

*From Bill*

~~FILING DEPT.~~

~~DEC 17 1914~~

~~FEDERAL RESERVE BANK~~

BENJ. STRONG, Jr.  
PERSONAL.

December 16th, 1914.

My dear Mr. Mackenzie:

Your very kind letter of November 27th reached me just as I was leaving for Washington to attend the first meeting of the Council of Governors of the 12 Federal Reserve Banks, but I had time to arrange to send you a book on the banking system, which I think may prove of some interest and will certainly clear up your mind as to a good many of the doubtful points in the application of the new banking law. It is written by two very capable men connected with the University of Pennsylvania. I am also going to send you a book just published giving a collection of addresses and articles by Warburg on the same subject. Many of them, however, were prepared before this Act was passed by the Democrats. Won't you let me know if there is any particular line of inquiry that you would like as the literature on this subject is enlarging daily almost, and I could send you an unlimited supply of material.

Please accept also my hearty thanks for your congratulations and good wishes. It really affords me a keen pleasure to recall the fact that our friendship has existed from the time I was in knickerbockers, and I hope for many years this occasional correspondence of ours will be continued.

Some of us in this country have witnessed with admiration and respect, the masterful way in which your Government has dealt with an

To William Mackenzie, Esq.

Dec. 15, 1914.

economic crisis unparalleled in the history of the world. We want the bankers of your side to get our point of view, at the same time that they are naturally considering their own interests and your letter is an assurance that our own point of view is appreciated, at least, by some of the thoughtful bankers. We must not overlook the fact that while the American indebtedness to Europe at the outbreak of the war was enormous, the first effect of the breakdown of international exchanges deprived us of the first resources available to pay these debts, viz:- accumulated exchange in bills and bank balances scattered throughout the world. We were asked to pay but were not permitted to offset. This threw us back upon gold payment at a time when the exportation of gold was either accompanied by great risks or prohibitive expense. Furthermore, the demand occurred just prior to our embarking upon a new banking system which demanded a conservative use of our store of gold held in the banks, and still further, the reaction from the crisis abroad was at once felt through the tendency to hoard gold in this country. As evidence, however, of the moral responsibility of the American debtor, please bear in mind that we have shipped this year between \$225,000,000 and \$250,000,000 of gold to our foreign creditors, of which over \$125,000,000 was shipped since the outbreak of the war. Beyond the amount actually shipped, American bankers engaged themselves to furnish \$45,000,000 on account of the New York City indebtedness and \$90,000,000 on account of the Gold Fund, which it has not been necessary to ship. Personally, I look back with great satisfaction upon these evidences of our willingness and ability to pay our debts when they became due and believe it has enhanced our credit in all parts of the world, and should particularly do so in England.

To William Mackenzie, Esq.

Dec. 15, 1914.

I noticed references to Lord Leith's speech in the House of Lords and only last Saturday read the account of his further loss by death of his grandson in this war. It is hard to realize that he is such an old gentleman. When I last saw him, he was full of vigor. When you see him again, I hope you will give him my cordial regards and sympathy.

With many good wishes, and expressing the hope further that you may continue the great confidence you have always shown in the affairs of this country and in our securities which will give a good account of themselves, I remain, very sincerely,

Your friend,

William Mackenzie, Esq.,  
22 Meadowside,  
Dundee, Scotland.

April 12, 1915.

Dear Mr. MacKenzie:

Our old habit of exchanging letters seems to have been abandoned, and I am writing now in an effort to revive it. Would it be imposing upon your good nature to send me a general letter now and then in regard to conditions? I will be more than glad to reciprocate, with the understanding in both cases, that our correspondence is personal and confidential, if you so desire.

One of my English friends, with whom I keep a desultory correspondence, recently sent me some very interesting data, in regard to the English position, and I quote the following from letter I am writing him to-day:

"The over-shadowing development in our financial position is, of course, the vast increase in our credit power by reason of reserves, released through the operation of the Federal Reserve Act and the newly created lending power in the Federal reserve banks. The re-assuring results from this development are:

- First: The apparent disinclination of national banks throughout the country to at once absorb these released reserves by the creation of new credits, and
- Second: The conservative management of the reserve banks and their willingness to hold their own credit powers in reserve."

I am glad to be able to advise you that father and mother are both very well indeed.

With kindest regards and very good wishes, I beg to remain,

Faithfully yours,

William MacKenzie, Esq.,  
% Alliance Trust Company,  
Dundee, Scotland.

July 1st, 1915.

Dear Mr. Mackenzie:

I wish I could give you a full and quite frank answer to your letter of June 18th. It would not be discreet for me to do so just now, however, and yet, to so warm a friend, it seems a downright discourtesy not to write you fully and frankly. There has been so much talk in this country of an unpleasant and critical character about these matters, and so many people laboring under the mistaken notion that I occupy a sort of Government position, that I am sure you will understand my reluctance to write anything that might be construed as showing lack of good judgement.

There is, however, one thing that I think your friends in London particularly should have in mind, and which I feel perfectly free to express quite forcibly: The foreign commerce of the United States, in and out, amounts to about \$4,000,000,000 annually. Of this amount for the fiscal year ending June, 1914, (this year's figures are not yet published), \$834,000,000 of this trade was with Central and South America. Not only our direct trade with Europe but this trade with South America is financed very largely in London under commercial letters of credit, under which drafts are drawn and discounted by the London banks and discount houses. My best judgement is that every available means for establishing credits in this country must be employed if our exchanges are to be correct, or continue at anything like a normal level. The most effective means will be the return of American securities, as the volume doubtless is still large and the

July 1, 1915.

To William Mackenzie, Esq.

present prices of exchange are beginning to offer some premium to English bondholders. The second most effective means, and the one which would be welcomed in this country, is the gradual transfer of some part of the vast commercial banking heretofore done in London, which can just as well be done in New York, if English importers would learn to draw dollar drafts under American letters of credit, and if English banks and acceptance houses would take a broad enough view of the home situation to relinquish some part of this business to the American banks; it would gradually transfer from the London market to our market, a vast volume of bills which would be equivalent to a permanent loan.

Your answer, naturally, is that this means relinquishing London's position as the commercial banker for a considerable part of the world's commerce, but after all, that is one of the penalties of war, and unless something of that sort is done, I am afraid that our trade with each other may languish.

Personally, I do not look upon it as a matter which is open to much discussion. If the war continues, this course will likely be forced upon the English money market anyway, but it would be better to encourage that form of relief at the present time before the strain becomes a dangerous one, rather than permit a repetition of such a deadlock in exchange as <sup>arose</sup> rose this last August. At that time, the interruption of the exchanges was due to London's insistent demand for payment, but just as largely to sentiment and panic. That situation was bound to correct itself and shortly did; the present situation is quite different. It is not based upon sentiment, but upon the development of exchange conditions, which will not improve <sup>like</sup> this sentiment but will grow worse as the trade balance ~~against you~~ increases.

July 1, 1915.

To William Mackenzie, Esq.

American institutions can and should prepare themselves to finance the country's export business, and if necessary, the import business, as well. The English banks can co-operate by joint accounts and other arrangements so that the change can be effected promptly and in an orderly fashion. I should think the big joint stock banks of London would begin to realize the need of some such course and enter into arrangements with their American correspondents to take the business in some way for their joint account.

It is difficult to write a letter of this sort without laying one's self open to the charge of taking a selfish point of view. In answer to that, let me say you have asked the question of "what can be done?" and in answer, I think it is fair to say that this is one of the things that can be done promptly and effectively and in a very large way.

We are burdened here just now with a tremendous surplus of credit and our position would be sounder if it were employed in that kind of finance, rather than in exploitation.

I am glad to say the family keep very well indeed. They are now away at the beach, and Father despite his infirmities is enjoying his holiday very much indeed. I am expecting to see him in a few days and will then give him your very kind message, which I know he would heartily reciprocate and which I certainly do.

Sincerely yours,

William Mackenzie, Esq.,  
22 Meadowside,  
Dundee, Scotland.

BS Jr/VCM

Personal and Confidential.

September 7th, 1915.

My dear Mr. Mackenzie:

Your kind letter of August 27th has just reached me and with much chagrin I acknowledge having put your letter of August 23 aside for a time, and then failed to acknowledge or answer it, as I should have done a month ago.

Since both your letters were written considerable changes have taken place. We have seen demand sterling drafts sell in New York at \$4.50 to the pound, and I think your letter justifies me in saying frankly that it is no more than I expected on account of the inexcusable delay in dealing with this exchange matter, which appears to have characterized the attitude of your bankers, and possibly some of your government officials. This is not meant as critically as it sounds, however, for I can well appreciate what tremendous burdens they have been carrying and that everything cannot be done at once. A Committee of bankers and government officials is now reported to be on its way to New York for the purpose of discussing this particular problem of exchange and doubtless the results will be good.

The magnitude of our exports to England, France, Russia and Italy and the enormous increase in export balance of the past



To William Mackenzie, Esq.

Sept. 7, 1915.

seven months over a similar period last year, would seem to indicate that all available means of arranging credits in this country must be promptly undertaken and upon such lines as will appeal with favor to the American bankers and investors, and at the same time avoid any justice of the charge of an unneutral attitude by this country. We are simply producers and fabricators of goods upon a tremendous scale for which foreign markets at the present time have special demand. Our market is open to the whole world as has unmistakably been enunciated by our State Department, and if our commerce is to continue successfully through the period of the war, our bankers and investors have got to extend credit. It ought not to be difficult for us to get together in arranging these credits if the right men are put to the task.

I cannot pretend to express any opinion as to the success of offering government obligations in this country, but I do know that very large credits can be arranged by transferring some part of the acceptance business to American institutions. If drafts covering merchandise exports are drawn in dollars on New York and discounted in this market and if the volume of such drafts can be sustained at a large amount, say, \$500,000,000 constantly, it is the equivalent of a permanent loan. Every exchange banker with whom I have discussed the matter, even some of the English bankers who have been in this country recently, agree that this is so, but their objection is the one which you have frequently heard, that it means the loss of prestige by the London market. That argument

To William Mackenzie, Esq.

Sept. 7, 1915.

is hardly sound. In the first place, if the war continues, London inevitably must lose some part of this prestige to New York. In the second place, credits of the character referred to applied to our exports are always within the control of the English banker, because when war conditions are over, he can simply simply arrange with his customer to cancel his New York credit and reopen it again in sterling. I view it as being one of the necessary sacrifices imposed upon one class of citizens by war conditions. The government certainly dealt with the London money market with wonderful courage and notable success last August and September. It seems as though this was the opportunity for the London money market to reciprocate in kind to the government.

The thing that is needed is courage to anticipate such developments as the existing disarrangement of exchanges and that sometimes take real courage, because if the steps taken are efficacious, there may be no actual demonstration of the necessity for taking them, and subsequent criticism may arise. That is one reason why I rather criticise Mr. Hartley Withers' admirable little book. It seems almost as if he expected too much of human bankers. Whether it was a question of ability or willingness cannot be demonstrated, but in the emergency, the government stood between the bankers and whatever difficulties they feared and the discount market righted itself with astonishing promptness

To William Mackenzie, Esq.

Sept. 7, 1915.

and ease. Something of that sort should be done in regard to international exchange and, as stated in my former letter, I have no hesitancy in advocating the transfer of ordinary commercial credits to New York from London for the purpose of financing the export trade of this hemisphere.

You will be interested to learn that my younger brother, Arch, who is a physician, has just returned from Serbia where he spent a couple of months, prior to that time having been with the Herman Harjes ambulance hospital in Montdidier. He is only a year older than when he left, but he looks at least five years older and I think can put it down to his experience.

The family all keep well and father, considering his condition, is really wonderful.

With kindest regards and thanking you for your friendly letters which I appreciate very heartily, I am,

Sincerely yours,

William Mackenzie, Esq.,  
22 Meadowside,  
Dundee, Scotland.

P. S. No one has a greater respect than I have for the Bank of England, but sometimes I think they are a bit hide-bound by tradition. They ought to remember that William and Mary lived a long time ago under conditions vastly different from the present ones which sometimes move a little faster.

Private and Confidential.

September 14th, 1915.

Dear Mr. Mackenzie:

Your letter of September 3rd just received crosses one which I wrote you a few days ago -- by this time doubtless in your hands.

Since you wrote, the Committee of which Lord Reading is Chairman, has reached this country and I have had the pleasure of a number of visits with them. This is one of those situations where a visit of this character by men of eminence such as compose this Committee, will be a very great advantage both on your side of the water and on this side. I think our people recognize just as yours do, that the negotiation of commercial credits in this country, no matter what form those credits take, is of mutual advantage. It is just as important that we should continue to sell in foreign markets as it is that you should be able to borrow in these markets to enable you to continue buying. But we must not forget that our market, both for commodities and for credit, are to-day open to the world and that negotiations of the character now undertaken must be concluded as business transactions and not on the basis of sympathy. On the latter plan, we would be led far astray and more harm than good would result. Neutrality

To William Mackenzie, Esq.

Sept. 13, 1915.

imposes hardships upon neutrals in some cases, only exceeded by the hardships imposed upon belligerents. In this country, with its cosmopolitan population and necessarily diverse views, the maintenance of a policy of neutrality is most difficult and on that very account, most necessary.

I sincerely hope that the impression which you seemed to have gained that Americans are caring for nothing but dollars does not represent the general impression on your side. If we permit sympathies to enter into these negotiations, we chuck neutrality overboard. It is, of course, a fact that some Americans are making large profits on the sale of munitions. On the other hand, many Americans are daily losing business on account of the war and however hopeful we may be of the success of the negotiations now being conducted by your Committee, I do not hesitate to express the view personally to you, that as time goes on losses to be incurred by American business men generally as a result of the war will be an increasingly serious menace to our domestic situation. Certain special lines of business will gain advantage; those not affected by the war I am afraid will meet serious losses. What we must do now, it seems to me, is to deal frankly and honorably with your Committee in endeavoring to arrange a transaction upon fair terms, the successful conclusion of which will be of undoubted mutual benefit, and if you see the

To William Mackenzie, Esq.

Sept. 14, 1915.

American papers, I think you will be convinced that the general attitude of our people has been to extend a friendly welcome to these gentlemen, to encourage them in their work and, if possible, to send them home with their errand successfully concluded.

You realize, of course, that in no way, shape or manner can our government have anything to do with the business. You may be assured, however, that most of the thoughtful bankers and business men here are thoroughly convinced to-day that at the present stage of the war, a real crisis is likely to arise in connection with some part of our export trade, unless the English and Continental exchanges are restored to something like normal condition, and I am sure that our people will cooperate heartily with the representatives of your country and France in bringing this about.

I would like very much indeed to read the book written by your uncle, Mr. Robert Mackenzie, if you are able to get a copy of it for me.

Would you, also, mind advising me how you and those occupying similar important positions with respect to American securities, would now feel about making a contribution, either by a sale or by a loan of American securities in order to afford the government means of obtaining a larger credit than might otherwise be possible?

With cordial regards, believe me,

Sincerely yours,

William Mackenzie, Esq.,  
22 Meadowside,  
Dunfermline, Scotland.

129

January 4th, 1915. [1916]

Dear Mr. Mackenzie:

Your kind letter of December 16th, as well as the History of America which you were good enough to send, have both reached me, and I hasten to thank you and to send, also, my warmest good wishes for the New Year.

There is little change in our domestic situation; money continues abundantly plentiful for all our requirements, notwithstanding the great activity in almost all lines of business.

There is some chance (though probably a remote one), that I shall occupy my quota of last year's vacation in making a very hurried trip to London, and possibly, to Paris. If, by any chance I should do so, I will send you word in advance, so that you may if you are willing, in making your regular trips to London adjust them a little with a view to have a meeting there.

You doubtless know that Sir Edward Holden has been a friend of mine for a number of years. I am really very fond of him and possibly appreciate the peculiarities of his temperament and his way of doing things a little better than some of the Americans who have not had the relations with him for a good many years that I have. He is, as we say, rather "set in his ways". Looking back now to

129

the negotiations when he was over here, it seems to me that one important thing was overlooked in the transaction. For the loan to be instantly successful when offered, it was necessary that the best judgement possible should be exercised in regard to the character of the loan and its terms, so that it would appeal to the public imagination, so to speak, of investors, as well as to their cupidity. It was not a case for driving a bargain with the bankers, but for correctly sounding public opinion. I presume that in due course, the loan will be absorbed, some of my friends tell me that sales continue to be made every day, but from your standpoint, it would have been much better to have had the loan taken with more enthusiasm than seems to have been displayed.

With every good wish for this year and again thanking you for the book which I shall read with much interest, I beg to remain,

Sincerely, your friend,

William Mackenzie, Esq.,  
22 Meadowside,  
Dundee, Scotland.



PERSONAL.

January 11th, 1916.

Dear Mr. Mackenzie:

Your kind letter of December 16th, as well as the History of America which you were good enough to send, have both reached me, and I hasten to thank you and to send, also, my warmest good wishes for the New Year.

There is little change in our domestic situation; money continues abundantly plentiful for all our requirements, notwithstanding the great activity in almost all lines of business.

I have just concluded arrangements to take as my vacation a very hurried trip to London and possibly to Paris, sailing on the "Rotterdam" on the first of February. If by chance, you should be in London any time between the 10th and 20th of February, I hope you will certainly let me know at the Ritz-Carlton Hotel, or care of Morgan, Grenfell & Co.

As you doubtless know, Sir Edward Holden has been a friend of mine for a number of years. I have always been very fond of him and considered him one of the most active and aggressive of the English bankers, notwithstanding his age, and have also possibly appreciated the peculiarities of his temperament somewhat better than others on this side, who have not had relations with him. He is, as we say, rather "sot in his ways" but after all, in our business

relations, particularly in transactions of the difficult character which the Commission had to arrange here, it is just as well to overlook personal peculiarities and deal with the matter entirely on its merits.

I think a mistake was made in not getting a better understanding of the attitude of the public. While the position of the loan has improved in the past few days, from your standpoint it would have been better to have it sell promptly and not hang on the hands of the bankers at all. It was not a case for making a bargain with the bankers, but for correctly sounding public opinion.

With very good wishes for the New Year and again thanking you for the book which I shall read with much interest, I beg to remain,

Faithfully yours,

William Mackenzie, Esq.,  
22 Meadowside,  
Dundee, Scotland.

BS Jr/VCM

129

December 2nd, 1916.

Dear Mr. Mackenzie:

It was a great pleasure to receive your letter of November 16th and I heartily wish that we might have another afternoon and evening at the Ritz Hotel. Possibly we will sooner than you expect.

First, a few words about myself: Shortly after returning from Europe, I had a bad attack of pleurisy and was shortly informed that I also had tuberculosis. Most people conceal troubles of this kind but I do not know why they should and there is no reason why I should not tell you the facts. After a month or so in bed, I came out here to Colorado early in July, where I spent three months in the mountains and have now rented a furnished house in Denver, engaging myself in the monotonous occupation of trying to choke out the bugs. They tell me I am succeeding and will be as well as ever, but it means at least a year, possibly longer, in banishment. My secretary has been here the entire time, however, and I am in touch with much that is going on and am also not allowed to resign from the bank, at any rate, until it is definitely known that I cannot return, which they say just as definitely, is not the case.

The news you send me of Mr. Blackett and Lord Reading is most interesting and of course the services of so able and well-known a financier as Mr. Fleming should be of great value in this very difficult situation. His close connections in this country should also serve to facilitate his work.

To Mr. Mackenzie;

Dec. 2, 1916.

I am not at all surprised at the rates being paid for government loans, nor surprised at the continued difficulties in handling international trade and the financial situation. In finance, sentiment, fear of the unknown governs to the exclusion of known factors that can be accurately measured. The present conflict is so stupendous that neutrals admit the impossibility of gauging the results in financial matters and borrowings are correspondingly more difficult. I am not at all in agreement with what has been so frequently stated to me by some English bankers, and again in your letters, that the government should borrow on tax exempt securities. Of course, they could borrow cheaper, but in doing so, the government enters into a solemn obligation with its creditor not to reduce the amount of income on his government bonds, no matter what may be the national emergency. When a government faces the possibility of a national debt of four, five or six billions sterling, as yours does, it would be a serious thing indeed to create an overlarge class of capitalists whose incomes could not be diminished by taxation and impose a correspondingly greater proportion of taxes upon the huge mass of less wealthy whose incomes would not be protected against tax burdens.

There are, of course, middle grounds such as making a limited tax or a tax for a limited period of years or an exemption up to a certain point with super taxes in excess of that point, etc., etc. But it seems to me that the principle of

To Mr. Mackenzie.

-3-

Dec. 2, 1916.

making a government bond liable to taxes is the greatest safeguard of the nation's credit that is possible in the present situation and on no account should be abandoned.

Canada gets money in New York because it is right at our door; our people know the wealth of the country and possibilities of its development; it is outside the war area; we have an immense trade with Canada; our railroads connect with theirs; we have the same monetary unit and the most intimate relations have been developed between Canada and American banks. In a sense, it may be said that Americans regard Canada as physically, although not politically, a part of their own bailiwick and I think that is the entire explanation.

It is interesting to learn of your daughter's attitude, for it is the same as that of almost every other lady, or I might say family, that I met while abroad. They are all working and it is a grand thing.

Frequently, since returning, I have regretted not being able to renew my old acquaintance with Lord Leith. When next you see him, won't you be good enough to give him my warmest regards and express my regret that I did not see him when abroad?

I am sorry not to be able to send some word about Dan Kingsford. He was in charge of the New York Assay Office, but resigned some time ago and I have not learned just what he is doing. You doubtless say that he was nominated as one of the executors and trustees of Mr. Bowdoin's will and the estate being a large one, I presume that has given him a good deal to do.

To Mr. Mackenzie.

Dec. 2, 1916.

We have had endless discussion in this country as to the possibility of Europe remaining on a gold basis, some even suggesting that gold will be demonetized as a result of the war and because England will have been denuded of gold reserves. This I regard as utterly impossible. Gold has become the money of international payment, partly as a result of custom and mutual understanding, but for other and even more important reasons which cannot be avoided or destroyed by legislation, its qualities as a metal, its commercial value, its beauty, its durability through freedom from corrosion, its great value in proportion to its weight, its distinguishing color and feeling and more important than all, its historical supremacy as a precious metal will, it seems to me, prevent anything like demonetization. On the other hand, internationally, all belligerent nations have to-day in varying degrees suspended the gold basis - England less than the others as is evidenced by the gold we are constantly receiving.

We are much more likely to see the world's currencies greatly diluted for domestic uses, gold concentrated in central banks to a degree never known before and used principally for balancing international exchanges, than we are to see any permanent or even long-continued suspension of gold payment as a result of the war. At least, this is the way it impresses me now although a long-continued war might necessitate changing these views.

To Mr. Mackenzie.

Dec. 2, 1916.

Your problem just now lies between very much larger borrowings in this country on the one hand, and a very considerable curtailment of imports of those articles not required for war purposes on the other. Personally, I hope the latter will not prove necessary for it would be a staggering misfortune to have the merchants who deal in goods other than munitions suffer all the penalties of curtailed trade while the powder and shell manufacturers are making huge fortunes.

This rambling letter is simply a discussion of the thoughts expressed in your own. I hope better days are ahead of you and that this horrible war will some way or other be brought to a conclusion.

With warmest regards, believe me,

Faithfully yours,

William Mackenzie, Esq.,  
22 Meadowside,  
Dundee, Scotland.

BS/VCM

To Mr. Mackenzie.

Dec. 8, 1916.

It so happens, as you are doubtless aware, that the coinage units of most of the South American republics are susceptible to readjustment into a unit which would be the equivalent of twenty cents gold, American, resulting in the South American coinage consisting in some cases of 10 franc gold pieces, in other cases, 20 franc gold pieces and in the case of Argentina, a 25 franc gold piece.

This subject is also being studied by a number of American economists, including Professor Kemmerer of Princeton, who has written some interesting monographs on the subject, and I am rather hopeful that finally some procedure will be taken which will have the effect of standardizing coinage of the whole North and South American continents.

The next step, and a most important one, would be for your own government to undertake some similar reform of currency. This would put North and South America, Canada, Great Britain and ultimately, of course, many countries in the East, upon an identical gold standard, the value of which to our commerce would really be inestimable. If you would like some literature on this subject I will be more than glad to get it.

Since your letter was written, loans to the Allies seem to have had a bit of a jolt but I am hoping the situation will be worked out all right. We have a great capacity, as you say, to absorb securities, but our capacity is out of proportion to our knowledge and experience. Our people need educating, particularly private investors.



To Mr. Mackenzie.

Dec. 8, 1916.

I am glad to say that my mother and sister are both very well and I will convey your kind messages by letter.

With warmest regards, believe me,

Faithfully yours,

William Mackenzie, Esq.,  
22, Meadowside,  
Dundee, Scotland.

BS/VCM

COPIED

December 8th, 1916.

*mm*

Dear Mr. Mackenzie:

Your favor of November 23rd just reaches me and I am sorry not to have available all the papers bearing on the subject to which you refer which are, however, at my office in New York.

The situation in regard to all the South American coinage is rather complicated, particularly in the Argentine, where they have the dual standard. This matter was discussed at great length at a conference of commissioners with South American republics which met at Washington nearly two years ago, and recommendations were made that an international joint commission be appointed to study the subject and make suggestions. Last Spring, the American commission, of which Mr. McAdoo, Secretary of the Treasury, was Chairman, and of which my friend, Mr. Warburg, was a member, visited the principal South American countries to discuss this and other subjects of mutual interest. The meetings in Uruguay, Argentina and Chili resulted in unanimous recommendations to the respective governments to adopt a standard of coinage, the unit of which would be a franc having a gold value equal to 1/20th of our \$5 piece. It may be that the report to which you referred in which the word "franc" was used originated in the report of this commission.

Denver, Colorado,  
April 26, 1917.

Dear Mr. MacKenzie:

Of course I realize that the delay in reply to my letters was entirely due to the pressure of many affairs that I know must be occupying you and I regret also that illness has overtaken you as well.

I am glad to be able to report most excellent progress in my recovery. While the doctors would prefer to have me remain here for a couple of months longer, matters at home are really becoming pressing and I have arranged to return to New York this week for a brief visit; will likely return here then for a few weeks' golfing and then back home more or less permanently. As evidence of progress in my restoration to health, I have put on 27 or 28 pounds' weight since coming West and really feel more vigorous and stronger than at any time during the past two and a half years. Incidentally, I have been playing golf regularly and with considerable success for I find my game is coming back in good shape.

What can I say to convey the satisfaction that I feel in having this great country of ours standing alongside of England and France in the fight for democracy and freedom? It seems to me that the world has not yet waked up to the true significance of this momentous step. Few on your side know our country as well as you do and I am glad to assure you of the many evidences that I see on every side of the determination of this country to pour out millions of its resources in money, materials and men to bring this great war to a prompt and decisive and successful

To - Mr. MacKenzie.

April 26, 1917.

conclusion.

My oldest son has been having military training for a year and was mustered into the Federal service about a month ago. He has been engaged up to now in guard duty, looking after a few hundred interned German sailors, but today I have a telegram advising that on account of his eyesight, which necessitates his wearing glasses, he has been discharged. It is a sad blow to him for he has been most enthusiastic about the service and I suppose would have been among the first to embark for Europe with any expeditionary force. The chances are I will decide to send him to France as an ambulance driver for he is determined to do his part in some branch of the service. The Commissioners now in Washington have made a most delightful and favorable impression. It was so fortunate that Mr. Balfour could come, for his great charm of manner, as well as a traditional friendship for this country which he has always evidenced, has been and will be a great asset in connection with our many important negotiations.

My return to New York is largely to see Lord Cunliffe, with whom the negotiations which I inaugurated a year ago in London are now about concluded. I hope to entertain him and introduce him to the New York bankers next week.

I am sorry indeed not to agree with you, wise man that you are, in your proposal about tax exemption bonds. I am definitely opposed to creating a preferred class of rich investors who escape taxation by investments in the Government's obligations, but our administration has not and probably will not heed my urging.

To - Mr. MacKenzie.

April 26, 1917.

You will I am sure be interested in my prediction that the financing about to be undertaken by our Government will be tremendously successful. The first loans may not develop the same enthusiasm that later ones will, but the resources of the country are inexhaustible and enthusiasm when aroused will make us, in my opinion, a decisive factor in the war.

My fondest hope is that our military and financial alliance with England and France will lay the foundation for friendships that will be imperishable and a protection to liberty and democracy throughout the world for all time.

With warmest regards and high hopes for better days, I am,

Faithfully yours,

William MacKenzie, Esq.,  
The Alliance Trust Co., Ltd.,  
Dundee, Scotland.

BS/CC

129

January 29<sup>th</sup> 1918.

Dear Mr. Mackenzie:

Many thanks for your kind letter of January 10th. I wish I could give you a thoroughly satisfactory report about my health, which has greatly improved, but is still not what it should be. Just now, however, the work of the bank has become so important that I find it impossible to be away for more than a few days at a time. This summer I hope to be away almost continuously.

Ben is still in France, having been transferred from the French army to the American army, where he is at present a first sergeant in charge of an ammunition transport train, but is hoping soon to get a commission. I hear from him regularly and he tells me he is in excellent health, very busy, and owing to the rigorous military censorship unable to give me particulars of his duties.

Of course, your daughter is having a somewhat similar experience in her line of work, with doubtless a good deal of hardship connected with it, but I am sure you would not have her at home when she is needed at the front.

With warmest regards and many thanks for your letter, I am,

Faithfully yours,

William Mackenzie, Esq.,  
22 Meadowside,  
Dumdee, Scotland.

(William Mackenzie, Esq.)  
22 Meadowside,  
Dundee, Scotland

129  
FILING DEPT.

MAR 27 1918

FEDERAL RESERVE BANK  
March 26, 1918.

My dear Mr. Mackenzie:

Many thanks for your kind letter of February 21st, which I have just received after a short absence in the south.

Since my secretary wrote you on the 8th instant, Ben's address has been changed and is now:

Prov. Co. "C"., American Mission,  
M. T. D., A. E. F.,  
Convois Autos, Par. B. C. M.,  
France.

The annual report of the Federal Reserve System has not yet been published in pamphlet form, but I am instructing our mail department to put you on the list for a copy.

On the whole, the system has proved to be a great success; a very necessary instrument for enabling our Government to conduct its war finance operations, and, possibly, of even greater importance, a reassurance to the whole country that we have a stable and workable financial system. The bank's operations are now of tremendous magnitude and the whole system has resources considerably in excess of \$3,000,000,000. Our gold reserves, including a small amount of silver and legal tender notes, now approaches \$2,000,000,000 and, of course, this is a great bulwark for the protection of our system.

My health is not so bad but I have to take care of myself.

Hoping that you keep well and with warmest regards, I am,

Sincerely yours,

BS/MSB

May 10, 1918.

My dear Mr. Mackenzie:

Many thanks for your letter of April 18th, which I was unable to acknowledge myself before this.

Our loan has been a success as probably three and on-half billions of bonds will be taken, notwithstanding that we are collecting three billions of taxes during the same period. The number of subscribers may equal, or even exceed, seventeen million. The country was swept with a gust of patriotism and enthusiasm that was more responsible than anything else for making this loan such a success.

With warmest regards, believe me,

Sincerely yours,

William Mackenzie, Esq.,  
22 Meadowside,  
Dundee, Scotland.

BS/MSB



Woods Hole, Mass.,  
August 8, 1918.

My dear Mr. Mackenzie:

It was a great pleasure to have your letter of July 20th, and as I am now combining the holiday with a little work, will take this opportunity of writing you something of what we are doing.

First, let me express the hope that your daughter is most happily married.

My brother Arch was married on the first of August, very quietly, and I expect soon to see him here with his bride.

The three points mentioned in your letter, which <sup>have</sup> brought you satisfaction, are no less the cause of satisfaction to me.

The flotation of our loans, while accompanied with a good deal of noise, nevertheless, has been in each case a tremendous success, and the publicity which went with it has done more to educate our people to the issues of the war than anything else in the way of propaganda. The next loan will probably be for six billion dollars, and I have yet to hear any one express doubt as to the loan being a success.

We are at present borrowing on short paper at the rate of 750 millions every two weeks, of which amount our bank in New York raises, in the Second Federal Reserve District, between 260 and 300 millions. Unexpected receipts from taxes and other sources made it possible to reduce this program a little for the last two issues, but a permanent program has been fixed for the figure first mentioned. In the Fall these certificates will all be paid off when the proceeds of the big loan are received, just as the issues of last Winter have been paid off out of the proceeds of the Spring loan and of tax collections.

As to the Federal Bank scheme, it has been a success, even beyond my own optimistic expectations. While we have never operated our bank in New York with an eye to profits, our profits are nevertheless an indication of our activity and importance in the banking system. This year we will earn very close to twenty millions net. Our six per cent dividend takes about one million two hundred thousand. We will add about eight millions to our surplus account, being the maximum allowed by the statutes, namely forty per cent. The balance will be paid to the Government in lieu of all other taxes, so that I expect we will turn over to the Treasury Department nearly, if not quite, ten million dollars.

When we entered the war we had about one hundred and seventy-five employees. Now we have over sixteen hundred, which does not include three or four hundred in the permanent organization for handling the Government's loans. The task of building up this machine in such a short time was a tremendous one, but I think the bulk of the work is now behind us.

We have just purchased the block immediately north of the Mutual Life Insurance Company's building, between Liberty, Nassau, Maiden Lane and William Streets, except one little parcel at the rear, on which, after the war, we expect to erect a building for our own use. We got over thirty-three thousand square feet of land for about three million dollars; a very moderate cost, indeed, in that section

Nothing can be more splendid than the relations which now exist between our two countries. We are, as you say, united in an adventure which we cannot but carry to a successful conclusion; when that is done, I hope it will establish bonds of sympathy which can never be broken. You are most ably represented here in the person of Earl Reading, and he is doing much to promote these cordial feelings.

Just now the one thought in our minds is the behavior of our men at the front, which seems to be splendid in every respect. They are good fighters

and will improve with experience.

Ben has written me of tobacco which he has received from you, which really was a great boon, as I am prevented by army regulations from sending him any just now, and sometimes cigarettes are very hard to get. He is an appreciative boy and will never forget this attention from one of my friends.

Possibly, I have not written you the story of Ben's entrance into the army: He was in a New Jersey militia regiment; was mobilized in April 1917; went to guard some German sailors in an internment camp, and was then given honorable discharge on account of his eyes. He immediately went to France and enlisted in the French Army as a private, where he was assigned to the motor munition transport service; was made a sergeant and sent to the officers' training school. Before completing his training Pershing arrived, and he with the other American boys were transferred to the American forces, and again his eyesight was not up to the standard and he was nearly sent home. By a little insistence he was able to demonstrate that he would make a useful member of the force, so they again made him a sergeant and he was finally put in command of a train of munition trucks. His last letter advises that after an attack of influenza, in which he was laid up in a hospital for a while, he has again been sent to an officers' training school, and I expect by now he is probably receiving his commission as a second lieutenant. Ben is a very earnest and industrious boy, having had experience from the bottom up, and I am sure he will make a most useful officer. Unfortunately, he lost all of his belongings in the early days of the German offensive, and while his letters give no details, I gather he had a pretty lively time of it.

About my own health, it is better than it was, but still needs nursing a bit, in consequence of which I have been away from the office this Summer almost constantly preparing for a hard winter's work. I cannot expect to get my health completely back until I am able to quit work for a much longer period than is now possible.

You and I will differ

You and I will differ, I fear, about tax free bonds as long as governments issue bonds. To my mind, it is not solely the question of money, but underlying it is a great social question which is sure to come up and baffle us in later years. Tax free bonds gives the greatest advantage to the individual with the largest income. There was a time in England when a wave of social unrest and political antagonism developed under the slogan "The privileges of the bond-holding class." We had the same thing in this country. Were it conceivable to have all the security investments of the citizens of the nation in the form of tax free bonds, those who live by daily labor would in great part be paying the taxes, which would provide the funds to meet the interest, <sup>amortize the</sup> and ~~principal~~ principal of these tax exempt bonds, and that class of people would, in fact, be suffering a financial serfdom. How much better, from a social and political standpoint, to have the bonds free only of a nominal tax so that the tax exemption is equally enjoyed by rich and poor alike, and the burden of taxation is thereby more equitably distributed.

I hope you keep well; that you and your Company are prospering, and that you are all a bit happier than seems to have been the case six or eight months ago.

With very warmest regards, I am,

Faithfully yours,

Mr. William Mackenzie,  
The Alliance Trust Co., Lt.,  
22 Meadowside, Dundee, England.

BS:GB

PERSONAL:

November 22, 1918.

Dear Mr. Mackenzie:

Reply to yours of the 30th ultimo has been delayed by my absence in Washington.

I think the enclosed circular describing the tax exemption features of our various loans will throw some light on the question raised by your letter.

The principle of tax exemption which has been applied to these loans by recent legislation is, of course, an effort to recognize the fact that the establishment of a graduated income tax justifies what might be described as a graduated exemption from taxation.

The difficulty in this country of high interest rates, I think must be apparent to everyone. If our Government undertook to meet competitive market conditions, it would require the issue of bonds at very high rates, and sound finance would require that they have a fairly long maturity in order to avoid too great a congestion of refunding operations. If the Government, either by high interest rates on bond issues, or by permanent contractual tax exemptions, should commit itself, for periods from ten to thirty years, to the direct payment, or the indirect payment of such rates as would compare favorably with other investments, it would load us with a stupendous interest obligation on a debt which will probably not be less than twenty-four billions of dollars, for many years to come. The Government has, therefore, issued its bonds at fairly low rates (so far not in excess of  $4\frac{1}{4}\%$  - that being the maximum contractual obligation) and then, by Act of Congress, it has given a limited tax exemption, simply for the period of the war and for two years thereafter, upon a limited holding of bonds. This will leave Congress free in later years to continue, discontinue, or increase the amount of the exemption, and the

11/22/18.

amount upon which exemption is granted somewhat in accordance with the conditions which prevail at the time.

As indicating the difficulty of dealing with this matter, you should understand that under our proposed Federal Income Tax Bill the holder of a five-year 5% bond, subject to all income taxes, who has a taxable income of \$2,500 would realize 4.94% net return, whereas an investor with an income of a million dollars and over would realize but 1.2%. Contrasted with this, the holder of a 4% bond, wholly exempt from Federal income tax, with an income of \$2,500 would realize the equivalent of a yield from his investment of 4.05%, whereas an investor with an income of a million dollars and over would realize from such bonds the equivalent of an income of 16.63%.

On the whole, however, I think that the broader question, which is a social and political one, has controlled in deciding whether we should establish a preferred class of Government creditors to whom the Government gives special benefaction in time of need. Such a policy of exemption would, I think, be unsound and dangerous and create difficulties which, in future years, would give rise to social and political unrest. England experienced such a situation at one period in her history, I believe after the Napoleonic wars, and it will be necessary for us to give greater consideration now than ever before to these social questions because of the dangerous menace of political disorder with which the whole world is faced.

The day has arrived when we must scrutinize our methods in these matters to make sure that they are not too much the product of Bourbonism. Our Government financing has been conducted with great courage, and, as you realize, with great success. We may have to grant further, more generous tax exemptions on our bond issues, but if we do I hope it will be for limited periods so that the amounts issued may be largely dealt with by taxation if Congress is willing to continue a strong tax program.

As suggested, one answer to your questions in regard to tax exempt bonds might be "What would Great Britain do to-day had the entire debt of the nation been

11/22/18.

issued entirely free of income taxes?" You would, in that event, have disregarded the most important of all principles governing finance, because you would thereby abandon, forego, surrender completely for the benefit of rich people and corporations the right to tax the great, or in fact, the principal part of their incomes, thereby throwing the entire burden of taxation either upon the poorer classes, or upon systems of indirect taxation, the effect of which is much the same as the direct taxation of the poor. Frankly, every influence which I have in these matters will be brought to bear to protect our future years against the menace of any such policy.

I am glad to hear that Lord Leith is well, and hope to same may be said for your good self.

What a glorious thing it is that the war is over; that Germany is "licked" and that we may hope in the course of time to get back to peaceful pursuits.

With warmest regards, believe me,

Faithfully yours,

William Mackenzie, Esq.,  
Managing Director, The Alliance Trust Company, Ltd.,  
22 Meadowside,  
Dundee, Scotland.

BS/MSB  
Enc.

Lake George, N. Y.,  
February 19, 1919.

Dear Mr. Mackenzie:

I am sorry to hear, by yours of January 23rd, that the doctors have also found it necessary to take you in hand. At any rate, I can say one thing to you that you were quite unable to say to me, - and that is that you are old enough to know better! I hope that you take care of yourself. The strain you have been under has been hard enough, I know. As for myself, I seem to get along fairly well so long as I can get away at intervals and rest up.

I am having another copy of Professor Kemmerer's book mailed to you, and, in addition, I am sending under separate cover a copy of the report of the Committee on War Finance of the American Economic Association, the latter dealing in some places with the questions referred to in your letter. Article IV, "Public Credit" is a very unfortunate presentation of that subject and I wouldn't pay too much attention to it. But some of the others are rather interesting.

The question of the inequity of tax-exempt bonds can be dealt with (ignoring minor considerations) by discussing simply two points:

1. A tax-exempt bond is incompatible with a graduated progressive income tax and gives rise to grave injustices to poor people when funds for repaying them, after a costly war, must be largely raised by indirect taxation, consumption taxes, etc., etc.

This point I will illustrate by assuming that a graduated income tax takes a maximum of 45% of incomes in the cases of individuals who are prosperous enough to enjoy incomes as large as a million dollars or more, and is graduated down to a normal tax of, say, 12% applying to minimum incomes of \$2,000. The man with an income exceeding \$1,000,000 would realize in the highest bracket (that



is on that part of his income which paid the largest taxes) 4% net on an investment which paid him gross 16%. This, of course, is a rough and ready calculation, and assumes a schedule of taxation which is not exact. That man, however, realizes on a 4% tax-exempt bond just as much as he would realize on a 16% taxable bond. On the other hand, a poor man, who pays no taxes, realizes but 4%. In fact, by the combination of a graduated progressive income tax and an issue of tax-exempt bonds, the Government says to the rich man, "on a part of your income I propose to tax you 75%," and then, by another legislative act, the Government says, "on so much of your property as you invest in my bonds, I do not propose to tax you at all." That is obviously an inequitable arrangement as between the very rich capitalist or business man and the poor clerk or wage earner.

2. Indirect taxation and consumption taxes: Such taxes, applied to the staples of life, or any taxes that increase the cost of living, such as customs, taxes on sales or transportation, or public services, etc., etc., are principally paid by the poor. Again, simply by way of illustration, if the effect of indirect taxation should be to raise the cost of bread by a small percentage, inasmuch as rich and poor alike consume substantially the same amount of bread per capita, one might say that 85% or 90% of the tax was paid by the poor, and only 10% or 15% by rich people. Those taxes, and others of like character, would be collected in order to pay the interest and retire the principal of a tax-exempt debt which had been accumulated by a small class of rich people. The conclusion is obvious that a tax-exempt debt, retired by taxation of that character, results in the bulk of the taxes being exacted from the poor in order to pay interest and principal to the rich. Of course you may say that that argument applies to Government bonds anyway, and so it does, but it applies more particularly to a tax-exempt bond, which is accumulated, by reason of its especial value to tax-payers, by the richer classes of individuals and corporations.

The answer to what you say about the 2½% bonds selling at par and the others at a discount, is just the point of my argument. The rich buy the tax-exempt

bond because that bond pays them net a very much greater return than does a taxable bond, whereas the poor man, who pays no income taxes, realizes net simply the amount that the bond pays.

Times are changing and some of the old principles which we have blindly worshipped, of the sacredness of property rights, irrespective of how those rights when so scrupulously safeguarded may affect the welfare of poor people, must be surrendered if we are going to preserve a stable society in the world. Taxation is simply a form of confiscation. The minute a government says to its people, "the rich must pay a larger proportion of taxes than the poor," (that is in proportion to means,) it abandons one of the old cardinal principles of equality of property rights in favor of the poor man. The British Government recognized this many years ago. We have been rather slow in coming to it, but now that our states have approved a constitutional amendment, giving Congress the right to levy direct taxes, without apportionment among the states, to the extent of this graduated income tax, I think we must recognize that it would be rather poor judgment, if not contrary to public policy, to brush this principle aside, or suspend its operation, in time of war by creating a favored class of Government bond owners who are partly exempt from the provisions of the graduated income tax law, and at a time when taxation should bear as lightly as possible upon the poor because of the increased cost of living.

This is a big subject. I don't assume to have mastered it by a long shot, but even if there is a doubt, I believe in resolving it in favor of the class who need the benefit of the doubt every time.

We may, and probably will be forced to somewhat enlarge the tax-exemptions in our next big loan, but it will be due to no failure to recognize the justice of the principle that I have above referred to, but rather to the necessities of the case which may not enable us to realize 100% perfection in respect of economic principles.

It is very good of you indeed to keep in touch with that boy of mine. He

has written me of having heard from you, and I shall never forget your thoughtfulness and kindness to him. Just now he is an instructor at a training school at Decize, and writes me that there seems little prospect of an early return home. But he keeps well, and neither he nor I would have had him miss the service for anything.

With warmest regards, believe me,

Sincerely yours,

William Mackenzie, Esq.,  
Managing Director, The Alliance Trust Company, Ltd.,  
22 Meadowside,  
Dundee, Scotland.

LIBRARY

MAY 27 1919

May 26, 1919.

FEDERAL RESERVE BANK

Dear Mr. Mackenzie:

I have just received the circular relating to your retirement as managing director of the Alliance Trust Company, and read it with mixed feelings of satisfaction and regret - my satisfaction is that you are doing the wise thing in laying down a position of responsibility which you have held for so long and which must be overtaxing your strength - my regret comes from the intimation that your doctor has found it necessary to require you to give up active work. I hope that it means nothing more than recognition of the fact that you are older than you were when as a boy in knickerbockers I first met you, and that you are now about to enjoy a well earned rest free of all responsibility and with opportunity to play all the golf that you want to.

You certainly deserve congratulations of the first order for the magnificent management of that great company.

Sincerely your friend,

Mr. William Mackenzie,  
c/o The Alliance Trust Company, Ltd.,  
Dundee, Scotland.

B.S. Personal

The Alliance Trust Company, Limited.

Dunder - Scotland

D.A.H.

LIBRARY  
MAY 26 1919

RETIREMENT OF Mr WILLIAM MACKENZIE

FEDERAL RESERVE BANK  
MAY 27 1919

*Extract from Report of Proceedings of Annual Meeting of the  
Company, held on 25th April 1919.*

The CHAIRMAN, Mr JAMES GUTHRIE, at the end of his speech, said—And now I have to make an intimation, which I do with great regret. Acting on medical advice, Mr Mackenzie has resigned his office of Managing Director. He is not with us to-day because he has left town for a prolonged holiday, from which our hope is that we shall see him back to join us with a seat at the Board. It is not therefore an occasion of final severance, and I am not dealing with it in that sense, but Mr Mackenzie's services to the Company have been so great and have been rendered over such a long period that it is only fitting that I should make some reference to them at this time. It is now more than forty-five years since Mr Mackenzie took office as Secretary of the Oregon and Washington Trust Investment Company, which with its four sister Companies combined to form the Alliance Trust Company in 1889. He brought to his work great mental capacity, and his natural strength of character and an inherited sense of duty led him to devote his intellectual powers with absolute singleness of aim to the best interests of the Companies. In working for them and in thinking and planning for their benefit he has been quite indefatigable, and I may sum up the matter in a sentence by saying that those who know the business of the Company most intimately will speak most highly of the part he has played in the problems solved, the difficulties overcome, and the success won. Meeting here to-day, and congratulating ourselves, as we are entitled to do, on the splendid position of our Company, we should be graceless indeed if we did not recognise the splendid part which Mr Mackenzie has played in its achievement. I am sure I may send him from this meeting an expression of our warmest thanks for all he has done, and our earnest hope for his speedy return amongst us refreshed and restored to complete health. And our message will not go alone. It is not always given to the hard and successful worker to earn the regard of his associates, but Mr Mackenzie's personality—his sterling character and his real goodness of heart—have attracted in a high degree

the loyalty and affection of those with whom he has worked. This is especially true of those at home here, but it is also true of those in America, where he has troops of friends who regard him with warm affection and esteem. His leisure, as you know, has been largely devoted to the duties of a good citizen—to works of public and private beneficence—and this part of his life has also won him the friendship and esteem he deserves. I said our good wishes would not go alone. I am sure they will be accompanied by those of numberless friends diverse in many respects, but united in this. Mr Mackenzie, in resigning, referred in terms of the warmest regard and confidence to his colleague and successor, Mr W. D. Macdougall; and I would like to say in regard to Mr Macdougall that he has come up to, and far exceeded, the highest expectations of every one of the Directors since his appointment as Secretary of your Company; and further, he has approved himself to the shareholders and to the office staff by his affability as well as his capability. (Applause).

Mr J. C. BUIST, in moving the re-election of the retiring Directors, said—Mr Chairman and gentlemen, I rise for a different purpose, but I am quite certain that those present would wish that some reference should be made to the announcement that we have just heard from our Chairman, that Mr William Mackenzie has decided to retire from the post of Managing Director. There is no need to add to what you, sir, have told us regarding Mr Mackenzie's long connection with the Trust and how much both Directors and shareholders owe to the way in which he has identified himself with it, and to the unceasing care and attention which he has bestowed on its affairs, and also his great business ability and his attention to its service; but I am quite certain we should wish to associate ourselves with your expression of sincere regret that in his opinion the moment has now arrived for his more strenuous activity coming to an end. We regret the decision, but we will not contest it. For you, sir, if I may say so, the passage of time has no particular meaning—(laughter)—but unhappily in the case of others it is not so. We may be sure that Mr Mackenzie has come to no hasty decision. He is a man of many interests, and he may be trusted not to vegetate in his comparative retirement. Now that he is free from business cares, we, his friends—and we are all his friends—wish him many years of enjoyment and well-earned retirement, while hoping, sir, as you have indicated, that Dundee may still count him among her most useful citizens. (Applause).

Mr J. C. ROBERTSON, one of the Auditors, in acknowledging the appointment of Auditors, said—I cannot sit down, gentlemen, to-day without saying to you that this is the forty-fourth Report of this Company, and its predecessors, that I have discussed with my friend Mr Mackenzie before it saw the light and was submitted to the consideration of the shareholders. Mr Mackenzie had been barely a year Secretary of the Oregon and Washington Trust Investment Company when I first made his acquaintance in returning from Glasgow to Dundee, and was at once set to the auditing of that Company. Since

then we have both rejoiced in its success and in its development from small things to greater. It is one of the measures of its soundness that its development was not sudden. It was slow, but it has been sure, as you gentlemen and those who are now Directors are aware, and after all we know the Scottish caution about hastening slowly. I would like to say that I never came in contact with a keener mind than that of Mr Mackenzie—(hear, hear)—and I would say this further that we as shareholders may rejoice in the fact that Mr Mackenzie was absolutely possessed with the single desire to make his Company the best in Scotland—(hear, hear)—the most reputable in Scotland, the most successful in many ways as satisfying both shareholders and the public whose money was lent to the Company. I said goodbye to Mr Mackenzie yesterday afternoon before he left, not knowing really that this formidable notice was to be given to you to-day, for I had hoped that a short time would restore him. Mr Guthrie, your excellent Chairman, has referred to the impression made by Mr Mackenzie in the United States. From my ten visits there I can confirm that absolutely, for time and again I was spoken to by men of great ability in the United States and told that we in Dundee might be very thankful to have a manager of such great ability as Mr Mackenzie. We may well apply to him the tribute that is fixed on the walls of St Paul's Cathedral in London to its famous architect—"Would you see his monument, look around!" It is better for you and me that it is a living man we are referring to, and we gratefully recognise that Mr Mackenzie has seen the great success of the Alliance Trust which has been his aim and effort for these 45 years. I am sure that we most cordially join in wishing him a speedy, a happy, and a well return. (Applause.)

The Alliance Trust Company,  
Limited.

---

RETIREMENT OF  
Mr WILLIAM MACKENZIE



April 7, 1921.

Dear Mr. Mackenzie:

A few days ago my friend Mr. Arthur Coppell, mentioned having received a letter from you in which you were good enough to inquire after me. It is a long time since I have written you, and that is because of my long absence. Something over a year ago I was not very well, was granted a year's leave of absence, and only last January returned from a trip around the world, which kept me away over a year. I am now very much better indeed, in full harness again at the bank, and with every prospect of remaining there, and in good health.

I spent Christmas in London visiting my friend Mr. Montagu Norman, of the Bank of England, and for a few days Mr. Gaspard Farrer. It would have been a great privilege to have seen you, but my visit was so short, and I had so much to do, that there was no prospect of making the trip to Dundee.

We all keep well at home, and you will be glad to know that both my mother and sister are enjoying good health.

These are difficult times, requiring courage and foresight by our bankers, and certainly by yours. I hope we shall pass through the period in which we pay the penalties of this destructive war without anything in the nature of a real breakdown. Conditions here in business generally are somewhat improving and I am glad to say that our financial and banking situation, both as to business generally and as to the government, are thoroughly sound.

I know that correspondence must be a burden to you, so do not trouble to answer this letter except in some moment of leisure when you feel wholly disposed to do so. With cordial regards, believe me,

Very sincerely yours,

Wm. Mackenzie, Esq.,  
22 Meadowside,  
Dundee, Scotland,

May 9, 1921.

My dear Mr. Mackenzie:

It was very nice to have your letter of April 25 this morning, but I wish it had contained something in regard to your own health. I must surmise from the letter, however, without your direct assurance, that you continue well, and that delights me very much.

Many thanks for your kindness in sending me a copy of the portrait, which I shall indeed value highly. It comes at an opportune time, as I am just fitting up a new apartment in which I hope to have the pictures of some of my old and valued friends.

My mother and sister continue in good health, and when I last saw them a few days ago, they were looking forward to the usual early summer migration to Cape Cod, where we shall all spend the summer off and on.

My eldest son is now hard at work at the National Bank of Commerce, and if the present plans materialize, within another year he will be located in London, where I want him to go for the value of the banking training and experience that can only be had there.

I wish I could write you something fairly definite about the Pennsylvania Railroad Company stock. Almost none of the American railroads have been able in recent months to earn their fixed charges. This is due to a combination of causes, which I think may be principally summarized by, first, very high operating costs; second, the present industrial depression, and third, freight rates, which I fear under present conditions have passed the point of productivity. They seem to have reached a level, where they operate to restrain the movement of freight.

On the other hand, I have always felt, and still believe, that the Pennsylvania Railroad property is intrinsically the most valuable, and maintained in the best condition of any of the great American lines. In the long run, it will show its great value. In general, one may be more optimistic about the American railroads because of the more constructive attitude of our government toward this great national asset. For many years the Inter-State Commerce Commission imposed unprofitable rates, driving the railroads to finance by bond issues rather than stock issues, and bringing them gradually to their present difficult position. But this is really a thing of the past, according to the notions of many people, and I strongly hope that a better future is in prospect for the strong and well managed properties.

May 9, 1921.

I hope you understand that this is the expression of an amateur and on-looker. I am unable to follow railroad earnings and finances in detail and must give you, therefore, a very general view of the situation.

There is no prospect of my being in England this year, but possibly next year, if things are quiet, I may be able to run over for a short visit, and certainly hope to have the pleasure of seeing you.

With kindest regards, and many thanks for your letter, I am

Faithfully yours,

William Mackenzie, Esq.,  
22 Meadowside,  
Dundee, Scotland.

BS:MM

April 11, 1922.

My dear Mr. Mackenzie:

Your note of March 31 is just received, and I am passing your daughter's letter along to my sister, whose address is still 251 West 39th Street.

We all keep well I am glad to say, and my own health is better than it has been for some time. You may be interested to know that my oldest son, who was in the army in France, is leaving in a month or so for London where he expects to enter the banking house of J. H. Schroder, in order to get some experience of English banking.

Hoping that you keep well, and with warmest regards, I am

Very sincerely yours,

William Mackenzie, Esq.,  
22 Meadowside,  
Dundee, Scotland.

BS.MM

December 11, 1922.

My dear Mr. Mackenzie:

It was indeed a pleasure to have your note of November 21, and my reply has been delayed because of my absence from the office for a short period taking a bit of a rest. It is good to hear from you and have that evidence that you are well, although you do not speak definitely on that point. While I have had a couple of pretty hard years with a little too much work to do, I am nevertheless in good shape, and there is a chance that sometime next year I will be in England, and if time permits I would like very much to run up to Scotland to see you.

My mother and sister continue very well. You would be surprised how lightly mother feels her age. You know she is now in her eightieth year.

De Witt Cuyler's death was a shock to us all. I had seen him but a few days before his death and last summer I had the good fortune to have a nice visit with him in Bar Harbor where I was spending a few days with my friend Montagu Norman, of the Bank of England. He did a great service, and I feel very sure that the whole business community and especially his associates in railroad matters will miss him very much.

We are rocking along here on the whole pretty well so far as one can judge, with a little too much politics possibly for our wellbeing, but with a growing business, very little unemployment, and a better spirit as to the outlook.

With warmest regards, and my best wishes for Christmas and for the New Year, I am,

Yours sincerely,

Mr. William Mackenzie,  
22 Meadowside,  
Dundee, Scotland.

BS.MM

Mr. Beyer - Will you please write by hand the following letter to be signed by  
Mr. Strong.

January 31, 1924.

Dear Mr. Mackenzie:

With most profound regret I learn on my return from a short  
absence South that you have suffered the supreme loss of losing your life  
companion. This is indeed a sad blow, and I am writing at once to let you  
know that you have my <sup>heartfelt</sup> ~~most~~ profound sympathy.

Very sincerely, your friend,

Mr. William Mackenzie,  
22, Meadowside,  
Dundee, Scotland.

BS.MM

January 12, 1925.

My dear Mr. Mackenzie:

It was a great pleasure this morning to find your letter of December 30, and I thank you most cordially for the good wishes which it expressed.

So far as family matters are concerned, I can send you a very good report. My mother and sister are both well, although unfortunately, last summer mother suffered a very severe illness which at the time caused us great alarm. When she reached Woods Hole to spend the summer, she was taken sick and shortly developed a severe case of pneumonia which kept her in the hands of doctors and nurses all summer. Now, however, both mother and sister are perfectly well.

My eldest son is married and living in New York. He, you will recall, was in France during the war. My daughter, Katharine, is also married and living in Minnesota, where she is very happy, having just completed a new house. Her husband is a mining engineer in the employ of the Hanna Ore Mining Company.

As to myself, I keep pretty well, although I have been exceedingly busy for some time past. With my family so much reduced, my younger boy Philip and I are living in a little apartment at 270 Park Avenue, and I find it more comfortable and less bother to give up housekeeping, so we are living in a combined hotel apartment without the bother of a housekeeper and servants. This is about all the family news.

What you say about the exchange is interesting, indeed. I have always felt that a good many of our worries would be relieved when the gold standard was restored to something like normal operation; but, as you say, it is a matter requiring a good deal of thought and care, and I find from my contact with your own people, that they are just as conscious of all the difficulties as we are.

I am glad to gain such convincing evidence in your letter that you are well and vigorous. The next time I am in London, which may indeed be this summer, I am going to try and save time for a quick run up to Dundee to see you.

With many good wishes for the New Year, I am

Sincerely yours,

William Mackenzie, Esq.,  
64 Reform Street,  
Dundee, Scotland.  
BS.LS

September 17, 1925.

My dear Mr. Mackenzie:

It seems ungrateful, indeed, for me to answer your kind letter of August 28 after such a delay, especially as the delay was caused by my actually being abroad for a large part of the summer.

It was much in my mind that, had time permitted, I would run up to Scotland for a visit with you, especially as I had also promised Lord Grey to visit him in Faldodun. Unfortunately I had only a few days in London on my arrival, and then a very short stay after returning there from a longer trip on the Continent, and I never left the city of London during the week or ten days I was there.

My mother and sister are both well and are still at Woods Hole where they always spend the summers. On returning the first of October they propose to sail immediately on the second for Italy, where they will spend the winter, and some time next year they are proposing to visit both France and England. This may be the occasion for your seeing them, which I know they will both greatly enjoy.

As I only arrived home last night and have a mass of work awaiting attention, I can send you but a short letter which carries with it many good wishes. You may be sure that I will pass your messages on to my mother and sister at once.

With warmest regards, believe me,

Very sincerely yours,

Mr. William Mackenzie,  
64 Reform Street,  
Dundee, Scotland.

BS.LS



*Mackenzie*

November 12, 1925

My dear Mr. Mackenzie:

Your letter of October 8 reached me in due course, but I have been wholly unable to reply up to now.

My secretary, Miss Slescker, has been in touch with Miss Leng, and just as soon as I have a free evening I am hoping that she can dine with me and my son Philip, when the day is over.

My Mother's address in Italy is  
c/o Dr. Agostino Mattoli,  
60 Via Sistina,  
Rome, Italy.

She has not yet decided where she will be in England,, nor, indeed, when it will be possible for her to get there. But I am sending her your letter, and it well may be that you will hear from her.

I wish that it were possible for me to do something for Miss Leng, but unfortunately one of my sisters-in-law has just lost her father and is very much prostrated, and my brother Arch's wife has two babies on her hands just now, neither of which has been very well. So with my Mother and Sister in Italy, it leave me rather short of ladies in my family to show her any hospitality.

With kindest regards, believe me

Sincerely yours,

Mr. William Mackenzie,  
64 Reform Street,  
Dundee, Scotland.