bank of France, the confidence of the people of France in its solidity was greater than ever. He also explained the reasons for the suspension of the Paris Clearing house, details of which are given later in this diary.

Stopped at the Grande Maison de Blanc to order handkerchiefs for presents and then lunched with Mr. Phillips at the Ritz. Phillips confirmed the statement made by Lewandowski - that one of the most serious features of the situation in France was the operation of the Moratorium on rents. Almost everyone, even though able to pay rent, was taking advantage of it to be relieved of their rent obligations, and it was paralyzing real estate values, imposing terrible distress on land owners and having a serious effect on institutions which held mortgages and on private holders of mortgages because of inability to collect interest. It seems that all the specialty stores on the Rue de la Paix Avenue de l'Opera, etc., are really unable to

meet rent obligations because business is practically dead, but many others who could pay did not.

After lunch called at the Bank of France, where I found that M. Sergent was still confined to his home with a bad cold. They expected my arrival, however, and I was at once taken to M. Pallain's office, who received me with the greatest cordiality and immediately after shaking hands presented me with a magnificent silver medal, on which my name had been engraved. This he did with a speech of welcome in French, which was interpreted by his clerk and which indicated that the Bank of France welcomed my visit to Paris as evidence of a cordial feeling towards France and towards the Bank of France by those who were managing the new Federal Reserve System. He also indicated the satisfaction they felt at the splendid development in American banking. The medal was one of those struck off some years ago to commemorate the 100th anniversary of the establishment of the Bank of France by the Emperor Napoleon. I had a very interesting talk with M. Pallain along general lines, entirely without specific reference to the business which took me to Paris, but made an appointment to meet him again on Saturday at 2 o'clock with a memorandum of my program. To the extent that we discussed banking relations, he evidenced the keenest interest and appreciation and expressed his desire to do anything in his power to promote what I had in mind. He offered to show me through the bank before I left Paris.

From there I returned to Morgan, Harjes & Company, where I found Mr. Harjes, who expressed great satisfaction that I had come to Paris, asked me to make use of his services and advice in any way possible, and after a few minutes Mr. Ernest Mallet of the banking firm of Mallet-Freres, who had served on the Anglo-French Commission, called and expressed his pleasure at seeing me in Paris. I arranged to see Mr. Harjes before luncheon the following day and discuss my plans more in detail. From there I called at the Paris office of Lloyd's bank, where I had a visit with Mr. Graves and their Paris Manager, Mr. Toulmin. Mr. Toulmin said that Lloyd's bank was making great progress in its Paris development, having opened two or three other branches in the City, and expected that in a few years they would occupy an influential position there. He said that a good deal of their business was with American concerns. They found profitable employment of their funds in French Treasury notes, but the supply of commercial bills was very limited.

I returned to the hotel to keep an appointment with Mr. Stillman and that evening Mr. Stillman, Mr. Christiansen, Mr. Harris and I had dinner and spent the evening together at the hotel.

Friday, February 25th.

In accordance with an appointment previously made, called at the Ministry of Finance at 10:30 A. M. to see Monsieur Ribot. He greeted me most cordially and I was greatly impressed with his appearance and manner. He is a tall man, white hair, white side-whiskers, with much the appearance of the late John Biglow. What impressed me particularly was the absence of any appearance of hurry or bustle about his office. The part of the building which he occupied apparently had few if any clerks in it and M. Ribot when I went in was alone in an immense office, with two or three commissioners outside to carry messages, etc. The whole building seemed to be filled elsewhere with a crowd of clerks and people running in and out on business and most of the pages and attendants seemed to be soldiers who had lost arms or been otherwise crippled.

He was most anxious to discuss in general the American financial situation and the possibility of arranging various credits and borrowing money. This we discussed at great length and I pointed out to him the various difficulties to be encountered in arranging banking credits along syndicate lines, as in the case of the Brown and Bonbright arrangements, urging that steps be taken, if possible, to induce American exporters to draw bills. He thoroughly approved of this plan and said that he would discuss it with his associates and with the bankers. Subsequently I learned from Mr. Stetinius of J. P. Morgan & Co. that he later told Monsieur Ribot that as long as the English and French purchases in the United States were as urgent as at that time, it would be impossible to arrange other than cash terms. M. Ribot told me that it would be their policy to conserve the gold in the Bank of France as much as possible, but in those matters he relied almost entirely upon Monsieur Pallain, in whom he had the greatest confidence. I was with him about an hour and when I left he insisted that I should advise him a day or two before I left for London, giving particulars of the train I proposed to take, so that he could facilitate my trip, which he would be most glad to do.

From Ribot's office I called on Mr. Harjes, with whom I discussed in considerable detail a plan for drawing bills, which he said he would discuss with Pallain and Ribot. From there we went to the Hotel Crillon for lunch. Returned to the hotel to keep an appointment with Mr. Stillman and at three o'clock went to the American Embassy with Captain Symington and spent about an hour with Mr. Sharp, who gave me a good deal of interesting information in regard to the American international situation. I was amused to see him call in his son immediately that I went into his office, the latter taking notes of our conversation during the entire interview. Mr. Sharp said that he had encountered many difficulties in connection with his duties, notwithstanding the extreme politeness of the French people and Government officials. The embarrassment of friendship at the same time that it was necessary to preserve neutrality was his greatest difficulty, but he thought progress was being made in developing a better

understanding of the attitude of our administration. A few remarks that he dropped indicated that he and his official family felt that Mr. Herrick, his predecessor, had not shown him as much consideration as he should have done. He asked me to reserve one night for dinner at his house the following week.

From the Embassy I called on Mr. Alfred Heidelbach, 19, Avenue d'Iena and arranged to lunch at his house the following Tuesday. Mr. Heidelbach spent about half an hour in rather insistent questioning about war matters, about the situation at home and particularly about the Reserve System, but was most agreeable. I had learned through friends that his German name and affiliations had subjected him to great suspicion. In the early days of the war he had been forced out of the Presidency of the American Chamber of Commerce which is somewhat under Government supervision, and at one time it was thought he would have to leave Paris. He managed to straighten things out, however, particularly on account of having been engaged in the construction of a very handsome home, which was not quite finished when I called. From Mr. Heidelbach's I picked up Mr. Harjes at his office and went with him to call on Baron and Baroness de Rothschild. Baron Rothschild's house is an immense affair, filled with objects of great value, pictures, etc., is just off the Rue du Rivoli. The greater part of it had been converted into a hospital and was filled with wounded soldiers. Baron Rothschild was not well, in fact impressed me as being physically exceedingly frail, but he and his wife were both charming and most hospitable to us. He inquired most particularly in regard to our new banking system and I explained to him in general outline only the object of my duties to establish relationships with the Bank of France. This he thought should be done at once. Our conversation in detail on a later call will cover all of this ground. I arranged to lunch with Mr. Harjes and Baron Rothschild some day the following week, but we were unable to keep the appointment on account of Baron Rothschild's illness. I returned to the hotel and said goodbye to Mr. Stillman, who seemed reluctant to leave Paris and I think he would have enjoyed a week there talking over old times and discussing the war situation. On the whole, Mr. Stillman impressed me as taking a very gloomy outlook of the future, both as to European finance and possibly as to the outcome of the war. Afterwards Mr. Phillips, Mr. Graves and I dined together at the Cafe de Paris.

(COPY)

[See 1)]

Paris, France, February 26, 1916.

Dear Monsieur Pallain:

With this letter I hand you a memorandum in respect of the matters we discussed, and which is not more in detail owing to the short time at my disposal to prepare it.

If there are any points in this memorandum not entirely clear to you, I would be grateful for an opportunity to discuss them with you.

Very truly yours,

Saturday, February 26th.

In the course of my conversation with Monsieur Pallain it became impressed upon me that it would be quite inadvisable to proceed very far with interviews with other bankers in regard to our banking arrangements in Paris until after the Banque de France had considered our plans and indicated what views would be entertained by the bank and particularly whether they would themselves desire to establish relationships with us. M. Pallain, while laboring under great difficulties because we could not speak each other's language, impressed me as being very keen to find a way by which we could do business with his institution direct. I, therefore, deferred calling on other bankers, pending further discussions with him. Remained at the hotel with Captain Symington during the morning and immediately after lunch kept an appointment with M. Pallain at the Banque de France at two o'clock. The Secretaire General, M. Picard, and the head of the Discount Department, M. Robineau, joined us in the interview, conducted entirely through an interpreter, and we discussed at considerable length the terms of the memorandum which I had prepared the day before at M. Pallain's request, and which was intended to indicate in a general way the kind of an arrangement that we probably would need in Paris. The memorandum in detail was as follows:

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Tuesday, February 15th.

Early this morning, Mr. Burrell and I drove to an obscure little photographer recommended by the men at the Embassy, to have additional photographs taken for use in France. From there, went to the French Consul General's and by the use of Mr. Skinner's card and a shilling was able to get immediate attention.

Afterwards, I drove to the Embassy to meet Ambassador Page by appointment. He seemed very glad to see me and kept me there about an hour and a half talking about the war and his work. It was easy to appreciate, after hearing what he said, the endless difficulties which confronted him every day. He told me with great humor of a visit he had had from Mr. Harris, who had delivered himself of a scathing denunciation of the Administration and told Mr. Page in his picturesque language that if he were President of the United States, we would already have an army in Europe assisting the Allies in the defense of civilization.

Mr. Page said that he personally felt that civilization was at stake, but that during his incumbency no act had occurred under the roof of the Embassy which could be construed as unneutral, or could be in the slightest degree embarrassing in Washington. He said that one of his greatest difficulties in performing his duties was the tendency of the British Government to assume that we were friendly. In his conversations with Sir Edward Grey he was constantly being reminded that matters of dispute were between the British Government and its enemies, and the invariable response was to ask Sir Edward whose enemies he referred to.

I told the Ambassador at his request of the object of my trip and what I hoped to accomplish. He said that anything he could do to promote my work he would very gladly do and that he was in entire sympathy with the program I had outlined.

I asked the Ambassador what kind of a talk I should make at the dinner to be given by the Clearing House Bankers' Committee. He said it would require a good deal of judgement and tact not to give offence. Knowing, he said, what my sentiments were about the war, he cautioned me to remember that any talk about neutrality would be offensive. On the other hand, if I said nothing about the war, they would put me down as a coward and his recommendation was, (after learning that there would be no reporters there and that it was to be quite unofficial), that I should tell them exactly how I felt.

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Mr. Page said that the President was a friend of many years standing and he had the highest respect for his views and patriotism, but unfortunately he was so constituted that he could not be neutral in his mind and he felt the President had made a mistake in his neutrality proclamation in suggesting that the American people could be so inhuman or devoid of sympathy as to be absolutely neutral in their thoughts.

While at the Embassy, I arranged with Captain Symington to start a complete collection of enlistment posters with which all of London seemed to be plastered.

From the Embassy, I went to Lord Reading's chamber in the Royal Law Courts, Strand, to keep an engagement for luncheon. Lord Reading was still on the Bench when I reached there, but shortly came to his office and said that he had adjourned his case for a couple of hours so that we could have a visit. My conversation with him was more than interesting. He started by telling me that when he and his associates went to New York to arrange for the Anglo-French loan, they had absolutely no intimation as to what the attitude of our government would be toward a transaction of that character. They were advised that the report of various statements emanating from the State Department would make it very difficult for them to arrange the loan so long as the attitude of the administration remained unchanged. He wanted to take this opportunity of thanking me for having gotten around the difficulty for them, as otherwise the loan could not have been made.

A number of times after this, when I met him at dinner or elsewhere, he referred to this and said that after a good deal of discussion the Commission had decided to take the risk and go ahead with the transaction after my talk with them at the Biltmore the day of their arrival, without undertaking through any other channel to get official confirmation of the views which I had personally expressed to them.

Lord Reading did not ask me the object of my visit abroad, but was very anxious to get some expression of opinion as to political conditions in the United States. He said that he and many of his government associates were convinced that the President was consciously or unconsciously being influenced in his attitude toward Great Britain by political considerations, largely on account of the approaching campaign for reelection. He thought the state of affairs in Europe was not appreciated either by the President or by most Americans. If the Allies were beaten, as they might be, Europe and ultimately America, would be overwhelmed by Prussian influence. He admitted their dependence upon us during the early stages of the war for many supplies and expressed great appreciation of the attitude of a great body of Americans, and particularly bankers, toward the necessities of their situation.

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I asked him how he felt about the progress of the war, (the battle of Verdun not then having been started), and he said that it was filled with the greatest uncertainty. England was powerless at that time for lack of adequate supplies and trained men, particularly officers. They were concentrating their energies that Winter to perfecting the organization of a much larger expeditionary force and to turning out a stupendous supply of guns and ammunition. He prophesied that when the Summer campaign began, they would be so equipped as a result of the Winter's work, that the world would be appalled with the slaughter. They figured ultimately that they would have cannon practically wheel to wheel all the way from the Swiss frontier to the Channel.

I told Lord Reading that in my opinion there were just as many difficulties in the way of Englishmen forming a correct understanding of American affairs as there were in the way of Americans forming a correct opinion of the war situation; there was a very strong feeling among many important men in America, like Mr. Taft, Mr. Roosevelt, Mr. Root and others of their type, that the United States had been altogether too complaisant in the face of violation of their rights and the killing of their citizens, and I thought the sympathy of the country as a whole was strongly pro Ally. On the other hand, Mr. Wilson had surrounded himself with men who either held the same convictions that he did or who were willing to accept his views, whatever might be their own, and that unless Germany really ran amuck the Administration, I believed, was determined that the country should not be involved. He finally admitted after some argument that there was nothing in the war situation which justified the United States taking up arms with the Allies except as the result of some overt act of Germany. The English point of view, however, was that Germany had done more than enough already in the sinking of the "Lusitania", etc., to justify at least breaking off diplomatic relations, if not declaring war.

His whole attitude seemed to imply that England recognized a certain dependence upon us and would have to submit to almost any requirements we imposed upon their government, but the result would be the development of a good deal of hard feeling, not necessarily in government circles, but among people generally, and the conviction that we were straining a point in remaining neutral, either because of the political ambitions of the President, or because of material benefits which we would gain by maintaining neutrality. My efforts to point out to him that judgement of these matters by Englishmen in London was constantly being misled by unwise newspaper articles and editorials did not accomplish much. He admitted, however, that the criticism only applied to the official attitude of our government and not to the general attitude of the people.

After spending nearly two hours with Lord Reading, lunching and smoking, he invited me to go down to the court room where he was presiding in the trial of a damage case. I was startled in the change in his appearance when he put on his wig and gown. It made him look twenty years older and gave him a severe expression which one would hate to face in the dock.

I sat for 15 or 20 minutes listening to the trial which was enlivened by a great many humorous remarks from Lord Reading who seemed to take particular pleasure in poking fun at counsel for both sides. Later, an inquiry disclosed that this was quite a habit with him and was not at all for my benefit.

Returned to the hotel to take tea with Miss Devereaux and discuss her plans for returning to hospital work in France. She wanted me to see what I could do when I was in Paris. The history of her performances is worth recording: I knew her as a little girl eight or ten years old in Engelwood where her father lived for a few years. After some hesitation she told me the story. It seems that she spent a few years in a convent in France, afterwards making a walking trip through the country with friends and had become very much attached to a number of French people and to the country. When the war broke out, although she was only twenty-one years old, she told her father she must go to France as a nurse. After he positively declined to allow her, she ran away from home, crossed in the steerage with only \$40 or \$50 and on arriving in London went directly to the Page's, Katherine Page having been a school friend. After a good deal of dispute and wrangling by cable with her family, which resulted in almost a complete break, she crossed to France and at first got some work in Paris. Later she was transferred to one of the Red Cross Units and combined washing dishes, doing chores and scrubbing floors, etc., with a course in Red Cross nursing. After some months, she was allowed to do regular nursing work but when it was discovered that she spoke French fluently, she was transferred as interpreter to one of the military police courts.

Urgent cables from home asking her to return for her sister's wedding led her to resign but when she reached London, she had not sufficient money to return home and was apparently too proud or ashamed to call on the Pages, so she got work on a farm about 20 miles out of London by applying to an employment agency. After some weeks on the farm, the Pages located her and very reluctantly the farmer, after offering to increase her pay from 15 shillings to 25 shillings a week, let her go. She confided to me that her chief desire was to become attached to one of the army units right at the front and I finally agreed to see what I could do after reaching Paris.

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After tea, saw Dr. Todd, had my nose treated and at 7 o'clock Sir Edward Holden came to the hotel for dinner and remained until nearly midnight. The gist of what Sir Edward said after dinner, to which I listened without attaching great importance was as follows:

He spent most of the evening in rather a violent and extreme criticism of the government, the Bank of England and bankers generally. Said that the Guaranty Trust Company had been detected in various transactions with Germany which made them very suspicious of their business generally. The Park Bank also had been found participating in transactions between the Argentine Republic and Sweden, the effect of which was to liquidate German bills held by German banks in the Argentine, ear-marking gold in New York and releasing it in Sweden and Germany.

Speaking of the bill market, he said the volume of prime bills had been tremendously reduced on account of the extent to which the business of the nation was now conducted on a cash basis, the government paying cash for everything. He was disposed to think that the government after the war should impose restrictions by legislation upon the London agencies of foreign banks. This, by the way, is absolutely contrary to the views held by other bankers and by the Bank of England. They said that the bank agencies in London had been one of the chief instrumentalities in making London the bill market and the money center of the world.

Holden strongly favored correcting the Dutch exchanges between New York, London and Amsterdam and thought gold should be released for that purpose. He also thought that we would ship abroad an immense amount of gold when the war was over. I asked him what he estimated to be the normal volume of bills carried in London prior to the war which had been drawn simply for exchange purposes. He said that he thought the total would be about £200,000,000 sterling, a considerable part of them being drawn by American bankers on London banks. I discussed with him briefly the possibility of the Federal Reserve Bank buying bills in England. He said it was something that must be considered most carefully in London as it might prove to be a disturbing influence and that whatever we did should be conducted in conjunction with the Bank of England, to which I made no comment.

Holden's criticisms of the government, and particularly of Lord Cunliffe struck me as being exceedingly bad taste and in many respects undignified and unjustified.

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

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Wednesday, February 16th.

After a good deal of discussion, Mr. Harris and I decided to take the regular route for Paris, via Folkestone-Dieppe, although we could doubtless have obtained permission to cross on one of the military service boats via Folkestone-Boulougne. The third available route to Havre being an all night trip, we thought inadvisable.

After repeated efforts in London, we found it impossible to secure a deck cabin and were obliged to take our chances of bad weather on an open deck. In the middle of the night I was awakened in my bedroom at the Ritz by a great clattering and realized that a severe storm was raging with every prospect of an unpleasant experience on the channel. We decided to risk it, however, so Mr. Harris and his valet and Mr. Burrell and I left by the 8:50 train at Charing Cross, expecting the boat to leave Folkestone at 11 A. M.

On reaching Folkestone, it was arranged that Mr. Harris would investigate the prospects of the boat being delayed while I endeavored to arrange about our passports, etc. There was a great crowd awaiting examination and after what seemed an interminable delay, I ascertained from one of the customs officers that there was practically no prospect of the boat sailing that day on account of the storm, which was the worst I have ever seen on the channel. The waves were dashing over the breakwater and the officer informed me that there was danger of mines breaking from their anchorage and floating into the channel from the mine fields. Under such conditions, boats were not permitted to sail as a rule until mine sweepers had cleared the channel.

I sent Burrell to look up accommodations at the nearest hotel, which was the "Pavilion" which adjoined the dock and where he succeeded in getting four rooms. We abandoned any effort to have our papers examined that afternoon and started out to see the town. About every ten or fifteen minutes troop trains were arriving and there were a number of transports tied up at the dock ready to take them across the channel. None of them, however, were permitted to sail so that in a few hours I estimated that from 6,000 to 10,000 troops had arrived in town awaiting embarkment. As they got off the train, they were lined up on the platform and were inspected by their own officers and the staff officers stationed at Folkestone in charge of transport. After inspection, they marched to barracks located on the beach and were then discharged and scattered through the town which was so crowded with men in uniform that one was obliged to walk in the middle of the street.

We spent all the rest of the day wandering through the village, looking into book shops, etc and watching the men. Had luncheon at a large hotel up on the cliff where the wind was so strong that it was almost impossible to walk along the edge without the protection of the bank. In the afternoon, we went to a moving picture show and that night again dined at the hotel on the cliffs.

During the entire day, notwithstanding that the saloons were open part of the time, we only saw two soldiers who showed the effect of drinking. They were very orderly, apparently quite composed and indifferent to the fact that they were going to the front; none of their families or friends were there to see them off. Many of them carried packages indicating that they had been well supplied with food and other things by friends or relatives. They were a distinctly good natured, carefree crowd, constantly joking and romping and gave every evidence of relief that they were finally ordered to active service.

That evening, Captain Sayles, Naval Attaché in Paris introduced himself and introduced his wife to Harris and myself, she having just returned from America.

A notice was posted in the hotel that evening that the boat would sail at 7 o'clock the next morning and we were obliged to get up at half past four so as to be in time to have our passports examined at the dock. This was done without great formality, but immediately afterward we were required to make a statement to one of the military authorities, first, as to whether we were carrying any letters or other communication to friends and, second, whether we had any English gold. I had about \$400 in English gold which they required me to give up to the man stationed there for the purpose and from whom I received Bank of England notes. I asked him about French and American gold and he said I could retain it.

We were early enough to avoid the crowd and after considering the direction of the wind which was still blowing a gale, and the possibilities of a dry place on the boat, the six of us located chairs near the stern in what we thought was a sheltered place and Harris' valet put our luggage under a companion-way leading to the upper deck, which appeared to be protected.

We left promptly at 7 o'clock and were no sooner free of the shelter of the dock when the boat - which was the Sussex - literally stood on end. People who had been unable to have their chairs lashed to the boat found themselves sliding over the deck and almost at once water began to pile up forward so that all the passengers from the bow of the boat were driven to the stern. The storm increased in

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intensity until all one side and the forward part of the boat was washed with water and no one could stay there. This crowded the passengers along the other side and in the stern were trunks piled up on the deck and lashed to the hatches. Almost without exception nearly every one was ill, a particularly distressing sight being about a dozen young Canadian army nurses who lined the rail in a row regardless of appearances or the weather, too ill to seek shelter and they were soon drenched to the skin. Our bags were in an exposed place and were soaked, as we could not get at them.

Some of the passengers were obliged to stand in unsheltered places on account of the crowd and at times water was literally pouring over them. It was raw and cold and rough enough to be decidedly dangerous. The trunks broke loose from the deck and began to pile up on the rail where they caught one man who fortunately was not badly injured. If the rail had broken, every trunk would have gone overboard.

I stood the racket for a couple of hours without being at all seasick, as did all of our party except Mrs. Sayles. It was getting so wet, however, that I took shelter in the dining room and managed to get to sleep on some dining room chairs before I was really drenched to the skin. The boat pitched so that it threw the china and glass out of the racks. Some passengers who had likewise taken shelter in the dining room were so ill that they stretched out on the floor and rolled about with the motion of the boat regardless of what happened to them.

During the time that I was in the dining saloon asleep, Mr. Harris attempted to change his seat and the boat lurched and threw him to the deck which gave him a dangerous fall. He struck his head on the wet deck, smashed his glasses and cut his nose. The blow dazed him and gave him such a violent headache that he was desperately ill the rest of the trip. I never saw a more dejected and sicker looking individual than he when he left the boat. He was soaked to the skin, cold, with a violent sick headache and I had to dose him up on the train and make him comfortable until we got to Paris where he went to bed right after dinner.

During the trip, a young officer, started down the companionway, too sick to see where he was going and the motion of the boat threw him headlong down the steps and there he lay for the rest of the trip, too miserable to pick himself up. Finally a tremendous wave broke over the boat so that she shook from one end to the other and those below decks were alarmed, thinking we had been torpedoed. They slowed the engines down immediately and changed our course somewhat after which we made a little better weather, but it was still the roughest I have ever experienced on the ocean.

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We reached Dieppe some time after 12 o'clock and when I went up on deck to join my party, learned that Captain Sayles, Burrell and Mr. Harris' valet, while standing at the rail had seen the periscope of a submarine, which appeared to be about 150 feet from the boat and in a few minutes disappeared. None of the other passengers noticed it as they were all too ill and probably the others would not have done so without the experienced eye of a naval officer. It was only visible when in the trough of the waves but the glass could be seen distinctly turned in the direction of the Sussex. Had the passengers noticed it, there would certainly have been a panic.

Captain Sayles assumed that it was an English submarine. Subsequently, I inquired of Captail Hall, Director of Naval Intelligence of the British Navy as to what kind of boat he thought it was. He said it was unquestionably a German submarine as none of the British submarines were permitted in those waters submerged, the instructions to patrol boats being to shoot at any periscope they observed.

On returning home with Stettinius in April he told me that he had repeated this story which I had told him to Captain Hall subsequently, and Captain Hall had said they had launched a torpedo at us, but missed. His explanation of the incident was that the submarine found the weather too heavy to travel on the surface and was traveling at some depth only coming up occasionally to make observations. The weather was so thick they had not seen the Sussex until it came up alongside, so close, in fact, that we might have rammed it unintentionally. The officer of the submarine probably had no time to obtain information or determine definitely the character of our boat and in the thick weather they had immediately tried to torpedo it, but the weather was so rough that it made their aim bad. Had they succeeded in such weather, no one could possibly have been saved.

There was a long delay on the boat before the passengers were permitted to disembark, occasioned by the careful scrutiny of luggage, passports and papers carried by the passengers. We all crowded to the forward part of the boat and parties of three or four were taken off at a time. The discomfort to many of the passengers was almost unendurable as they were soaked to the skin and there was a raw wind blowing. Captain Sayles carried an Embassy passport and was permitted to leave the boat at once, Mr. Harris was in one of the earlier parties taken off and it looked like a long wait for me when quite unexpectedly, an English staff officer called my name and I was hustled off and put through examination with every possible courtesy. It seems Captain Sayles had interviewed the man in charge and arranged for me to have a special examination.

I was impressed with the fact that while the street lights in Paris were somewhat higher and therefore spread their light a little more than the London street lamps, not nearly so many were lighted and with similar weather conditions, I believe Paris would have been as dark, if not darker, than London.

We found it impossible to get a taxicab after the show and had to walk to the hotel. During the rest of our stay in Paris, even when a taxicab was engaged in advance, it was generally impossible to rely upon getting one after 9:30 or 10 o'clock in the evening. During my entire stay in Paris, I did not see an automobile bus, all of them having been commandeered for the army. It was also noticeable at the theatre, aside from English, Russian, African and other foreign officers in uniform, practically the entire crowd was composed of French people. In the day time, as soon as one got out of the shopping district and the immediate vicinity of the Opera House and walked down towards the Ritz Hotel, Rue de Rivoli, etc., there were very few people on the streets and most of those were dressed in black. That day, for the first time, we heard rumors of a serious battle commencing at Verdun, which continued with increasing violence during my whole stay on the continent.

Saturday, February 19th.

Conforming to the custom in Paris, I had mailed a number of letters of introduction to bankers requesting appointments and not having heard from them put in the time making some personal calls and doing some shopping.

Had a visit with Mr. Slade, Manager of the Paris office of the Equitable Trust Company, who was very much interested in some information I gave him about the Federal Reserve System and explained the difficulties which he had encountered in working up much business for his company in Paris. At my request, he obtained and later sent me the following figures as to the amount of government loans outstanding at that time, exclusive of money borrowed at the Bank of France, which was then fluctuating between six and eight billion francs:

Short term National Defence Bonds		
December 31, 1914,		Frs. 1,288,000,000
" " 1915,		" 6,962,000,000
Issued in Foreign Countries		
December 31, 1914,		" 102,000,000
" " 1915,		" 1,164,000,000
Ten Year National Defence Bonds		
December 31, 1915,		" 632,000,000
New 5 % Perpetual Loan		
December 31, 1915,		" 15,300,000,000

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Total, December 31, 1914, Frs. 1,390,000,000

Total, December 31, 1915, Frs. 24,058,000,000

I left with Mr. Slade about 1100 francs in French gold for which he gave me Bank of France notes and later sent me a certificate of merit such as the Bank of France issues to the peasants when they surrender their gold at the request of the government.

On calling later to see Mr. Harjes, I learned that he would not be in Paris until Monday, having been ordered by the government to move the ambulance unit of which he had charge from Montdidier to somewhere in the neighborhood of Verdun, a distance of about 150 miles.

Met Mr. Phillips at the Cafe de Paris for luncheon and afterwards he drove me to the American Hospital at Neuilly where I was introduced to Dr. Du Bousset, who had succeeded Dr. Blake in charge. This was one of the most interesting experiences of my trip. The hospital is established in an immense school building which was only partly completed when the war broke out and was hurriedly converted into a hospital. By direction of the military authorities, they had just removed all of the wounded who were convalescent in order to make room for those expected from the Verdun battle. But there were still something like 200 wounded men there.

As I went through the entrance corridor, a French soldier, so short as to be almost a dwarf, came hobbling along with great difficulty on crutches, one leg entirely gone and one arm partly missing. He looked so cheerful and unconcerned that I asked the doctor about him and learned that he had been awarded the Cross for gallantry of an unusual character. After repeated attempts by different parties, to cut a section of German entanglements preparatory to attack, this little fellow volunteered, claiming the advantage of being too small to make much of a target. He succeeded in cutting the opening but they spotted him with their rocket illumination and a machine gun which was turned on him practically amputated his arm and leg.

I was shown the ward where they are performing marvellous operations in dental and plastic surgery, adjoining which were the workshops for manufacture of the delicate instruments, bandages, etc., used for the purpose. Most of these operations on the face were conducted in chairs like a dentist chair, and largely with local anaesthesia. I saw men whose faces had been mutilated, some of them with their lower jaw shot away who were gradually having some semblance

of a face restored and the photographic record of all these cases which I examined exhibited the marvelous ingenuity and skill with which the work was being done. One man on whom they had not yet started work, had the entire lower jaw missing, although his tongue had not been injured.

I was also taken into the bathroom where men who were able to be moved were bathed every day. This was a long room with showers on one side and porcelain tubs on the other. Those whose wounds were of a character to prevent their taking a shower or getting into a tub were carried from the wards into the bath room on wooden frames which rested on the top of the tub and where they were scrubbed without wetting the bandages. There must have been a dozen or more wounded chaps there when I went in and the character of the casualties seemed to indicate a great percentage of shrapnel wounds and a very small percentage of rifle bullet wounds. One man who was almost well had been shot by a rifle bullet in the right hip where it left a perfectly clean hole the size of a lead pencil but where the bullet came out on the outside of his left hip, it took great pieces of flesh in strips running up and down his leg. Others whom I saw were shot in the neck and face. Dr. Du Bousset said they had an astonishingly high percentage of wounds in their heads and legs in the early stages of the war as the men were so frequently wounded while lying on the ground, but during the later stages, most of the wounds were in the head, neck, shoulders and arms, showing the protection of the trenches. One of their patients was an infantry colonel who had had his right arm, the right side of his face and the right side of his body badly mangled by picking up a hand grenade which had been dropped in the trench in order to protect his men from the explosion. He had three broken ribs and twenty-eight wounds in his chest and abdomen. We were at the hospital the greater part of the afternoon. I gave Du Bousset \$500 on leaving and received a most appreciative letter from him later.

From there, Phillips drove me to the Bank of France where by appointment I saw M. Sargent, Deputy Governor of the Bank, Mr. Phillips acting as interpreter, although Sargent spoke English rather haltingly. Arranged to call immediately upon returning from Cannes where Mr. Harris and I had arranged to go on the 19th to visit with Mr. Stillman for a few days.

We arranged that afternoon to have our passports viséd for the trip to Cannes without the necessity of appearing in person, Mr. Ellis of the Ritz Hotel having means for doing so. Spent the rest of the afternoon and evening packing and Harris and I then dined at the station restaurant at the Gare du Lyon, taking the 8:15 P. M. train.

It was a very slow trip, the train stopping everywhere instead of running through express as in ordinary times, and did not reach Cannes until 12:30 the next day. We were surprised to see from the car windows, German prisoners working in the fields at different points. We had seen them working on the dock at Dieppe and understood that they were scattered through France, generally at work handling freight, etc.

Mr. Stillman and Mr. Christiansen were at the station to meet us and had awaited our arrival for luncheon. Mr. Stillman was really overjoyed to have us come down and make him a visit. He felt the exile from home very keenly, having been dangerously ill in Switzerland the year before and unable as yet to travel to America.

That afternoon, Mr. Stillman took us for an automobile ride along the coast back of Cannes. He had between his knees in the car a sack that must have held more than a bushel of candies wrapped up in paper and apparently all the children for miles around Cannes knew him and made a dash for the car whenever they saw it coming in the distance. By the time we returned to the hotel, there was very little candy left. He took the keenest enjoyment in "peppering" them, always trying to hit them and made his driver slow down to watch the scramble. Sometimes older people joined in the party.

That evening, Mr. Stillman, Mr. and Mrs. Christiansen and Mr. Peixotto who represents the Equitable Life in Paris, and is President of the American Chamber of Commerce, together with Harris and I, all dined together and spent the evening in the smoking room. Mr. Stillman then did a very characteristic thing - announcing that he was going to turn in, he walked to the elevator and just before getting in called to me to join him for a minute. All he said was, "Come up to my sitting room a little later." It was quite apparent that Mr. Stillman wanted to have a chat without the others being present and when I joined him found that he was ready to talk all night. We sat up until nearly 2 o'clock discussing the war situation and the object of my trip. He is very strongly pro Ally, I have understood has given immense sums for Red Cross and other relief work, but seemed pretty pessimistic about the situation.

Sunday, February 20th.

Mr. Stillman not coming down as a rule until time for luncheon, Harris and I walked through the town which was almost deserted except for convalescent soldiers and their friends and families. Most of the big hotels were either entirely closed or only partly open, and the promenade along the sea front was literally deserted save for wounded soldiers sitting on the benches.

The party lunched together and Mr. Stillman, Harris and I took a wonderful automobile ride up to one of the old Lagurian fortified towns and castle situated right on the top of a mountain peak some 20 miles north of Cannes. We must have climbed 2500 or 3000 feet on a magnificent road which went through countless tunnels and over a number of bridges, some of them of immense height. Mr. Stillman again had his sack of candy and finally when we reached the castle, the whole population, including the priest, turned out to welcome him. He seemed to have been a frequent visitor. These people never mingled much with those living on the shore and have dark hair and blue eyes which seemed to be quite a distinct type from any I have seen in France. They overwhelmed Mr. Stillman with attentions and finally he got out a package of pocketbooks, new coins and various trinkets and for an hour or two conducted some improvised races for the children in which girls took an exceedingly active part. They were all very much embarrassed by Mr. Harris and myself, but Mr. Stillman seemed to be quite at home with them. Mr. Stillman finally persuaded some of the grown girls to try a foot race which set the whole population off into shrieks of laughter.

That evening was a repetition of the previous evening, Mr. Stillman asking me to join him in his room after dinner and we sat there again until after one o'clock. I was amazed at the exceedingly frank and interesting way in which he described his relations with Mr. Baker, Mr. Morgan, the Rockefellers, Kuhn, Loeb and most of the other important people down town. Most of this I will not be at liberty to dictate but it was exceedingly interesting to hear him describe the policy which he was really imposing upon Mr. Vanderlip in the City Bank in the matter of the bank's relations with other institutions and banking firms in New York. He also gave me a very interesting account of his experiences with Japanese bankers prior to the Russian-Japanese war.

Monday, February 21st.

Mr. Stillman, Mr. Harris and I drove to Monte Carlo, starting fairly early in the morning after getting the necessary passports, safe conduct, etc., which necessitated furnishing photographs as usual. We drove immediately to Mr. Amos Tuck's residence and spent about an hour with him. Mr. Tuck and his wife have a beautiful apartment overlooking the Mediterranean where they spend most of their time when not in Paris. The conversation was entirely about the war and I gathered from all they said and what I later learned that both Mr. and Mrs. Tuck were deeply interested in a great many relief enterprises. They are very highly regarded in France.

Later we lunched at the Hotel de Paris and paid a visit to the Casino. There were about seven tables running but they were not very crowded and the stakes seemed to be small. Most of the players were old people, particularly old women and all of them seemed to be habitués as most of them had charts and were playing systems.

We had driven to Monte Carlo through the back country and returned along the shore at the most beautiful time of the day on the Mediterranean. Nice seemed to be crowded with convalescent soldiers and I understood that most of the hotels there had been converted into hospitals. Off the shore between Nice and Cannes, a large German concentration camp and prison had been established on an island which they said was crowded with civilian Germans.

The same party dined together that evening and after dinner Mr. Stillman, Mr. Harris and I spent the evening in Mr. Stillman's sitting room talking principally of the war, Mr. Harris indulging in his usual violent statements in regard to the Administration and our attitude toward Germany.

28
N B (Warren)

Tuesday, February 27th.

Mr. Harris was obliged to return to Paris on the 2:46 train but I had learned from Mr. Stillman that he was going up the following day as he was very anxious to visit Jack Morgan who was expected in Paris at that time, and I decided to stay over and go up with him. After seeing Mr. Harris off, Mr. Stillman, Mr. Christiansen and I made a long automobile trip northwest of Cannes along the shore and through the town of Freijuse, which about 2000 years ago was one of the most important Roman colonies on the Mediterranean and supposed to have had a population of five or six hundred thousand people. There were still extensive remains there of old docks which are now some miles from the present shore, also, an immense aqueduct here and there and a marble shaft commemorating some of the history of the old city.

After dinner at the hotel, Mr. Stillman and I spent part of the evening discussing the younger generation of New York bank men for whom he seems to have a high regard.

U. B. This is Tuesday, Feb 22 (1916)

Warren 7/24/44

Sunday, February 23rd. [Wednesday]

I wrote letters during the morning and after luncheon Mr. Stillman, Mr. Christiansen and I left for Paris on the 2:46 train. Mr. Stillman had provided a most excellent supper which he carried in a very complete leather lunch case, which he said he had specially made and it was a much better meal than we could have had in the dining car.

On the train Mr. Stillman confided to me the reason for his desire to see Jack Morgan. It seems he had been deeply impressed with the heavy responsibilities gradually devolving upon the younger generation of New York Bankers, not only by reason of their succeeding during the past ten years to the responsibilities of an older generation which had largely retired, but also because of the immense responsibilities resting upon New York as a financial center as a result of the war. As one of the old school, he is a strong believer in personal leadership and Mr. Pierpont Morgan's death had so altered conditions in New York that he thought it wise to take this opportunity, notwithstanding that he was still pretty feeble, to have a very frank talk with Jack Morgan on this subject.

Unfortunately, we discovered upon reaching Paris that Mr. Morgan had already returned to London and Mr. Stillman's visit was fruitless although it gave us opportunity for some very delightful times together in Paris.

Sunday, February 27th.

At 10:30 A. M., Monsieur Lewandowski of the Comptoir National d'Escompte, called and I went with him by tube to Montmartre, visiting the two Cathedrals on top of the hill. Both were filled with the poorer people of Paris, attending the services and all gave the appearance of being in mourning, and, in fact, the services were rather impressive and affecting. After walking about that part of the city we returned by tube and walked out to the Cafe Ambassadeurs, on the Champs Elysees for luncheon. I was impressed with the fact that the underground railway was entirely operated by women, except for the motormen. The ticket sellers, ticket choppers and conductors on the trains and the guards were all women in black uniforms with little white aprons. After lunch we walked to the Invalides Museum to see the various trophies captured from the Germans and to go through Napoleon's tomb. The Museum was crowded - there must have been 10,000 people there, notwithstanding that there was snow on the ground and the walking muddy and bad. It was a very quiet French crowd. In ordinary times a large gathering of French people like that would be chattering and laughing but there there was hardly a voice heard and practically everyone was in black. In the court of the Museum were arrayed large numbers of German aeroplanes, the remnants of the Zeppelin and a large number of canon of various caliber, all more or less damaged by shell fire. I saw some guns that had chunks torn right out of the barrel, apparently by French explosive shells. Inside of the building was a vast collection of rifles, helmets, flags and standards, trench mortars and all of the various paraphernalia of war, including many machine guns which had been taken from the Germans and in various cases iron crosses and last letters, diaries, memorandums, etc., that had been taken from captured and killed German soldiers. The buildings were so crowded that one had to move slowly from one end to the other in the crowd, which was very god natured but very quiet. On walking back to the hotel down the Avenue de Champs Elysee, the street was packed with people and looking ahead a few blocks, one gained the impression that it was a black stream, practically every woman being in mourning, no one wearing colors.

At 3:30 P. M. I met Captain Logan and Captain Symington, but was interrupted by a call from Mr. William Nelson who spent about an hour discussing various matters, including the business which had taken me to Paris. He said that he was there looking after some matters connected with the Brazilian railways. That night I dined with Mr. Phillips and afterwards we went to see a little show in the Capucines theatre.

Monday, February 28th.

I called in the morning at Morgan, Harjes & Co. to get my mail and found that Mr. Harjes had again gone to the front in connection with the transfer of his ambulance unit. I stopped to see Mr. Slade, Manager of the Paris branch of the Equitable Trust Company of New York, and had an interesting chat with him about business conditions in Paris and the business his Company was doing there. He said that while they were making gradual progress, there were endless difficulties to be encountered. He was finding the best employment for his money in dealing in short bills, including those of the Government. From there I went to La Rues with Mr. Phillips and Mr. Graves to take luncheon with the members of the Monday Lunch Club, a little American organization of about twenty men, including a Captain Mason, Mr. London, Mr. Thackara, the American Consul, Mr. Monahan, representative of the American Radiator Company, Captain Sales of the Embassy and a number of other Americans doing business in Paris. It was a very interesting meeting. All of those present emphasized the difficulties with which they were now confronted in developing the credit end of commercial transactions between the United States and France. They said that something must be done to give larger credit to French purchasers of American goods or our business would stop. After luncheon Mr. Phillips and I did some shopping and we then called on Baron de Neuflyze at his office, whom I had previously met, some years ago. He was delighted to see me, we arranged a luncheon date and later, Mr. Phillips and I went through two or three of the stores and markets to get a little idea of business and the prices of meat, butter, eggs, etc. As an illustration of prices, I quote the following:

Coal \$30.00 per ton; lamb and veal from 5 f.:25¢ to 7 f.:50¢; butter per half pound 1 f.:35¢; ham 80¢ per pound; eggs 60¢ per dozen; chickens 10 f. for a good, big roasting chicken down to so much per piece - they sell a part of a chicken at a time; fine cheese like Roquefort 1 f.:35¢ per half pound; fancy eating apples 2 f. each. These prices were obtained in the best general market in Paris, viz. - Poulin's.

Had dinner at the hotel and wrote mail in the evening.

Tuesday, February 29th.

Called on Mr. Harjes, received only one cable from New York. Found that he had again been called out of the City by his ambulance work. From there I stopped at the Bank of France and found Monsieur Sargent still away ill. Then called on Monsieur Rosselli, Mr. Stillman's friend, at the Credit Lyonnais, had a very pleasant talk and we arranged to lunch together the following noon. Lunched with Mr. Heidelberg and his wife, also some relative of Mrs. Heidelberg's and Mr. Petrie, a Paris partner of Coudert Brothers. The latter impressed me as being exceedingly well posted and an interesting talker, exceedingly pro-French and yet very fair as to the attitude of our administration. After luncheon Mr. Heidelberg and I had a long visit in his study, discussing generally conditions in France and the banking methods pursued there by the banks and private bankers. From there I went to the Comptoir and spent an hour and a half with M. Lewandowski and M. Paul Boyer, General Manager of the bank. M. Lewandowski called in the head of his Portfolio Department, together with the attorney who conducts the American correspondence, and the clerk who has charge of the Clearing House settlements. They explained fully and very clearly the operation of the Discount Department, methods of collecting checks and the operation of the Clearing House, of which the following are the main points:

CREDIT AND DISCOUNT DEPARTMENT: Very limited discretion is given to the managers of branches within the City of Paris. They are given certain fixed lines of discount which they may not exceed without authority from the head office. The supervision of their authority is very close. Somewhat greater discretion is given to managers of the branches in the provinces. However, the supervision is very close and maximum lines of credits are fixed. Most of the bills which they now discount are domestic, largely those drawn by manufacturers, jobbers and commission houses. To some extent also, bills of jobbers drawn on retailers and even retailers on their private customers. Prior to the outbreak of the war it was not uncommon for the 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 days prior to maturity, and obtain an immediate credit there. The Banque de France makes a minimum discount charge of five days

at the bank rate, even though the bill has matured. This compensates the Banque for collecting the bills. Just now there is a dearth of bills, and such institutions as the Comptoir and Credit Lyonnais use a good deal of their funds in short government obligations, which run for 3, 6 and 12 months - three months being at 4%, 6 & 12 months 5% discount. They principally purchase the six months bills, which can be disposed of at better than 5% after they have run three months, as the Banque de France is always ready to discount them.

CREDIT DEPARTMENT: This department has been building up its information for thirty years and is managed by a large staff of experts who keep very precise information about their customers, even to the extent of visiting their establishments and inquiring into the character of their business operations. Any bill which comes back unpaid (or where a renewal bill is drawn) is apt to come to their attention and is noted as an indication of weakness against the dealer and acceptor. There is no bill market in Paris such as exists in London, as the brokers do not carry bills themselves. Transactions between the banks in bills are rather informal and arise simply when one of the smaller banks wish to realize on some of its bills, and they can generally do so at the Comptoir or Credit Lyonnais at a slightly better rate than at the Banque de France. The broker runs around inquiring for opportunities to trade and received a small commission. Sometimes they deal between each other direct. These brokers deal in a variety of transactions such as securities, foreign exchange, bills, etc., and I gathered were not particularly responsible. The business of the private banks is somewhat different in that they make advances on "pension". That is to say, they advance for considerable periods, 3 or 6 months, against bills as collateral, the obligation of the borrower being in each instance 30 days up to 3 months, with a general understanding that there will be little difficulty about renewals. The large private bankers, known as "haute banque", are also considerable buyers of bills.

CLEARING HOUSE: This is of comparatively recent development and has only about twelve members, being the most important and responsible banks. Checks are so little used, compared to bank notes, that when the war broke out the operations of the Clearing House were entirely abandoned and will not be resumed for another month. They have two clearings daily and the average turnover through the Clearing House of such institutions as the Comptoir and Credit Lyonnais will run from 700 to 850 million francs per month - only a trifling amount of course compared with the American Clearing House operations. The custom is to send the checks to

the Clearing House, much as we do, and settle the balance by an order on the Banque de France, which is debited and credited to the respective accounts of the institutions that are either credited or debited at the Clearing House. They have only admitted very strong institutions, as instances have arisen where some of the weaker ones have given orders on the Banque de France which have not been honored. It is customary to send back checks which have been found to be N.G. early in the day prior to a certain hour, similar to the New York practice. It is the general belief here that the laws are not sufficiently rigid to enable prompt prosecution of those who improperly use checks and that has deterred the use of the check system. At the present time all of the banks and bankers of Paris are collecting checks by hand at considerable expense and inconvenience, particularly as their clerical force has been much depleted by the war and have been largely made up by women clerks.

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

1. Given immediate credit where the customer is undoubted, but charging the customer interest at bank rate plus 1% to 1-1/2%, for the period allowed for collecting, which would vary from 1 to 3 days.
2. Giving deferred credit, in which case the account is credited with the amount of the check and the customer charged with interest at bank rate plus some addition in case he draws sufficient to impinge upon the amount.
3. Credit upon "advice of payment" which means that the customer is not permitted to draw, and if he does, his check will not be paid until "advice of payment" is received.
4. Giving immediate credit by red check on the Banque de France for a check which the customer does not expect will be paid until the following day, in which case the check deposited is a white check. This is simply another method of extending credit and the customer is charged bank rate plus a commission charge for collecting the check. The first method described is rather a rare occurrence.

The operation of re-discounting bills with the Banque de France is apparently closely associated with the general system of settlements between banks, only two or three of the larger banks apparently not availing of the facilities of the Banque de France for converting their portfolios when needed. It is quite apparent that French banks rely upon the

balance at the Banque de France as reserve to a much greater extent than was even prevalent in the United States, under our old banking law, between country banks and reserve city banks.

Subsequently I prepared a report for Mr. Jay in regard to collections, etc., which summarizes various conversations in Paris, copy of which report is as follows:

CHECK COLLECTIONS IN PARIS.

Checks are so little used in France, while notes of the Banque de France and gold are in normal times so largely used in effecting payments, that no such highly organized collection system is developed nor is as necessary as in the United States. It should be borne in mind that a vast amount of the domestic trade of France is settled by the use of bills running from thirty days to a maximum of six months, the usual time being three months. These bills are not universally domiciled at the Banque de France, which would be the German system, nor at the banks generally in Paris, which would be the English system, but are accepted payable at the office of the drawee; in many cases at the drawee's personal residence. The bill of exchange, therefore, takes the place of immediate cash settlements of accounts, and the payment of the bill of exchange at maturity is, in the vast majority of cases, made directly to the Banque de France, as it is customary for the banks and brokers that hold these bills to discount them with the Banque de France within five days of maturity, as the minimum discount of five days' charge by the Banque de France is figured to be less expensive to the holder than collecting the bills direct. This places a great mass, for collection, of bills in the hands of the Banque de France, not only in Paris but throughout the Provinces. Those payable in the Provinces are sent by the Banque de France to their own agencies, which are now established in everyone of the French provinces, and in some instances where they have no agency they employ special collection agencies, or even the officers of other banks.

Mr. Robineau, head of the Discount Department at the Banque de France informed me that he had collected in Paris alone as many as 100,000 bills in one day, requiring the services of over 1,000 messengers for the purpose. This custom, of course, has a tendency to reduce the use of checks. I was informed by some of the bankers in Paris that the use of checks was so little understood, a man could not even induce his wife to take a check when she wanted money, did not understand about endorsing it and had doubts as to whether she might be able to get the money for it. French women are accustomed to holding the household money. It is their prerogative and they are

scrupulously careful to avoid informing their husbands and relatives as to how much of the money entrusted to their care has been spent and how much they have saved. A check book and bank account would disclose the condition of their cash account, and this they seriously object to.

When the Banque de France made its appeal for gold, one difficulty encountered was the necessity which was then imposed upon the French families of disclosing how much gold they had hoarded. Baron de Neuflize told me that near his village, Chantilly, a little hamlet of a few hundred people and of which he is Mayor, in order to get the gold he had to hold a public meeting in the town, take bank notes personally with him and have the certificate of merit in blank (which he was authorized to fill out and sign on the spot) filled out by himself personally as he had no clerks to assist. The village people were convinced that no one would know how much money they had given up and out of this little settlement in a very few days he collected 125,000 francs in gold.

Under such circumstances it will be seen that the check problem in France is not important. The Banque de France has made efforts to induce a greater use of checks, believing that it would reduce their note issue as well as increase their gold percentage and gold holdings. So far, these efforts have been without success. At a meeting of the officers of the bank, however, and which I attended, this matter was discussed. They all agreed that it would be a great achievement if they could bring about this practice at the present time, as they estimated that there were five billion francs of French bank notes now hoarded in France, largely by people who had given up gold or who had always hoarded notes in preference to gold.

Under the above circumstances, no cooperative effort in the matter of check clearing and collection has been undertaken by French banks until in recent years, when a Clearing House was established in Paris, composed of about 12 to 15 members and consisting only of the most important and influential banks. The operations of this Clearing House were entirely abandoned when the war broke out and are not to be resumed until about the first of April.

The Clearing House makes two clearings daily, and the average turnover through the institution by the two largest banks, i. e. the Credit Lyonnais and the Comptoir National D'Escompte de Paris, will run from 700,000,000 to 850,000,000 francs per month, a trifling amount compared with the volume going through the New York City Clearing House. The custom is much the same as ours. Checks are sent twice a day to the Clearing House and the balances are settled, not in cash but

by a special order on the Banque de France, which results in the debit or credit to the respective accounts of the institutions that were either debtor or creditor at the Clearing House. They have only admitted very strong institutions to clearing as instances have arisen where some of the weaker banks have given orders on the Banque de France which have not been promptly honored. It is customary to send bank checks found to be "N. G.", prior to a fixed hour, along lines similar to the New York practice. It is the general belief in France that the laws of the state are inadequate and not sufficiently severe to enable prompt prosecution of individuals who use checks improperly, and that has also been a deterrent in the development of the check system. At the present time all the banks and bankers of the City of Paris are collecting checks by hand, at considerable expense and inconvenience, particularly at a time when their clerical forces have been depleted by the war and temporary staffs of women employed.

COUNTRY CHECKS:

The practice in handling country checks is somewhat similar to that in vogue in London, with certain variations. Allowing for various exceptions to fixed rules or customs, it may be said that country checks are handled by the banks in Paris by one of four different methods, and these four methods cover the vast majority of check transactions:

First, by giving immediate credit to a customer whose standing is undoubted, in which case the customer is charged interest at bank rate, plus say 1 to 1-1/2%, for the estimated period required for collection, which varies from one to three days. This applies to a very small proportion of the checks handled.

Second, by giving deferred credit, in which case the account is credited with the amount of the check, but if the customer draws any part of the credit, he is charged with interest on the amount drawn at bank rate, plus a commission charge, or a little additional interest upon the amount drawn if it impinges upon the amount of uncollected checks. This is similar to our system of "holdout".

Third, by giving credit only upon "advice of payment" which means that the customer is not permitted to draw, and if he does, his check will not be paid until "advice of payment" is received.

In none of these three cases does the customer receive interest on the amount of the balance until after collection time or transit time has elapsed, and only in the first instance is he expected to draw before the transit time has

elapsed. In the second instance he is penalized for drawing, but his check would not necessarily be refused.

Fourth, by giving immediate credit, or by making immediate payment by "red check" on the Banque de France for a check which the customer does not expect will be paid until the following day, in which case the check deposited by the customer is a "white check". Red checks used by the Banks are drawn upon the Banque de France and are payable on the day drawn; white checks are not payable until the following day. These white checks, which are drawn in anticipation of the receipt of funds, are cashed by the big banks, at times, for their customers by the use of these red checks, and this is simply another method of extending credit, the customer being invariably charged bank rate for one day plus a small commission for collection charge.

The first method, as stated above, is very little used. The second and third methods cover the great volume of checks. The fourth method has reference solely to settlements in the City of Paris and suburbs.

The operation of rediscounting bills with the Banque de France is apparently intimately associated with the general system of settlements between banks, only a few of the larger banks apparently not availing of the facilities of the Banque de France for converting their portfolios when needed and even those institutions almost invariably discount bills when within five days of maturity in order to save the trouble of expense and collection. The big French banks rely upon their balances with the Banque de France as reserve to a much greater extent than I had realized, and the immediate convertibility of their portfolios gives them a feeling of assurance as to their cash position. I think it may be generally said that so far as checks are used in France, it is only in rare cases, and only for the wealthiest customers of French banks that immediate credit is given on checks deposited, and in those cases not only is no interest allowed on the balance during the transit time, but interest is charged at bank rate, and in most instances a small commission in addition.