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DIARY

VOLUME III

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*Agreement*

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*1*

(1918) 1918 - (1918) 1918

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- 53. Warburg finally admits they are not a loan to French Government and are legal if based on exports. 39
- 54. Warburg claims that national banks can not legally renew or substitute a new acceptance after the goods have been delivered. 40
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- 59. Warburg claims no renewal or substitution legal after delivery to purchaser, under terms of Regulation J 40
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Acceptance credits (Cont.)

- 40. Warburg tried to have whole letter of July 28 repeated - especially part stating that discount of such acceptances was primarily for Federal Reserve banks to determine. Deleted. 35
- 39. C.S.H. suggests clause that it is a modification of letter of July 28, so which all agree. 35
- 38. Warburg says necessarily implies this. 35
- 37. G.S.H. points out does not specifically authorize renewals. 35
- 36. Harding presented new draft of letter to Gov. Strong to which all, including Gov. Strong, agreed. 35
- 35. Minority further became meeting called at Subtreasury. 35
- 34. Finally all assembled at Federal Reserve Bank. 35
- 33. Williams, in name of McAdoo, changed place of meeting. 35
- 32. Federal Reserve Bank. 35
- 31. Williams is there but Warburg, Miller, and Harding refuse to attend, claiming meeting should be at Subtreasury. 35
- 30. G.S.H. goes to Subtreasury. 35
- 29. He says agreement must be settled today. 35
- 28. C.S.H. calls on Gov. Strong in N.Y. 35
- 27. Allen writes G.S.H. meeting to be at Subtreasury, N.Y. 35
- 26. Board in N.Y. to settle Brown Brothers agreement. 35
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- 24. McAdoo writes C.S.H. approving letter to Gov. Strong. 35
- 23. C.S.H. sends tentative draft to Gov. Strong. 35
- 22. Miller opposes it. 30, 31
- 21. C.S.H. prepares new letter to Gov. Strong. 31
- 20. Is held at meeting a new acceptance could be given. 31
- 19. Holder could not be bound to renew; that if holder his opinion of July 28; that he merely meant that the Miller says Board letter of July 28 not warranted by his suggestion would embargo exports. 31
- 18. Brown Brothers. 31
- 17. Agreed that our manufacturers will get cash from cash. 30
- 16. Miller says all munition exports should be paid for in Banks and member banks would care for this. 30
- 15. Replied that discretion of directors of Federal Reserve Agreement made them long term loans. 30
- 14. Lawsuit which might repudiate them and that Government Miller says they are, in effect, loans to French Government of gold to pay them. Most liquid. 29, 30
- 13. French Government agreed not to prevent exportation of gold to pay them. Most liquid. 29, 30
- 12. Banks, secured by Treasury notes, and that pointed out that they are to be drawn by French Miller claims Brown Brothers acceptances are not liquid. 29
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- 65. Warburg denies this. 41
- 66. Regulation J adopted while C.S.H. in west. 41
- 67. Williams, sent for by C.S.H., returns and says he did intend to allow renewals after goods delivered. 42
- 68. Warburg finally admitted renewals were legal and withdrew his objections. 42
- 69. Warburg then claimed Federal Reserve Banks could not, under Regulation J, discount acceptances after delivery of goods. 42, 43.
- 70. Gov. Strong said he had read Board's letter to Brown Brothers who were satisfied with it. 43
- 71. Gov. Strong told Brown Brothers he could give no assurance as to discounts by Federal Reserve banks. 43
- 72. Warburg said Secretary Bryan disapproved French loan in an interview, August 15, 1914, as violating spirit of neutrality 44 (See scrap book 91 - 21)
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- 77. C.S.H., Williams, and Miller file memoranda as to the Subtreasury meeting. 46
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- 80. Harding says McAdoo had no right to change call but he would have gone to Subtreasury had he not deemed it wise to keep in with Warburg and Miller to head off any pro-German agreement they might make with one another. 51
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- 82. Miller says no doubt of propriety of exporting munitions or of right of Federal Reserve Banks to discount acceptances based on them. 52
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- 84. Gov. Strong urges broadening of Regulation J. 59
- 85. Miller said he originally drew Regulation J. 59
- 86. Miller said he had reached end of his usefulness. 59

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57. Miller said he had reached end of his usefulness. 59

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Says, however, Bank of England is not proper agency. 294

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C.S.H. agrees Board must approve before agreement put into effect during war. 294

Most of members feel now is time to buy foreign bills and build up foreign balance with, against which exchange can be sold if tide turns against U.S. 294

C.S.H. points out that in former discussion Governor Strong said purpose was to buy domestic bills drawn against our exports to stabilize exchange, while present memorandum of agreement is against buying such bills because of risk involved, and that only foreign bills should be purchased. 295

Warburg replies that individual banks would buy long bills and Federal Reserve Bank could buy checks and cable drafts from them based on these long bills and thus create balances abroad. 295

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Can not ask opinion from ...

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Warburg ...

One not out down number of Federal Reserve Districts ...

Asks not to publish above decision for present ...

Asks President to ask opinion of on mandatory power ...

clearing system ...

Secretary of Treasury ...

Can ask opinion of, as Chairman of Federal Reserve Bd ...

Warburg explains business Board will not ask opinion of ...

on neutrality etc ...

Warburg says opinion of as to cutting down districts would ...

have been different had he known a branch would have ...

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Warburg says would be folly to tie up reserves of Federal Reserve banks in investments which can not count as reserves. 296

Warburg says the small amount we could spare for such purpose, say 25 millions, - could not stabilize exchange. 296

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C.S.H. says felt originally that Federal Reserve banks were Government banks, but accepts opinion of Elliott that they are not. 296

C.S.H. says we have agreed to Brown Brothers credit, and the gold deposits made by Bank of Netherlands, and sees no legal obstacle to approving this agreement. 296

C.S.H. says has no objection to asking State Department as to neutrality. 296

C.S.H. says, however, that if we do, we should not vote on the agreement until we obtain decision from State Department. 297

Williams and Delano insist on voting first and then asking opinion from State Department. 297, 298.

Williams moves to postpone whole matter. 297

Motion lost, only Williams and Miller voting aye. 297

Finally unanimously voted to approve agreement on principle, reserving right to determine whether it shall go into effect during war and subject to opinion of State Department, as to neutrality. 297

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McAdee wants to see copy of Board resolution before Committee interviews State Department. 297

Williams tells C.S.H. agreement will politically injure administration. 298

C.S.H. says great weight must be given to recommendation of Committee of Governors and to judgment of directors of Federal Reserve Bank of New York, as to necessity for immediate action. 298

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See - Lansing

Bills of exchange, Open market Powers, Regulations.

Warburg opposes issuing any regulations, especially on domestic acceptances. 61

C.S.H., Harding, and Warburg appointed committee to prepare draft of. 62

C.S.H. prepares a draft. 62

Warburg and Harding oppose, and present report against any open market powers. 62

Say domestic and foreign acceptances should be split up  
C.S.H. prepares another draft and presents dissenting report. 62

Warburg says he will openly fight against any powers for domestic acceptances. Federal Reserve banks should not be allowed to compete with member banks. 62

Warburg prepares draft covering trade acceptances but says he will vote against it. 62

Bills of exchange (Cont.)

Gov. Fancher favors regulations, including domestic acceptances, to help Federal Reserve banks earn expenses. 65

Gov. McDougal objects, especially as to domestic acceptances, as the competition would antagonize member banks. 65

Gov. Fancher and Gov. McDougal finally agreed that the power to buy domestic bills should be given by regulation. 65

Warburg very angry; said we would soon hear from the banks. 65

Warburg and Harding file insulting report against C.S.H. draft for purchase of domestic bills. Says C.S.H. thinks more of earnings than of safety of Federal Reserve system. 67

Purchase in open market will give Federal Reserve banks right to deal directly with individuals as do European central banks. 68

Warburg writes to Federal Reserve Agent Curtis at Boston as to purchase of domestic bills but does not tell Board of this. 68

Glass tells Warburg if Board does not frame open market regulations covering purchase of bills, he will attack it in Congress. 70

Warburg and Harding file a report which the majority favored; it consisted of a letter to Federal Reserve Agents as to open market purchases, in lieu of a regulation. 70, 71.

They gave C.S.H. no notice of any meeting at which this report was agreed to. 70, 71.

C.S.H. objects to not being notified. 71

They reply no official meetings or reports. 71

C.S.H. opposes letter, but admits it does give some open market powers. 71

C.S.H. then files minority report. 71

Board refers matter back to committee. 71

C.S.H. says Glass said a letter in lieu of regulations would not be satisfactory. 71

Delano said Glass told him it would be satisfactory, as he recognized the danger of a regulation at present time. 71

Committee votes (C.S.H. contra) to report in favor of the letter in lieu of regulations. 72

In Board C.S.H. moved to substitute minority report C.S.H. and Williams aye

Delano, Warburg and Harding - no. 72

On final vote, C.S.H. voted aye as it was all he could get. 72

Warburg claimed Federal Reserve banks did not want power to purchase domestic bills but Atlanta has asked approval of a rate, and Philadelphia and Cleveland also favor it. 78

Gov. Strong favored it but said it should have been in shape of a regulation and not a mere letter. 78

New Orleans Branch bank asks authority to purchase state bank acceptances in open market. 78

Harding tells C.S.H. may be possible to amend regulations to allow this, exactly reversing position taken in majority report. 78

C.S.H. favors such an amendment. 78

Bank of England (Cont.)

Mohr says statement of Curtis - Council of Federal Reserve Bank of New York - that he favored the agreement is not true. 59

Says does not know enough about the agreement to favor it. 59

Thinks as any rate it should not be approved now. 59

Gov. of Board resolution. 59, 60

Resolution introduced by Warburg. 59, 60

See - Bills of exchange

Strong, Gov.

Bank of France

Gov. Strong discusses agreement with similar to that with Bank of England. 59

Bank of Netherlands

Said to be issuing notes, based on unbacked gold in Federal Reserve Bank of New York. 59

Can buy German securities in this way without regard to interference by Great Britain. 59

C.S.H. favors Bank of England agreement on analogy of unbacked gold. 59

Reserve acceptances

Jay wants change in Regulation H so that bankers statements shall be made only to the Governor and Federal Reserve Agent and not to be shown to directors. 60

C.S.H., Williams, and Miller objected. 60

Warburg and Delano favored. 60

Bankers Club, Cleveland

C.S.H. speech. 59

Barnhart

See - Lansing

Bills of exchange, Open market power, Regulations

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Warburg prepares draft covering trade acceptances but says he will vote against it. 68



Bills of exchange (Cont.)

Warburg bitterly asks how C.S.H. could favor it, exciting, as it would, division among member banks. 78  
 C.S.H. explains his views to Warburg. 83  
 Board voted to permit New Orleans branch to purchase state bank acceptances in open market. 90  
 Warburg alone voted against it. 90  
 Question of a general regulation postponed for present. 90  
 Harding double crossed Warburg. 90, 91.  
 Board votes unanimously to issue regulation covering open market purchases of state bank acceptances secured by commodities. 91  
 Forgan says open market powers will annoy and irritate member banks because of competition. 110  
 C.S.H. points out certain obscurities in the open market regulations. 127  
 Warburg very ugly. 127  
 Miller moves appointment of committee to prepare complete draft of regulations covering all open market powers. 128  
 Miller and Harding appointed. 128  
 Warburg bitterly opposes regulations regarding foreign bills; said members knew nothing about it. 128  
 See - Bank of England, Foreign Agent  
 Open market powers

Bolling

See - Federal Reserve Bank, Richmond

Bosworth, Federal Reserve Agent

See - Federal Reserve Bank, Chicago

Brandeis, L.

Anderson asks C.S.H. to testify before Senate Committee in favor of confirmation of, as Associate Justice of U.S. Supreme Court. 198  
 C.S.H. is willing but thinks it foolish out of five witnesses to take three from administration. 198  
 Anderson fully agrees. 198  
 C.S.H. will ask R. M. Morse to testify. 199  
 C.S.H. suggests Winslow Warren. 199  
 Burleson says Lodge says will vote for. 199  
 Lodge fears Jewish vote. 199  
 Anderson finds difficulty in getting witnesses. 200  
 C.S.H. says will testify. 200  
 Anderson thinks it better not to call an administration man. 200  
 C.S.H. says he and H.P.H. are working for. 200, 201.  
 Anderson very gratified to C.S.H. 201  
 C.S.H. controversy with Austen Fox over, at dinner at Senator Weeks. 201  
 Fox said Samuel Warren was in doubt as to his position as to his brother but, wrote him long letter to reassure him. 201.  
 C.S.H. talk with Fox. 202

**Brandeis, L. (Cont.)**

C.S.H. says has had experience with judicial fairness of (Riggs case) 202

See - Riggs bank

**Broderick**

Report of, on Federal Reserve Bank, Atlanta

C.S.H. asks Miller what, contains on which he bases opinion that Federal Reserve Bank of Minn. should be discontinued. 88

Board writes stiff letter to Federal Reserve Bank of Atlanta, based on. 92

Report on Federal Reserve Bank of Boston

C.S.H. negatives Warburg's claim that, shows necessity for paying back capital. 193

Explains reason for making Federal Trust Company of Boston mark down its assets. 219

Explains New York law as to same. 219

Criticizes Thorndike, Bank Superintendent of Mass. 219

See - Federal Reserve Board; cutting down.

**Bryan, Secretary**

See - Acceptance credits.

**Burke, U. S. Treasurer**

Board replies to attack of, on Federal Reserve Bank of Minn. by announcing that transfer to Chicago is not under consideration. 89

C.S.H. says if Board abolishes Federal Reserve Bank of Minn. will help, in his race for Senate. 94

Miller says McAdoo inspired Gov. Burke's attack. 106

Delano says he knows this is true and McAdoo won't deny it. 106

McAdoo writes Delano and Miller on what authority they said this. 109

See - McAdoo

Delano says talk with Jaffray about abolishing Federal Reserve Bank of Minn. was confined to Burke's suggestion. 147

See - Federal Reserve Board; cutting down. McAdoo

**Burton, Senator**

Speaks at Chicago with C.S.H. 129

**Bush, Irving**

Was one of New York leaders in reserve bank bill. 129

Tells Laughlin New York bankers are raising a slush fund. 130

Laughlin says Chicago bankers were more bigoted than Vanderlip and. 134



Capital. Return of paid in.  
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Carver, Eugene  
See - C.S.H.

Catholics  
Lansing says real reason for opposition of, to Wilson is secret agreement of Germany to give Pope of Rome temporal power if Germany wins war. 176

Central bank  
Delano and Miller say Federal Reserve system depends on New York and Federal Reserve Bank of New York is practically a central bank. 184  
Harding says Federal Reserve Bank of New York ought to be the central bank of U.S. 184

Chairman of Federal Reserve Board  
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Federal Reserve Board; Governor  
McAdoo

Class C Directors  
In future, National bank examiners not to be eligible for Class C Directors or Deputy Federal Reserve Agents. 164

Clearing system  
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Cotton, J. P. advises that Federal Reserve Banks can receive checks on state banks only for collection. 64  
Cotton advises that Federal Reserve banks can not pay from reserve deposits checks on member banks or make them keep balances for this purpose. 64  
Warburg favors optional plan. 127  
Warburg says city should be made a reserve city where banks refuse to join. 127  
Committee of Federal Reserve Agents and Governors favor mandatory system. 127  
Elliot and Cotton advise that Board has no power to put in a mandatory system. 127  
C.S.H. thinks Elliott and Cotton wrong. 127  
Warburg very bitter at C.S.H. 127  
Committee of Federal Reserve Agents and Governors demand a square ruling on mandatory system. 128  
C.S.H. wants opinion of Attorney General but Delano opposes 128  
C.S.H. admits Board has progressed as rapidly as possible. 127

Clearing system (Cont.)

Willis criticizes Elliott's draft of letter to Attorney General on mandatory powers. 156

Elliott in draft asked Attorney General if Federal Reserve Board could force banks to deposit all items in Federal Reserve banks. 156

Willis said latter question not necessary; only question is: - can Board compel Drawee banks to clear. 156  
Board changed letter accordingly and sends it back to committee. 156

C.S.H. revises letter with approval of Glass and Willis and sends it to President. 157

C.S.H. tells Glass if favorable ruling given, Board will go ahead. 159

Glass says clearing system should have been put in long ago. 159

C.S.H. says opinion of Cotton and Elliott is responsible for the delay. 159

Glass says intent of Congress was to give mandatory power. 159

Glass says if Attorney General says no mandatory power we must go to Congress. 159

C.S.H. thinks Willis is responsible for Glass's worries. 159

C.S.H. amendment. Stamp tax on checks in Interstate Commerce of banks not joining clearing system. 179

Miller moves to postpone Connecticut redistricting case until clearing system established. 194

Conference as to collecting checks through Postmaster. 260

See - McAdoo, C.S.H., Harding and Burleson present. 260

C.S.H. suggests opinion from Attorney General Agreed. 260

Burleson refuses as is sure he has the power. 260

Burleson says Harding told Kitchin he did not approve of Burleson order. 260

Harding denies this. 260

Board directs C.S.H. to telephone Sen. Simmons and Kitchin: -

1. Board has asked Burleson to suspend order for present. 261
2. Board meantime will make arrangements for bonding of Postmaster, insurance, etc. 261
3. Board will give hearing to Simmons and Kitchin 261

Harding admits telling Kitchin that he can evade Burleson order by making checks payable in N. Y. exchange. 261

Kitchin agrees to put objections in writing, the Board meantime to complete arrangements for bonding and insurance. 262.

Kitchin given hearing.

Says 8000 state banks will close if order enforced. 262

Says "patrons" Sec. 16 refers only to member banks

263



Clearing system (Cont.)

Conference as to collecting checks through Postmaster (Cont)  
Kitchin given hearing (Cont.)

Present interpretation of Board will make North  
Carolina Republican. 263

Harding says Board could suspend collection of such state  
bank checks without injury to. 261

Harding suggests clearing members who may deduct reasonable  
exchange charges. 261

Agreed to consult Glass. 261

Glass agrees to clearing members; is very bitter against  
Kitchin. 262

Harding favors striking out "at par" in Section 16 if right  
to collect through Postmasters is enforced. 262

Harding draws amendment as above. 264

Harding says Glass seems to favor his amendment. 266

C.S.H. will oppose it. 266

Harding prepares new amendment providing for clearing members  
not striking out words "at par" 267

Commercial paper

Miller says paper of ultimate consumer is not eligible for  
rediscount. 29

See - Open market purchases.

Committee of Federal Reserve Board

Executive committee prepares list. 97

No changes. 97

Warburg (not on committee) plus two of committee make new  
draft. 97

C.S.H. dropped from Boston committee. 97

Williams says C.S.H. has quietly "slipped off" from Boston  
committee. 97

C.S.H. writes Willis he will remain on Boston committee. 97

In new plan, Warburg and Delano take Boston, New York,  
Philadelphia, Cleveland, Chicago and Minneapolis. 97

Harding and Miller take other. 6 97

Warburg never consults C.S.H. about Boston committee. 97

Competition with member banks

See - Bills of exchange

Federal Reserve banks; dividends

Commodity paper

McAdoo to make Government deposits in Federal Reserve Banks  
to discount cotton paper at low rate. 54

Wants loans conditioned on specified low rates to customers. 54

Warburg protests. 54

C.S.H. feels such conditional rates should be adopted only  
in cases of emergency which does not now exist,  
as member banks have plenty of money. 54

Commodity paper (Cont.)

Warburg suggests compromise - issue of appropriate regulations to insure customers getting benefit of the low rediscount rates. 54

McAdoo agrees. 54

Harding says does not believe in, but unwilling to be held up as a Judas by South. 55

C.S.H. thinks pure politics on McAdoo's part. 55

C.S.H. agreed with Warburg better to let Federal Reserve banks fix maximum rates banks can charge customers. 58

In view of the exigency Board voted itself to fix the rates, provided customer not charged over 6%. 58

Warburg and Miller voted No. 58

Miller writes Harding approving deposits in Federal Reserve Banks for commodity rates. 60

McAdoo wants to force Federal Reserve banks to put in commodity rates. 61

Warburg objects. 61

Bound to call on Federal Reserve Banks of Boston, Minneapolis and Kansas City for reasons for refusal to put in commodity rates. 61

Gov. Fancher and McDougal oppose commodity rates. 64, 65

Federal Reserve Bank of Boston puts in a 3 1/2% rate. 65

Board votes, on C.S.H. motion, to hold up approval until Board hears from San Francisco. 65

Harding said we had fixed 3% rate for south and should now drop matter. 65

Harding says McAdoo is playing politics. 67

Delano prepares report condemning Government deposits as a purely political move. 69

McAdoo said to have approved use of Government deposits in Atlanta for purchase of warrants. 84

Comptroller of Currency

C.S.H. believes should be put directly under Federal Reserve Board. Sept. 1, 1915. 58

Would never have been put on Board but for friendship of McAdoo. 58

See - Federal Reserve Board Williams

Comptroller of Treasury

Rules Williams entitled to salary claim. 170

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See - Bankers acceptances

Congress

C.S.H. favors amendment providing for direct appropriations by Congress for Federal Reserve Board expense. 179

Clearing system (Cont.)

Committee as to collecting checks through Postmaster (Cont.)

McAdoo's plan for clearing checks

Present intention of Board with McAdoo's plan

Harding says Board could suspend collection of such checks

bank checks without injury to

Harding suggests clearing members who may desire some exchange changes.

Agreed to consult Glass.

Glass agrees to clearing members; is very bitter against

McAdoo's plan.

Harding favors settling out "at par" in Section 12 if right

to collect through Postmaster is enforced.

Harding draws attention to above.

Harding says Glass seems to favor his amendment.

C.S.H. will oppose it.

Harding proposes new amendments providing for clearing members

not striking out words "at par".

Commodity paper

Miller says paper of Federal Reserve is not eligible for

rediscount.

See - Open market purchases.

Committee of Federal Reserve Board

Executive committee prepares list.

No changes.

Warburg (not on committee) gives two of committee's main

points.

C.S.H. dropped from Boston committee.

Williams says C.S.H. has quickly "slipped out" from Boston

committee.

C.S.H. writes Miller he will remain on Boston committee.

In new plan, Warburg and Delano leave New York

Philadelphia, Cleveland, Chicago and Minneapolis.

Warburg and Miller take other 5

Warburg never advises C.S.H. about Boston committee.

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See - Bills of exchange

Federal Reserve banks; discounts

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McAdoo to raise Government deposits in Federal Reserve banks

to discount cotton paper at low rates.

Ways loans conditioned on specified low rates to customers.

Warburg protests.

C.S.H. feels such conditional rates should be adopted only

in case of emergency which does not exist.

as member banks have plenty of money.



Connecticut banks. 194  
See - Redistricting

Contraband  
See - Cotton  
Great Britain  
Harding

Cotton  
Harding tells Board of conferences with Sir Richard Crawford on the subject of cotton being made contraband by Great Britain, Tuesday, August 10, 1915 at New York meeting. 43  
Said from talks with Sir Richard he had no doubt Great Britain would declare it contraband. 43  
Said he told Sir Richard that if it must be done, should be done before crop begins to move. 43  
Some allusion to fact that Harding held these conferences as a member of Cotton Committee of Board. 43  
No such authority ever given to cotton Committee. 44  
Matter never acted upon by Board, officially or unofficially 44  
Harding asked purely as an individual. 44  
C.S.H. only knowledge of matter came from Williams a month before. 44  
Williams said some one, I think Mr. Price, was taking matter up with British Embassy. 44  
Williams asked C.S.H. to lunch with Harding and Sir Richard, but C.S.H. declined saying this matter was purely personal with Harding and not in any way official. 44  
Harding said State Department asked him to take up the matter unofficially with Sir Richard. 44  
Harding gave the impression that some agreement might be entered into with Great Britain as to cotton which Germany would regard as a direct breach of neutrality. 45  
Harding confers with President Wilson as to his cotton conferences with Sir Richard. President Wilson fully approved them. 51  
British Ambassador tells C.S.H. that his representative is still here, in case of any further break in cotton; speaks of splendid work of Harding. 153  
Harding says he himself wrote the proclamation of Great Britain making cotton contraband. 213  
See - McAdoo

Cotton, J. P., Special Counsel.  
Advises redistricting Committee that Board has power to abolish Federal Reserve districts. 92  
Discusses redistricting plan with Miller. 115  
Ellett said to have changed opinion and to now agree with Cotton. 123  
Advises Board can not put in a mandatory system of clearings 127, 159

Cotton, J. P. (Cont.)

Advises Board that Williams is entitled to payment of his claim for salary. 170  
See - Clearing system  
Treasury domination  
Williams

Cotton paper

See - Commodity paper  
Government deposits

Coughlin, Dr.

Lawler of Greenfield tells, a friend said J. H. O'Neil told him country would never be prosperous until Wilson administration swept out of power. 218

Counsel of Federal Reserve Board

See - Acceptance credits  
Cotton, J. P.  
Elliott  
Federal Reserve Board; cutting down

Crane, Charles R.

C.S.H. dines with, and Col. House at Woods Hole. 53

Crawford, Sr. Richard

See - Cotton

Credit statements

See - Bankers acceptances

Credits

See - Great Britain

Crops, Moving of

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Government deposits  
McAdoo

Curtis, J. F.

McAdoo says statement of, that he approved the agreement with Bank of England is not true. 299

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Day, Mr. Justice

Justice McReynolds says wants war because of Lusitania. 12

Decker

Willis says redistricting Committee consult'd, about abolishing Minn. bank. 85  
Miller says, trying to scare Board as to Wisconsin banks petition. 292

Connecticut banks  
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Commodity paper  
See - Cotton  
Government deposits  
Williams

Cotton

Harding tells Board of conference with Sir Richard Crawford on the subject of cotton being made compulsory by Great Britain, Tuesday, August 10, 1918 at New York meeting.

Said from talks with Sir Richard he had no doubt Great Britain would demand it compulsory.

Said he told Sir Richard that it is most probable that some action to that point Harding held these conferences as a member of Cotton Committee of Board.

He such authority ever given to Cotton Committee. Harding never acted upon by Board, officially or unofficially. Harding asked purely as an individual.

C.S.H. only knowledge of matter came from Williams's mouth before.

Williams said some one I think Mr. Price, was taking matter up with British Embassy.

Williams asked C.S.H. to lunch with Harding and Sir Richard but C.S.H. declined saying this matter was purely personal with Harding and not in any way official.

Harding said State Department asked him to take up the matter, unofficially with Sir Richard.

Harding gave the impression on that some agreement might be entered into with Great Britain as to cotton which Germany would regard as a direct breach of neutrality.

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British Ambassador tells C.S.H. that his representative is still here, in case of any further press in connection of splendid work of Harding.

Harding says he himself wrote the proclamation of Great Britain making cotton compulsory.



**Delano, F. A.**

Thinks Sec. 13 includes discount of acceptances based on goods from one foreign country to another. 7

Goes to N. Y. and Marblehead to see Morgan. Evolves a plan as to foreign credits. 27

Did not consult C.S.H. and had no authority from Board. 27 Warburg bitterly objects to this secret conference. 36

C.S.H. tells McAdoo that Delano works hard, is absolutely honest, and takes a radical ground as to clearings and acceptances. 63

Prepares report condemning McAdoo for deposits in Federal Reserve banks, - a purely political move. 69

Thinks may drop matter. 69

Leaves for Chicago. 86

C.S.H. thinks goes to consult with Federal Reserve Bank of Chicago as to abolishing Minn. Reserve Bank. 86

Hopes administration will not try to make political capital out of Federal Reserve system, as would make

Republicans denounce the Federal Reserve Act. 88

Says Miller was a fool to blurt out about possibility of abolishing Federal Reserve Bank of Atlanta. 88

Harding says will drop matter of cutting down Federal Reserve Banks, provided President Wilson sends for Delano and asks him not to press it. 95

C.S.H. goes to Annapolis with Mr. and Mrs. Delano, but Delano avoids speaking of plan of cutting down number of Federal Reserve Banks. 99

Delano files report of Committee, Monday, Nov. 15, 1915. 100

Very ugly because Sec. McAdoo, C.S.H. and Williams ask reasonable time to consider Committee report on cutting down Federal Reserve Banks. 100

Says McAdoo has had plenty of time in which to consider it and has talked it over with others. 100

C.S.H. says first had copy of report last Saturday. 100

Says C.S.H. etc. endeavoring to delay matters. 101

Moves for meeting tomorrow, Tuesday, to take up report and vote on it. 100

Says unqualifiedly committee had not agreed on any specific plan for cutting down Federal Reserve banks. 101, 102, 120

C.S.H. asks if Comm<sup>ee</sup> had not prepared a map showing reduction of districts and Delano after some hesitation said there had been 8 or 9 drafts of report and 8 or 9 maps prepared. 102

C.S.H. says of doubtful propriety for a Committee to bring in other members to obtain majority agreement before reporting to Board, and Delano turned on him as if intending violence and demanded what C.S.H. meant. 102

C.S.H. started to repeat statement when he yelled out "I heard it!" 102

Delano, F. A. (Cont.)

Then said in most threatening manner, "What do you mean by it!" 102

C.S.H. repeated statement. 102

Delano says Committee has been treated in most shameful manner. 102

Says - "You do not want to discuss this question honestly!" 102

C.S.H. asked if Members of Board not on Committee had not been consulted as to any specific plan of redistricting and he yelled "No!" 102

Later Delano said he knew Committee had a majority of Board in favor of instructions to report a plan. 103

Finally agreed to ask McAdoo when he could attend a meeting. 103

Says has not talked with any outside person or banker as to plan 104

Says McAdoo told some one that one Federal Reserve Bank would be abolished, and that he won't deny it. 104

Votes against C.S.H. resolution calling for the evidence on which report of Committee is based. 104

Says will give all details at meeting Monday but refuses to give them now. 104

Violently opposes Williams motion to have stenographer take down minutes of Monday meeting. 105

Unless Board will vote that in future all meetings shall be reported stenographically. 105

Voted to table Williams motion. 105

Says again will give all evidence at Monday meeting but declines to give it now "to be shot at." 105

Says we are not acting in good faith, are not honest, pettifogging, playing for delay, etc. 105

C.S.H. says asks only one week to study evidence which Committee promises to reveal on Monday. 106

Says he knows McAdoo inspired attack of Gov. Burke on Federal Reserve Bank of Minn. 106

Says copy of report should be sent to Houston. 107

C.S.H. says the statement in the report of want of confidence in Federal Reserve System might disturb country and perhaps cause financial trouble. 107

Wild burst of hilarity from Delano et als as to this statement. 107

Attacks Williams, saying of course he would never admit any errors in decision of reserve bank organization committee. 107

Says he never would admit he was in error as to anything. 107

Says again we had treated committee in scandalous manner and were trying to prevent honest discussion. 108

Says Board could have discussed matter:

1. Legality. 2. Expediency
3. By pettifogging methods which we were following unworthy of gentlemen and of Board. 108



Delano, F. A. (Cont.)

Said Elliott had changed views as to 1 and now agreed with Cotton. 108

Said C.S.H. had said no lawyer of repute could have rendered such an opinion. 108

(See my letter to Delano correcting him and stating just what I said.)

Said Senator Owen at Oklahoma hearing said Board had this power. 108

Said that if Board so instructed, the Committee could report a plan in 2 or 3 days. 108

Willis says statement of Delano that Committee had not agreed on any specific plan may have been technically correct at that moment, but that at one time Committee had agreed and had prepared a map accordingly, but that he had pointed out so many objections the Committee had become divided. 109

McAdoo demands of Delano his authority for statement that he had incited Burke to attack Minn. bank. 109

C.S.H. dictates letter for Williams to send Delano asking that map referred to by Harding be produced at next meeting. 109

Delano asks Federal Advisory Council if it has any other suggestions to make, hoping evidently that they would suggest cutting down of districts, but no such suggestion was made by Council. 110

Doubts advisability of cutting down capital of Federal Reserve banks as recommended by Federal Advisory Council, but felt there were strong arguments for it. 110

Delano tells McAdoo C.S.H. did not quote him quite accurately as to his charge that McAdoo incited Burke. 111

C.S.H. explains to Delano why he had felt it his duty to report his remarks to McAdoo. 111

Miller said it was Delano and not he who made the charge. 111

Delano said he was the guilty person and he knew he was correct on faith of statement to him of two persons. 111

McAdoo calls Delano to account by letter. 111

Record of last meeting read, and Delano insists on having in record his remarks as to 3 possible courses, etc. 111

Especially referred to pettifogging. 111, 112.

Admits he lost his temper and said much he ought not to have said. 112

Said imputation that Committee was trying to steam roller the matter made him very angry. 112

Admits that he said the Committee had 4 votes for its report but said Miller had not directly given any promise as to his vote. 112

Says Committee will make another report striking out certain statements in original report and would ask to have it substituted for first report. 112

Delano, F. A. (Cont.)

Then said in most threatening manner, "What do you mean?"

108

C.S.H. repeated statement. 108

Delano says Committee has been treated in most shameful manner. 108

108

Says - "You do not want to discuss this question honestly?"

C.S.H. asked if members of Board not on Committee had not been consulted as to any specific plan of reorganization and he replied "No". 108

Later Delano said he knew Committee had a majority of Board in favor of instructions to report a plan. 108

Finally agreed to ask Harding when he could attend a meeting. 108

Says has not talked with any outside person or banker as to plan. 108

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Delano, F. A. (Cont.)

Says he will write Glass to send back copy of first report as Committee will substitute another for it. 113

Delano said Committee had no intention to crowd debate. 122

C.S.H. reminded Delano that what he called unreasonable delay was request of C.S.H. and Williams for 1 week to study report before voting. 122

Reminds Delano that he said if not decided by Monday, Harding would be away. 123

Delano says Board has given consent to substitute the 2nd for the first report. 123

C.S.H. says Board voted merely to receive the 2nd report. 123

Delano said Committee would not have asked any action except by unanimous vote. (absurd). 124

Delano says Warburg will remonstrate against C.S.H. letter to President. 124

C.S.H. says in that event he will write President fully. 124

Delano wants action on 5 pending petitions for redistricting. 125

C.S.H. opposes. 125

Delano moves that whole matter of abolishing Federal Reserve banks be tabled. Voted unanimously. 126

Opposes C.S.H. motion to obtain opinion from Attorney General as to mandatory power under clearing system. 128

Delano reads Board a memorandum on necessity for harmony. Admits he has done things he ought not to have done. 131

Board took up minutes of meeting on Committee report favoring cutting down of Federal Reserve banks. 135

Delano favored a very short account. 135

C.S.H. says his action in asking President to ask opinion of Attorney General was based on existing emergency, just as Delano said his visit to Morgan was. 135

Delano said he did this only as an individual and C.S.H. replied he wrote to President as an individual as well as Governor. 135, 136.

Delano at first objected to C.S.H. request to have produced last plan of Committee for cutting down Federal Reserve banks and for map. 136

Asked - "For what ulterior purpose do you want it?" 136

Delano finally produced 3 different plans and maps. 137

Willis said Delano enjoined secrecy on him when he originally showed him a plan and map. 137

Delano goes into C.S.H. office and has a talk with C.S.H. about question of abolishment of Federal Reserve banks. 138

Denies he tried to avoid C.S.H. on Annapolis trip. 138

At first took view that Harding's ultimatum to President was purely personal but C.S.H. pointed out that Harding said he had reported his talk with Williams in which he gave the ultimatum to the Committee. 138

Warburg opposed Delano's wish for a short report of minutes of Board; says Delano must not "forge the records." 138



Delano, F. A. (Cont.)

McAdoo says President will shortly send for C.S.H. and Delano separately to talk over Board matters. 144

C.S.H. writes Delano if report contains any criticism of him he should file complete answer. 145

Delano thinks Committee should look over report and perhaps revise it. 145

Delano admits he talked with Jaffrey in Minn. on abolishing Minn. bank but said it was with reference to Burke attack. 147

Says if Sec. McAdoo had been present at meeting of Nov. 15, there would have been no row or misunderstanding! 147

Delano tells Willis that Warburg said that any one opposing cutting down districts to 8 was an enemy of Federal Reserve system. 148

Delano sends C.S.H. new draft of 3rd report. 148

Williams moves Committee file all data on which conclusions of original report were based. 148

Delano said Committee would be willing to prepare this. 148

Williams points out that Committee in its original report said it had already had this data on hand. 148

Delano moved 3rd report should be considered filed subject to future changes Committee might make. Harding alone voted No. 149

Presents report against national bank examiners serving as Deputy Federal Reserve agents. 155

Said this means removal of Starak in New York. 155

Delano says Board need not remove Starak; it can cut down his salary as examiner. 156, 157.

Delano agrees to C.S.H. letter to President as to clearing system. 157

Glass says thinks Delano honest but his surroundings have been such that he failed to grasp interests of the people against the banks. 159

Delano dislikes C.S.H. because he can't control him, but thinks he can control Sec. McAdoo. 160

Delano reports in favor of Fleming as Deputy Federal Reserve Agent, Kansas City. 170

Delano objects to Williams salary claim. 171

Delano reads confidential letter to Sec. McAdoo opposing Williams salary claim. 172

Miller moves amendment authorizing Federal Reserve banks to purchase notes secured by warehouse receipts covering agricultural staples. 175

C.S.H. moves to amend by permitting purchase of notes bearing signature of two or more responsible persons. 175

Finally tabled, but Delano says if he had to vote on main proposition he would favor C.S.H. motion but thought it should be postponed. 175

Delano, F. A. (Cont.)

Delano says same rule should apply to Government deposits in Federal Reserve banks as to deposits in national banks, - equitable division among the states. 181

Delano says whole Federal Reserve system depends on Federal Reserve bank of New York, which is, practically a central bank. 184

Delano reports against Williams salary claim. Criticizes C.S.H. for asking opinion of Comptroller of Treasury. 185

Williams indignant at Delano's report. 187

Said it contained false statements and was an attack on his honor. 187

Williams said would ask Delano what he meant and if no satisfactory reply, would then and there thrash him soundly. 187

C.S.H. writes Delano pointing out that Willis says Williams did not object to having matter docketed. 188

C.S.H. explains matter fully to Delano. 188

Delano agreed matter should not be docketed before ruling by Comptroller of Treasury. 189

Delano says will recast chronological table attached to his report. 190

Says would advise Williams, if he were his own brother, not to press this claim. 190

Says Glass is much disturbed as to matter. 190

Says originally opposed to Conn. bank petition, but that banks had convinced him. 194

C.S.H. dines with Delano. 199

Delano at first opposes postponement of Conn. banks petition 199

Says it will give C.S.H. an inducement to black clearing plan. 199.

Board voted to allow Williams salary claim. 202, 203

Delano said C.S.H. memorandum stated case fairly and was very convincing but he had "got in so deep" he felt he must vote against it! 203

Moves to increase Elliott's salary. 203

Delano seconds Harding's motion to elect Hardy, Federal Reserve Agent, Richmond. 206

Votes against Smith bill permitting purchase of commercial notes in open market. 208

Finally offers no objection to C.S.H. signing vouchers for Williams salary claim. 213.

Orders Allen to telegraph Federal Reserve Bank of Kansas City authorizing increase in discount rates without knowledge or authority of Board. 215

Deliberately concealed this from C.S.H. 217

Very mad with Miller for his opposition to cooperation between Federal Reserve banks. 230



Delano, F. A. (Cont.)

Says, referring to Miller, any man with brains could see difference between things that are different. 230  
 McAdoo says Delano will never be designated again as Vice Governor. 231  
 Delano and Harding tell C.S.H. of their interview with President as to rotation of Gov. June 19, 1916. 233  
 Says nothing personal in it. 233  
 Gives C.S.H. copy of his letter to President asking interview 233

C.S.H. comments on letter. 233  
 Very egotistical and bumptious. 234  
 Said rotation must come. 234  
 Think he said he was a candidate for Gov. 234  
 McAdoo says will never stand for Delano for Gov. 235  
 C.S.H. thinks it better to designate Delano as Gov. as otherwise might resign. 235  
 McAdoo says he wished he would resign. 235  
 Delano so pleasant that I suspect McAdoo has yielded on rotation 238

C.S.H. tells McAdoo thinks Delano will resign if Harding and Warburg are designated. 240  
 McAdoo says Delano can not be designated as Gov. 240  
 Says Delano is a narrow, peevish man, and wishes he would resign. 240

C.S.H. tells McAdoo full design of Delano et als. 241  
 Delano puts circulating tag on the Federal Reserve Bank of Boston report from which C.S.H. name was dropped. 242  
 Allen advises C.S.H. not to notice this until after my reappointment and confirmation. 242

Delano favors amendment providing that small national banks may withdraw from Federal Reserve system. 245  
 C.S.H. tells Delano that Marsh, Treasurer of National Democratic Committee has a candidate for Class C Director, Chicago, now held by Meredith. 245

Says question of political contributions by members of Board must be considered individually. 246  
 Said he had written Sen. Kenyon as to Marsh's candidate for Class C Director. 246  
 Said McAdoo had not talked of rotation of Gov. with him. 246

Pleased when C S.H. said he was a disinterested spectator and would loyally accept the decision of President. 246  
 Said he felt sure I would take this position. 246  
 C.S.H. told Delano he had asked McAdoo not to discuss it with him further, as whatever was done would satisfy him. 246

Delano objects to granting Wisconsin petition. 249  
 Says first favored it but practical difficulties in way. 249  
 Says that one of Committee of Wisconsin bankers represented a bank not a member of system. 249

Delano, F. A. (Cont.)

That present Committee did not appear at original hearing. 249

That Sen. Husted had never called upon him. 249

That he and his committee would have been glad to settle question by transferring Minn. to Chicago, but that that gun had been spiked! 249

That granting petition would anger Sen. Townsend of Mich. and Sen. Nelson of Minn. 249

Raised technical point that Board had discussed petition without prejudice. 249, 250.

No petition, therefore, upon which to act. 250

Would stultify Board to reopen case. 250

Said out of question to transfer Milwaukee banks to Minn. 251  
Votes against C.S.H. motion to reopen petition and grant it. 252

C.S.H. says Harding told him Delano favored granting petition. 252  
Delano consents to Harding explaining situation to Sen. Husted 253

Delano failed to appear at talk between Harding and Sen. Husted although he agreed to. 253

Sec. M. sends for Delano who comes in. 253

McAdoo said Harding told him Delano et als would agree to grant petition. 253

Delano finally moved to reopen petition and grant new hearing. So voted unanimously. 254

Delano complains to C.S.H. very undignified to have meeting while Sen. Husted present. 254

C.S.H. says Delano himself made the motion. 254

Delano says does not want record to show affirmatively he made this motion. 254

Harding says Delano much disturbed as to date fixed, - August 8. 255

C.S.H. thinks Delano suspicious of politics when he found Sec. McAdoo and C.S.H. favored granting petition, especially as Sen. Husted was interested in it. 255

Delano has not acted in good faith. 255

McAdoo very mad at Delano for his conduct. 256

McAdoo says Delano et als are threatening dire things if Gov. does not rotate. 256

Williams says Delano expressed surprise and displeasure at Metropolitan Club when told of C.S.H. reappointment. 257

Delano never congratulated C.S.H. 257

Evidently mad at being defeated on cutting down of Federal Reserve banks and thinks he can injure the administration by fighting Wisconsin petition. 257

Delano in C.S.H. office and at Board meeting but did not congratulate C.S.H. 260

Never told Board he wired Miller for opinion on Smith bill authorizing cutting down of districts. 269

Delano, F. A. (Cont.)

Says referring to Miller, my man with private card was difference between things that are different. 250  
McAdoo says Delano will never be designated again as Vice Governor. 251

Delano and Harding tell C.S.H. of their interview with President as to rotation of Gov. from 1918. 252  
Gave nothing, however, in 1918. 252

Gives C.S.H. copy of his letter to President asking interview. 252

C.S.H. comments on letter. 252  
Very agitated and impatient. 252

Said rotation must come. 254  
Think he said he was a candidate for Gov. 254

McAdoo says will never stand for Delano for Gov. 252  
C.S.H. thinks it better to designate Delano as Gov. as otherwise might resign. 252

McAdoo says he wished he would resign. 252  
Delano so pleased that I suggest McAdoo has yielded on rotation. 252

C.S.H. tells McAdoo that Delano will resign to Harding and Harding are designated. 249

McAdoo says Delano can not be designated as Gov. 249  
Says Delano is a narrow, peevish man, and claims he would resign. 249

C.S.H. tells McAdoo full details of Delano et als. 241  
Delano puts discussing tag on the Federal Reserve Bank of Boston report from which C.S.H. was so dropped. 242

Allen advises C.S.H. not to notice this until after reappointment and confirmation. 242  
Delano favors amendment providing that each Federal Reserve Bank withdraw from Federal Reserve system. 242

C.S.H. tells Delano that Hatch, Treasurer of National Democratic Committee has a candidate for Class 3 Director, Chicago, now held by Meredith. 242

Says question of political contributions by members of Board must be considered individually. 242  
Said he had written Sen. Kanyon as to Hatch's candidate for Class 3 Director. 242

Said McAdoo had not called of rotation of Gov. with him. 242  
Pleased when C.S.H. said he was a disappointed spectator and would likely accept the rotation of President. 242

Said he felt sure I would take this position. 242  
C.S.H. told Delano he had asked McAdoo not to discuss it with him further, he whatever was done would satisfy him. 242

Delano objects to granting Wisconsin petition. 249  
Says first favored it but practical difficulties in way. 249  
Says that one of Committee of Wisconsin bankers represented a bank not a member of system. 249



Delano, F. A. (Cont.)

President says Delano's letter to him was a polite species of blackmail. At any other time would have no difficulty in treating it as it deserved. 269

McAdoo says if Delano et als should resign before election might injure administration. 269

That this was clearly their intent. 269

To make Delano Gov. would be to emphasize passing over of Warburg. 269, 270.

Delano absolutely unfitted for Gov. 270

Narrow, bigoted and a reactionary. 270

Supposed he was honest, but thick and stupid. 270

Given him every opportunity to be cordial and friendly but he had been cold and aloof. 270

More of an undeveloped boy than a man. 270

C.S.H. said for reasons of harmony Delano should be made Gov. 270

C.S.H. says sure Delano will resign if not made Gov. and dropped from Vice Gov. 270

McAdoo said did not care. Delano had forced issue and President had yielded, and if he resigns now he would be ridiculous. 270

C.S.H. pities Delano. 273

Bumptious, vain, jealous. 273

Has forced the issue and has only succeeded in losing Vice Gov. 273

Hoist by his own petard. 273

Vice President Marshall speaks of Delano and McClellan of Federal Reserve Bank of Chicago. 273

Said Delano so piqued at not being consulted that he forbad whole plan. 274

C.S.H. says Delano never told Board about this. 274

Marshall says Delano a very narrow man, easily piqued and allowing personal pique to govern his official action. 275

Harding says Delano takes his loss of Dep. Gov. very quietly although bitterly disappointed. 280

Delano persuades Warburg not to send President a letter he had prepared lecturing President for not making him Gov. 280

Delano, Wednesday, August 15, came in and explained why he had not congratulated C.S.H. on reappointment. 281

<sup>Said</sup> <sup>A</sup> Yet it would be hypocritical as he had been fighting me on Governorship. 281

Was glad I was appointed. 281

His opposition had not been personal. 281

Very subdued and almost dazed. 281

Seemed to want to have C.S.H. explain whole matter but C.S.H. would not. 281

Delano goes to station to see Warburg off, telling Harding he wanted to get him out of town. 283

Harding said Delano had been working on plan similar to C.S.H. - giving title of Gov. to all members. 283

**Delano, F. A. (Cont.)**

C. S. H. said if Delano had come to him he would have favored it and thought could have secured it. 283  
 Delano agrees that gold earmarked in Bank of England can not count as reserve. 295  
 Insists on Board voting on agreement with Bank of England before asking opinion of State Department on neutrality. 298  
 Delano appointed in McAdoo's place to consult State Dept. as to neutrality of Bank of England agreement. 299  
 See also - Federal Reserve Agent, Deputy  
 Federal Reserve Banks; capital  
 Federal Reserve Board; status

**Democratic National Committee**

See - National Democratic Committee

**Deposits to move crops**

See - Commodity paper  
 Government deposits

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**Deputy Federal Reserve Agent**

See - Federal Reserve Agent, Deputy

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**Directors**

See - Federal Advisory Council

**Discount rates**

McAdoo wants to force Richmond to lower. 1  
 Governors claim Board has no power to fix, of own volition. 1  
 Warburg and whole Board believes has the power. 1, 2.  
 Rediscounts between Federal Reserve banks.  
 Warburg and Harding feel rates should be  $\frac{1}{2}\%$  below rates of bank for when rediscounts are made. 2  
 McAdoo feels rate should be same as acceptance rate. 2  
 Harding says should be N.Y. rate or a fraction below. 4  
 Federal Reserve Act originally provided that compulsory rediscounts should have rate of from 1 to 3% above highest rate of banks concerned. 4



Discount rates (Cont.)

Rediscounts between Federal Reserve Banks (Cont.)

Harding says will encourage speculation if below 4% 4  
 New York agreed with Atlanta on a 2 1/2% rate. 4  
 Done to demonstrate harm it would do to south. 4  
 Warburg says New York did this in order to embarrass  
 McAdoo. 6  
 C.S.H. says if true would vote to remove New York  
 directors. 6  
 Warburg says Jay wrote to Atlanta would rediscount  
 at 2 1/2%. 6  
 Gov. Strong said - I will give them a low rate to  
 break their necks! 6  
 Bitter fight in Board 6  
 Governors recommend 4% 5  
 McAdoo very angry. 5  
 President Wilson says Governors are arrogating  
 functions of a central bank. 5  
 Willis favors 2 - 4% 5  
 Says if 4% New York could then put up its rates to  
 southern banks. 5  
 Delano and Warburg write Federal Advisory Council to  
 advise as to raising rates to stop speculation.  
 Jan. 6, 1916. 167  
 C.S.H. objects as no speculation in commodities and  
 Board has no jurisdiction over investment  
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 C.S.H. objects to raising commercial rates to stop  
 stock market speculation. 167  
 Governors conference at Minn. protests against  
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 towards lower. 174  
 Warburg, Miller and Harding object. 174  
 C.S.H. withdraws motion at McAdoo's request. 174  
 Warburg proposes amendment preventing Government  
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 C.S.H. favors amendment authorizing Federal Reserve  
 banks to fix maximum rates member banks may  
 charge customers. 179  
 Warburg says deposit of 15 millions in Federal Reserve  
 banks has interfered with policy of Board as to. 180  
 Federal Reserve Bank of Kansas City asks to increase  
 certain rates from 4 to 4 1/2%. 214  
 Delano and Warburg favor. 214  
 C.S.H., Williams, and Miller oppose. 214  
 Harding says rates are out of line and should be raised  
 214  
 Miller at meeting of Executive Committee says the  
 rates should be increased but not for reasons  
 given by Kansas City. 215

Delano, W. A. (Cont.)  
 even have  
 C. S. H. said if Delano had come to him he would have  
 favored it and thought could have secured it. 222  
 Delano agrees that gold purchased in Bank of England can  
 not count as reserves. 222  
 Insists on Board voting on agreement with Bank of England  
 before making opinion of State Department on  
 neutrality. 222  
 Delano appointed as McAdoo's place to consult State Dept.  
 as to neutrality of Bank of England agreement. 222  
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 See - Federal Advisory Council  
 Discount rates  
 McAdoo wants to force Richmond to lower. 1  
 Governors claim Board has no power to fix of own volition. 1  
 Warburg and whole Board believes has the power. 1, 2  
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 Warburg and Harding feel rates should be 2 1/2% below rates  
 of bank for when rediscounts are made. 3  
 McAdoo feels rate should be same as acceptance rate. 3  
 Harding says should be N.Y. rate or a fraction below. 4  
 Federal Reserve Act originally provided that compulsory  
 rediscounts should have rate of from 1 to 3%  
 above highest rate of banks concerned. 4

Discount rates (Cont.)

Rediscounts between Federal Reserve Banks (Cont.)

Harding says will denounce Miller for prejudice against banks. 215

Miller finally agrees to approve. 215

Delano suggests telegram tentatively approving. 215

Williams objects. 215

Delano says Executive Committee must decide tomorrow. 215

Delano orders Allen to send the telegram without approval of Executive Committee or Board. 215

When C.S.H. told Board telegram already sent Delano gave very equivocal reply. 217

Delano deliberately deceived C.S.H. 217

Dividends, Federal Reserve Banks

See - Federal Reserve banks; dividends

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See - Bills of exchange

Domination, Treasury

See - Treasury domination

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Meaning of. 194

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Praises C.S.H. as Governor

Attacks Warburg. 272

Earmarked gold

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Bank of Netherlands

Elliott, Milton W.

Board can not reduce number of Federal Reserve banks. 85, 89.

Delano says Elliott has changed opinion and agrees with Cotton. 108, 123

Board can not put in a mandatory system of clearings. 127, 159

Willis criticizes Elliott's draft of letter to President on mandatory clearing system. 156

Gives opinion Williams entitled to salary claim. 170

Elliott says no reason for docketing Williams claim as it is purely question for Comptroller of Treasury. 171



**Elliott, Milton C. (Cont.)**

Delano moves to increase salary of, based on satisfactory arrangement as to E.

Also advising Comptroller. 203

Miller says it is a bargain and intimates a corrupt bargain.

Says will file a memorandum showing up whole matter. 203

Says it is a "fudge" 203

Harding denounces Miller who finally apologizes. 203

C.S.H. asks Elliott to define "fudge". 203

All voted aye except Miller who voted no. 204

Elliott does not favor C.S.H. suggestion that Wisconsin

banks send items or cash to Chicago to credit of

Minn. bank. 259

Says gold earmarked in Bank of England can not count as reserve. 295

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Harding

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McAdoo tries to induce Williams to take office of. 282

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**Federal Reserve Agents**

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Federal Reserve Agents, Deputy

Delano submits report. National Bank examiners not to serve as. 142

C.S.H. favors. 142

Williams asks for delay. 142

Postponed. 142

Harding says Williams is misrepresenting McAdoo. 142, 143.

Delano says proposed draft will require removal of Starek at N.Y. 143

C.S.H. favors allowing Starek et als to serve out present terms as Govt. directors. 143

Harding says McAdoo says matter will be settled satisfactorily 147

McAdoo denies Harding's statement; says Starek should serve out term as Govt. director. 149

Postponed. 149

Delano presents report. 155

C.S.H. claims Starek should serve out term as Govt. director but favors report otherwise. 155

Delano violently disagrees. 156

Willis says Board can not remove Starek if he refuses to resign; would not be "cause" under Federal Reserve Act. 156

Delano says can cut down his salary as examiner.

Williams tells McAdoo he can adjust matter if he wants to. 157

C.S.H. tells McAdoo, Starek should be allowed to serve out term. 161

C.S.H. raises no objection if Starek and Gatch voluntarily resign. 161

Harding resolution:

1. Examiners reports
2. Examiners serving as Class C Directors
3. Whether Governors should serve as Class C Directors. 162

C.S.H. moves to split up 2:

- (a) Service as Dep. Federal Reserve Agents
- (b) Service as Class C Directors. 162

Carried over Harding's protest.

Miller votes aye. 162

Willis claims McAdoo resolution broad enough to include Starek 163

C.S.H. claims prospective merely. 163

McAdoo agrees with C.S.H. 163, 164

Warburg claims not prospective. 164

C.S.H. says if true, Gov. Wills and Gov. Hannah must resign 164

Board resolution:

In future, examiners not eligible as Dept. Federal Reserve Agents or Class C Directors. 164

Peabody elected as Deputy Federal Reserve Agent, N. Y. 165

Starek designation revoked. 165

C.S.H. directed to notify Starek, Gatch, and Kurst of Board resolution. 166

Agreed that they may serve out present terms as Class C Directors 166

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Federal Advisory Council

Forgan says, came from N. Y. to Washington on private car furnished by Baltimore and Ohio Railroad at Morgan's request. 66

Voted to consult, as to confidential statement of condition of Bankers giving acceptances. 96

Favor abolishing Comptroller. 109

Votes, 6 to 3, to reduce capital stock of Federal Reserve banks 110

Wing, Seay, and Ardrey vote no. 110

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Warburg tells Gov. Strong to postpone next meeting of, until annual report of Board published, as suggestion made to publish in report cost of meetings of. 144

Board resolution:  
 Directors and officers of Federal Reserve banks, after Jan. 1, 1917, should not be elected to. 164

Forgan says that although he favors returning part of capital, it is absolutely necessary for Federal Reserve banks to earn dividends. 186

All agree, that if capital paid back, member banks today could not earn dividends on it. 186

Wing says Boston can never earn dividends except in a commercial crisis and that Boston's future lies in development of acceptance business. 186

Reverses itself and votes 7 to 3 against reduction of capital. 186

Federal Reserve Bank of Atlanta

Col. Brown tells McAdoo, had forced banks to rediscount even when they did not want to. 3

Wants a rate of 2 1/2% 3

Atlanta can use all money New York has. 3

Harding fears Atlanta banks are over extending under 4% rate. 3

Says 2 1/2% rate would be a pure gift to member banks if they did not give lower rates to customers. 3, 4.

Says 4% rate has not resulted in lower rates to customers. 4

Says southern banks pay from 3 to 6% on deposits. 4

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Board sends stiff letter to, based on Broderick report. 92

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Committee favors consolidation of Boston and N.Y.  
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Committee says consolidation of Boston with N.Y. advisable  
but will not so report because of sentiment of  
country hoping Boston may prove ability to act as  
independent and self-supporting center. 154 A.  
Wing says, cannot earn dividends except in a commercial  
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C.S.H. says Broderick report no ground for reducing capital of  
193 .

Connecticut banks petition. 196

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Harding thinks future of, lies in acceptance business. 259

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Federal Reserve Bank, Chicago

Committee of Board favors consolidation of Minn. and. 154 A.  
Marshall, Vice President, tells C.S.H. Bosworth to resign  
and directors want to elect McLellan; that Delano was  
not consulted and said could not be done. 274

Marshall fears Delano will remove McLellan. 274

C.S.H. says Delano never reported this to Board. 274

C.S.H. no removals except after hearing. 274

Gov. Wold defends, in refusal to par Milwaukee checks,  
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this purpose. 276

Federal Reserve Bank, Dallas

Warburg says Committee has decided to abolish, and  
substitute New Orleans. 95

Committee favors consolidating, with Kansas City. 154 A

Villard charges that Judge Ramsey was forced to admit  
perjury by Texas legislature. 167

Does not sustain charges. 167

Houston says Ramsey is of highest character - no truth in  
charge. 167

C.S.H. and Miller permit Ramsey to qualify as Federal Reserve  
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Reserve Agent. 169

Scandalous record. 169

Mixed up with Reed as Mayor. 169



Federal Reserve Bank, Kansas City (Cont.)

C.S.H. asks for investigation. 169  
 Board thought it not necessary in view of his banking indorsements. 169  
 C.S.H. doubts his banking experience. 169  
 Warburg says as much experience as Malone, and will vote for him. 169  
 Board voted, on report of Delano, to designate Fleming as Deputy Federal Reserve Agent. 169, 170.  
 C.S.H. and Miller voted No. 169, 170.  
 Thralls charges against Gov. Miller:  
 Puts incompetent men in bank. 236  
 Appoints Catholics when possible. 236  
 Dominates bank. 236  
 Goebel would have accepted Governor but Miller said salary would not exceed \$7,500. 237  
 Miller told directors that if they reappointed Thralls the Federal Reserve Board would disapprove. 237  
 Sawyer, Federal Reserve Agent, told Thralls directors would reelect him only if he agreed to resign at once. 237  
 Thralls refused and left bank. 237  
 Miller told directors that if they did not elect him Governor the Bank would be abolished. 237  
 Miller took Federal Reserve Agent thinking it was highest position. 237  
 When he found it was not, he wanted to be Governor. 237  
 Bankers have no confidence in Miller. 238  
 Miller started opposition to Fleming for political reasons 238  
 Thralls opposes investing reserves so largely in Govt. bonds. 238  
 Suggests capital be reduced but left as a special deposit to serve as guaranty of deposits fund. 238  
 C.S.H. favorably impressed with Thralls. 238  
 See - Discount rates

Federal Reserve Bank, Minneapolis

Miller intimates may be consolidated with Chicago. 89  
 Delano admits talking to Jaffray as to abolishment of. 147  
 Committee want to abolish. 154 A  
 See Federal Reserve Board; cutting down  
 Wisconsin banks petition  
 Miller and Warburg think we ought to grant it because banks want it. 126  
 Delano agrees but said to grant it will weaken. 126  
 C.S.H. says status created by reserve bank organization committee and burden of proof on petitioner. 127  
 Little injury can be shown by petitioner. 127  
 Postponed. 127

Federal Reserve Bank, Minneapolis (Cont.)

Wisconsin banks petition (Cont.)

Senator Husted calls on C.S.H. 243

Says Board members told him whole matter up to C.S.H. and intimates C.S.H. responsible for holding it up. 243

C.S.H. says false and explains situation  
Says opinion in Board divided. 244

C.S.H. suggested letting Wisconsin banks in question remit clearing items to Chicago to credit of Minn. bank. 244

C.S.H. admits difficulties of Wisconsin banks. 244

Asks Husted to inquire of banks whether above clearing proposition will meet their difficulties. 244

If not, C.S.H. will vote for at least part of petition. 244

C.S.H. gives Husted above suggestion by letter. 245

Sends Harding a memorandum on same. 245

Harding says will not meet the difficulties. 245

C.S.H. suggests Conn. banks as analogy. 245

Harding shows not analogous. 245

C.S.H. tells Board McAdoo will vote for amended petition as shown on map given to Harding by Milwaukee bankers, if that is judgment of Board. 247, 248.

McAdoo says Harding told him this was judgment of Board 248

C.S.H. favors amended petition as otherwise Milwaukee banks under clearing system will lose reserve accounts to Minn. 247

Harding will consult with McAdoo. 247

McAdoo urges Williams to vote for amended petition. 249

Williams will not vote for it but leave room when vote taken. 249

Delano and Warburg object to granting petition. 249

Delano's objections:

1. One of bankers committee is in bank not a member of F.R. system. 249
2. Bankers committee did not appear at original hearing. 249
3. Sen. Husted never called on him. 249
4. Would have been glad to solve problem by transferring, to Chicago but "that gun had been spiked." 249
5. To grant petition would anger Senators Townsend and Nelson. 249
6. Old petition dismissed and new petition, therefore, must be filed. 250

Warburg says new petition must be filed with briefs.

Agreement not earlier than Sept. 1. 250

Harding says delay will injure Milwaukee banks. Petition should be granted. 250

C.S.H. says originally certain members favored petition because banks wanted it. 250



Federal Reserve Bank, Minneapolis (Cont.)

Wisconsin banks petition (Cont.)

C.S.H. says only question is whether, can afford to lose these banks. 250

All agreed that no new petition necessary as Board could redistrict on own initiative. 250

Warburg and Delano said to grant petition would stultify Board. 250

C.S.H. says at first thought clearing system would solve difficulties. 251

Whole Board thought time should be given to test this 251

Favored allowing Wisconsin banks to pay checks to Chicago to credit of Minn. bank. 251

Accepts Harding's judgment that this would not solve the difficulties. 251

Only 2 remedies:

- 1. Transfer Milwaukee back to Minn.
- 2. Grant this petition. 251

All said 1 is out of question. 251

C.S.H. says contest lies between-

(a) Milwaukee banks

(b) Twin City banks. 251

C.S.H. says (a) have 19 millions of deposits

(b) have 70 millions of deposits 251

C.S.H. said original decision of reserve bank organization committee transferring Milwaukee to Chicago now demands transfer of Milwaukee territory to Chicago 251

C.S.H. says Minn. bank can stand this. 251

C.S.H. says:

Minn. bank a wheat district. 251

Cash and credit demands concentrated into 3 months in fall. 252

Minn. declined crop moving deposits in 1913, 1914, or 1915. 252

St. Paul banks had only one crop moving deposit in 1913. 252

Minn. bank made only a limited use of commodity rate 252

Minn. bank, last fall, refused Govt. deposits. 252

C.S.H. moves to reopen and grant petition

C.S.H. and Harding. Aye

Warburg and Delano. No. 252

Motion lost. 252

C.S.H. says will not record McAdoo's vote in view of opposition. 252

Williams not present. 252

Adjourned. C.S.H. to consult McAdoo. 252

Warburg says would vote for new hearing on Aug. 15, no further briefs to be required and Michigan to be allowed to intervene. 253

Federal Reserve Bank, Minneapolis (Cont.)

Wisconsin banks petition (Cont.)

Senator Husted calls. 3 p.m. 253  
 Harding explains situation to him with consent of Board. 253  
 Harding suggests he see McAdoo. 253  
 C.S.H. goes to McAdoo; finds Harding and Sen. Husted with him. 253  
 They send for Delano who comes in. 253  
 McAdoo says agreed to vote for petition on Harding's assurance that all wanted it. 253  
 McAdoo says no objection to a further hearing. Asks Delano for his opinion. 254  
 Delano states case and finally suggests a meeting then and there to reopen petition and grant new hearing. 254  
 Delano moved as above.  
 All voted for it, Harding, Delano, McAdoo and C.S.H. being present. 254  
 Adjourned. 254  
 Delano tells C.S.H. undignified to hold meeting in presence of Sen. Husted. 254  
 C.S.H. points out Delano himself made motion. 254  
 Delano says does not want record to state he made the motion. 254, 255  
 Delano disturbed at date fixed - Aug. 8. 255  
 Delano and Warburg evidently think politics in this. 255  
 Have not acted in good faith. 255  
 No politics in matter:  
 1. Milwaukee Committee first went to Delano and Harding. 255  
 2. Committee talked with C.S.H. only later. 255  
 3. This was long before Sen. Husted became interested. 255  
 4. Cong. Safford, a Republican, first spoke to C.S.H. about it. 255  
 C.S.H. voted purely on record. 255  
 C.S.H. sends telegrams as to new hearing. 255  
 McAdoo very angry at Warburg and Delano. 256  
 Sen. Husted once, in C.S.H. presence, - told Harding of political effect of an adverse decision. 258  
 C.S.H. at once said should not consider political effect. 258  
 Harding laughed - said politics did not scare him. 258  
 Harding says Minn. is a wheat producing district and can stand transfer. 259  
 Elliott opposes C.S.H. suggestion that Wisconsin banks may send cash to Chicago to credit of Minn. bank. Would create exchange and interfere with clearing system. 259  
 Gov. Wold defended Federal Reserve Bank of Chicago in refusal to par Milwaukee checks even though banks kept excess reserve for this purpose. Said there banks had reserve agents in Chicago and should settle by check subject to time allowance. 276



Federal Reserve Bank, Minneapolis (Cont.)

Wisconsin bank petition (Cont.)

Gov. Wold angry because Board allowed Sen. LaFollette and Husted to be heard at hearing. 275  
Intimated he would charge political influence in his brief. 275

C.S.H. said no politics in matter. 275  
Question is solely trend of business, whether north or south. 275  
Says Board might consider adding other territory to Minn. if Wold asked it. 275

Gov. Wold issued circular dated July 26th offering to tax Milwaukee checks at par with immediate credit. 276

Admitted never sent copy to Board. 276  
Gov. Wold's circular evidently sent out to head off petition. 276

Dated July 26th but Harding and C.S.H. believe issued a day or two later. 276

Telegram asto new hearing sent out July 26. 276  
Board should investigate this. 276

Gov. Wold almost impudent. 277  
Wold admits to Harding circular of July 26 anti dated. 279  
Wold deliberately deceived C.S.H. 279

Federal Reserve Agent Rich writes protesting against granting petition. 284

Says bankers told him that Senators and Congressmen of Wisconsin threatened Federal Reserve Board and held confirmation of C.S.H. over their heads as a club to force reopening of petition. 284

Says date of confirmation of C.S.H. lends color to this. 284

Harding says Rich sent copy to him and he wrote back, - absolutely false. 284

C.S.H. believes Rich letter is polite form of blackmail to force Board. 284

C.S.H. prepares a letter to Rich while in Mattapoisett 284  
Points out Board voted to reopen petition Wed.

July 26 at 3:30 p.m. while C.S.H. name not sent to Senate until 5:30 same day. 284

C.S.H. demands investigation by Board. 285  
C.S.H. writes Harding no Congressman nor Senator ever discussed confirmation with him. 284, 285.

Reminds Harding that Gov. Wold tried to induce Minnesota Senator to protest at hearing but he would not. 285

C.S.H. has lost confidence in both Rich and Wold. 285  
Wold should be removed for anti dating circular. 285

Federal Reserve Bank, Minneapolis (Cont.)

Wisconsin bank petition (Cont.)

Board only knew of circular at hearing Aug. 8. 285  
 C.S.H. sends draft of Rich letter to Harding. 287  
 Tells Harding to mail it unless he wants to hold it for Board meeting. 287  
 Harding strongly advises not to send it. 291  
 Says consulted with Board and all so advise. 291  
 Says Miller, just returned from Minn. - says Rich will ask to withdraw letter. 291  
 C.S.H. tells Harding that Rich letter is attack upon whole Board as well as on C.S.H., but if Board wishes to let Rich withdraw it, he will not object 291  
 Miller said Rich had written him but did not mention name of C.S.H. ; merely complained of Congressmen. 291  
 Miller says:  
 Rich said implication drawn by Miller from letter was utterly foreign to his intentions. 291  
 Told Rich letter deserved and would receive severe rebuke from Board. 291  
 Rich thought his letter to Miller was same as letter to C.S.H. 291  
 Miller said not the same. 291  
 Rich calls in Mosher who admits letter not the same. 292  
 Rich acts as if he had never before seen his letter to C.S.H. 292  
 Miller believes Mosher wrote both letters. 292  
 Rich said he merely wanted to tell Board of gossip and rumors which he, personally, did not believe in. 292  
 Miller said, if so, his method of expression was very faulty. 292  
 Rich said Mosher had suppressed newspaper articles. 292  
 Miller said Minn. bank and Decker trying to scare Board. 292  
 C.S.H. said if letter not withdrawn he should send copy to the Wisconsin Congressmen and Senators and leave them to settle with Rich. 293  
 Miller begs C.S.H. not to as it would lead to resignation or removal of Rich and injure Federal Reserve system. 293  
 C.S.H. finally agrees to Miller writing Rich to allow letter to be withdrawn. 292, 293.  
 C.S.H. says if Rich had intimated that his vote was influenced he should have demanded a senatorial investigation. 293  
 Miller says he is disgusted with Rich. 293  
 Miller says he will vote against the petition as it will cripple the Minn. bank. 293  
 Gov. Wold told Delano Rich should not have written the letter but that he was obsessed over the matter. 294  
 Rich writes C.S.H. that his letter was not intended as a reflection upon the Board or C.S.H. 300



Federal Reserve Bank, Minneapolis (Cont.)

Wisconsin bank petition (Cont.)

Miller said he would write Rich that he could withdraw the letter. 300  
Miller said unless Rich withdraws letter the Board would have to censure him. 300

Federal Reserve Bank, New York.

Offers 2 1/2% rediscount rate to Atlanta. 4  
To demonstrate harm it would do. 4  
Gov. Strong says will give them this low rate to break their necks. 6  
Warburg says done to embarrass McAdoo. 6  
Palmer and Starek complain of Gov. Strong for not appointing a cashier as authorized by Board of Directors. 22  
Gov. Strong says Starek advised the man to hold out for \$12,000 salary. 22  
Fowler petition. Munitions. see same  
McAdoo objects to bank throwing up its lease which it took from his friend Pliny Fisk. 91  
Delano and Miller say whole system depends on, which is, therefore, practically a central bank of U.S. 184  
Harding says, ought to be the central bank of U.S. 184  
Fairfield County, Conn. transferred to. 196, 197  
See - Redistricting.

Federal Reserve Bank, Richmond.

Atlanta to be consolidated with. 154 A  
Ingle says Gov. Seay utterly ignores him. 158  
President Wilson wants his brother-in-law Bolling appointed Federal Reserve Agent. 195  
Elliott preparing opinion whether Bolling has been for 2 years a resident of the district. 195  
Warburg, Delano and Miller say they will vote against him. 195  
Harding says this will make a tie and will leave decision to him, and he does not want to be put in that position. 195  
Harding says if proper salary voted for Gov. Seay he might look differently upon the proper type of person for Federal Reserve Agent (meaning Bolling) 200  
Board votes to increase Gov. Seay's salary to \$12,000. 200  
Williams opposes. 200  
Harding very angry. 200  
McAdoo and all finally vote aye. 200  
Discussion of appointment, Federal Reserve Agent.  
Harding said he had talked with Hardy together with Williams and he felt committed to him. 205  
Said he tried to induce Hardy to withdraw, in view of influential opposition to him, but he declined. 205  
Williams said he told Hardy the Committee had no authority to offer place to him. 206  
Admits, however, that Hardy had right to assume Committee would recommend him to Board. 206

Federal Reserve Bank, Richmond (Cont.)

Discussion of Appointment, Federal Reserve Agent. (Cont.)

Harding moves appointment of Hardy and Delano seconds. 205, 206

Miller says will vote for Hardy. 206

McAdoo says wishes to be recorded against Hardy but finally waived this and said let majority do as they pleased. 207

C.S.H. says:

Wilcox of Baltimore, a very prominent Republican, first present Bolling's name. 207

Also indorsed by Baltimore Clearing house Association, and by many banks and bankers in Maryland, Virginia, and West Virginia. 207

Thinks Bolling the best man. 207

Has had good experience in managing branch of Comm. National Bank at Panama. 207

Not influenced by fact that he is brother-in-law of President Wilson. 207

C.S.H. believes Harding's "commitment" merely a device to avoid voting for Bolling. 207

McAdoo angry; refers to "certain events in future" meaning removal of certain Board members. 207

McAdoo says action of Board an affront on President which will not be forgotten. 208

Miller moves to table matter until Delano and Harding return from west. 209, 210

Says not satisfied Hardy is best man. 209, 210.

Vote resulted in a tie. Lost. 210

C.S.H. voted to postpone as he knew so little about Hardy, especially in view of his refusal to withdraw on Harding's request. 210

Wanted time to look into matter. 210

Harding, Warburg and Delano very mad. 210

Motion made to elect Hardy. 210

Delano, Harding and Warburg - aye

Not voting, - Miller and C.S.H. 210

C.S.H. says in doubt whether this vote elects Hardy. 211

Miller then changed vote and Hardy declared elected, C.S.H. and Williams not voting. 211

Miller insincere. 211

Device of Miller et als to defeat Bolling. 212

Williams moved to table until McAdoo came. 212

C.S.H. said McAdoo said for Board to vote without him. 212

McAdoo later said C.S.H. did right. 213

Hoard approves minutes of meeting. 213

Short statement added, - C.S.H. and Williams not prepared to vote either way. 213

See - McAdoo



Federal Reserve Bank, Philadelphia.

Warburg quotes from memorandum showing how much, must invest to earn dividends, claiming it justified cutting down its capital. 184

Federal Reserve Banks

Attorney General

Says, may discount any acceptances member banks may lawfully make. 24

Bank of England

Gov. Strong thinks, can receive gold on deposit from Bank of England and can earmark it. 222

Bills of exchange

Gov. Fancher favors open market powers as to, so Federal Reserve banks can earn dividends. 65

Capital, Reduction of

Federal Reserve Agents divided on question. 89

Warburg favors. 89, 90.

Miller opposes. 90

Delano doubts advisability of, but admits strong arguments for it. 110

Warburg in speech at Minneapolis strongly favors. 110

Warburg claims examination of Federal Reserve Bank of Philadelphia shows need of. 184

Federal Advisory Council on

See same

Warburg claims report of Federal Reserve Bank of Boston shows need of. 193

C.S.H. denies. 193

Thralls favors, amount to be held as special deposit for guaranty of deposits plan. 238

Cooperation

Miller opposes, between Federal Reserve banks. 230

Delano savagely assaults Miller. 230

Deposits in Federal Reserve banks, Govt.

see - Commodity paper

Govt. deposits

Dividends and expenses

Warburg indifferent as earning of. 61

McAdoo says member banks are not rediscounting in order to prevent Federal Reserve banks from making. 61

C.S.H. says has observed same tendency. 61

Gov. Fancher opposes possible assessment on member banks to meet deficits of Federal Reserve banks. 65

McAdoo says failure of Federal Reserve Bank of Cleveland to make, shows there is no necessity for a Federal Reserve bank there. 65

Gov. McDougal says the large member banks might not object 65

Glass says Federal Reserve banks have right to go into open market to earn. 70

Federal Reserve Banks (Cont.)

Dividends and expenses (Cont.)

Board votes to call on all Federal Reserve banks not making, for report whether any necessity for a Federal Reserve bank. 113

Passed because some of Board felt that some member banks refrained from rediscounting to make Federal Reserve banks appear weak. 113

Board later reverses vote as C.S.H. fears it might disturb business interests. 113

C.S.H. objects, - Jan. 13, 1916, - to clause in annual report apparently justifying failure of Federal Reserve banks to make. 168

C.S.H. especially objects to clause that Federal Reserve banks must invest 250 millions at 2% in order to make. 168

C.S.H. gives notice will move a resolution that Federal Reserve banks are expected to make, and that the amount needed, - only 5 millions gross - can be earned with merely negligible competition with the national banks which earned 527 millions last year. 168

C.S.H. wants annual report to show that Federal Reserve banks are not purely emergency banks and can make, without any serious competition with member banks. 174

Referred to Miller who is drafting the report. 174

Forgan says absolutely necessary for Federal Reserve banks to make, and that the resulting competition with member banks would be negligible. 186

Forgan says absolutely necessary to earn. Competition almost negligible. 186

Foreign Agencies in South America

Board members very angry because McAdoo publishes President's letter favoring. 73

Referred to Committee. 73

Committee files very discourteous report against. 75

McAdoo wants Committee to report favoring an amendment permitting national banks to buy stock in foreign banking corporations. 75

Miller objects. 75

Board issues statement against, where national banks now have branches. 75

McAdoo opposed but finally yielded. 75

A direct blow at President and McAdoo and papers so construed it. 75

Willis tells C.S.H. of meeting between Cotton, Warburg, Harding and Miller. 77

Warburg reads bitter attack on McAdoo. 77

Willis does not agree with it. 77

McAdoo told Willis greatly depressed. 77

Willis advised him to compromise. 77



Federal Reserve banks (Cont.)

Foreign Agencies in South America (Cont.)

McAdoo wanted postponement, by reference to a committee, until he returned from Indianapolis. 77

McAdoo proposed amendment allowing national banks to form corporations in foreign countries. 78

McAdoo reluctantly agreed to Board's statement. 78

Willis thought McAdoo conceded too much in agreeing that no, should be established in countries where national banks are established. 78

A fatal mistake. 78

Government banks

Federal Reserve banks are not. 23

Government bonds

Williams says, should not combine to depress price of, when they buy and increase it when they sell. 231

Warburg differs. Row. 231

Hanlin, C. S.

Amendment permitting direct deposits in, by individuals. 179

United States

Offices of, are not officers of United States 23

See - Discount rates

Federal Reserve Board; cutting down Government deposits

Federal Reserve Board

Amendments to Federal Reserve Act

May suggest to Congress, McAdoo furious. 67

Attorney General

Can not ask opinion from

The Secretary of Treasury as Chairman of Federal Reserve Board, can. 23

Bank of England, Foreign Agent

Board resolution. 299, 300

See - Bank of England, Foreign Agent

Capital

Associate membership of state banks favored by Warburg and Harding without any deposit with Federal Reserve banks based on 192

Reduction of

See - Federal Reserve banks; capital

Chairman of Federal Reserve Board

Counsel doubts power to call a meeting of Board. 47

C.S.H. affirms it. 47

Miller and Harding say must be settled and suggest a by-law. 48

C.S.H. says McAdoo had a right to change place of meeting but the Board could adjourn to any other place. 49

Discuss draft of by-laws. 50

Federal Reserve Board (Cont.)

Chairman of Federal Reserve Board (Cont.)

Contention of Harding and Miller that Chairman can not call a meeting made ridiculous by fact that yesterday they themselves called a meeting for today. 51

C. S.H. inclined to believe Sec. of Treasury should not have been made Chairman of Board. 57

McAdoo accepts statements of members as to N.Y. meeting. 58

Comptroller of Currency

C.S.H. believes, should not have been put on Board. 57

Would not have been but for personal friendship of McAdoo. 58

Should now be placed under control of Board. Sept. 1, 1915 83

Cutting down Federal Reserve banks and districts

C.S.H. fears members contemplate radical cutting down. 82 /

*act 20 Tuesday*

Committee appointed to consider amendments to Federal Reserve Act. 82

Board willing to put C.S.H. on it. 82

C.S.H. declined as he suspected committee would try to cut down existing banks and districts, and he wished to put entire responsibility on them. 82

*act 30 Sat.*

Willis says that on Saturday, Oct. 30, the committee called him in and laid before him plans of redistricting as follows:-

- 1. Atlanta merged in Richmond
- 2. St. Louis and Kansas City merged
- 3. Minneapolis and Chicago merged. 85

Said Warburg wanted to merge Boston with N.Y. but Miller objected. 85

Willis furious. Said Reserve Bank Organization plan was faulty but proposed plan worse. 85 *act 20 Sat.*

- 1. Consolidated 2 paying banks, - Atlanta and Richmond
- 2. Consolidated 2 weak banks, - St. Louis and Kansas City. 82

Committee said reason was (1) to make clearing system more effective. 85

Answer: - we have never established a clearing system. 85

(2) Claimed saving in expense.

Answer: - Would destroy F. R. notes, - a much greater loss than any saving of expense. 85  
Especially as committee provided for branches in all districts consolidated. 85

Willis intimated committee had consulted Chicago and Minneapolis banks, e.g. Decker in Minn. 85

Delano leaves for Chicago. C.S.H. thinks he goes to consult bankers. 86

Willis thinks only reason of committee is to show Board is independent of Treasury. 86

Board already has voted - no more redistricting unless experience demonstrates necessity. 86

*come a... 77: act 20 Tuesday*

*h. 82 = act 20 Tuesday*

*83: 84: act 29 Friday*

*85: 86 act 30 Sat.*



Federal Reserve Board (Cont.)

Cutting down Federal Reserve Banks and districts (Cont.)

No experience has been had warranting such a cutting down. 86

No one has asked for such a change. 86

No bank has even applied for a rediscount. 86

Willis says system has worked perfectly. 86

Merging Minn. bank will be a vindication of Burke's attack on it. 86

Elliott has advised that Board can not reduce number of Federal Reserve banks. 86

Miller said Broderick report on Atlanta showed irregularities justifying abolishing the bank. 87

C.S.H. read Broderick report. Showed some irregularities

Nothing to warrant abolishment. 88

C.S.H. writes Miller to tell him what it was in Broderick report which made him feel Atlanta should be abolished. 88

Nov 3. Sat. Delano says committee on redistricting not yet ready to report. 88

Harding says C.S.H. "Stumped" Miller by his letter as to Broderick report. 88

Delano said, - the fool to blurt this out while still pending on the committee. 88

C.S.H. writes Miller asking what facts there were in controversy between Minn. bank and Rich to warrant his statement yesterday to Board that the issue might warrant abolishment of Minn. bank. 88, 89.

Board issued public statement while C.S.H. was in Indianapolis that transfer of Minn. bank to Chicago was not under consideration. 89

While this statement was nominally a reply to Burke attack, subsequent events showed it was not true. 89

Willis tells Warburg that C.S.H. had obtained from Elliott his opinion given in January last that Board had no power to cut down the Federal Reserve banks. 89

Nov 4. Thursday, Warburg et als summoned Elliott before them. 89 Elliott said more convinced than ever he was right, especially in view of fact that the banks were chartered for 20 years. 89

Nov 4. Thursday, Committee has determined to ask opinion of Cotton. 89 Harding tells Williams that committee on redistricting can not agree. 91

Said Warburg wanted to transfer northern Alabama to Cleveland and Harding opposed this. 91

Redistricting committee consults with Cotton and Miller. 92

Nov 10. Wed. Cotton says Board can cut down 92 Cotton said argument as to 20 year charter was a pin prick argument. 92

Said courts, however, could be appealed to and would take 3 years to decide. 92

Further said with Board

P 86. = Oct 30. Sat.

87. 88. Nov 3. Wed

88. 89. Nov 4. Thursday

89. 90. Nov 5. Friday

91. Nov 6. Sat.

91. Nov 8. Monday

92. Nov 10. Wed.

Federal Reserve Board (Cont.)

Nw 10. Wed

Cutting down Federal Reserve banks and districts (Cont.)

Said grounds advanced by committee for change were weak and inconclusive. 92

Said folly to attempt change unless Board practically unanimous. 92

Committee, by calling in Miller, has concurred without knowledge of other members. 92

Broderick says nothing in his report on Atlanta indicated any very serious condition. 92

Committee says will report on Monday Nov. 15, 1915. 93  
Minneapolis paper wired asking if any truth in rumor that Minn. bank was to be abolished. 93

Board voted to give out statement that all redistricting matters were in hands of committee which had not yet reported. 93

Matter of abolishing Minn. bank discussed in Board vaguely. Committee does not say what it will report. 94

C.S.H. says abolishment will be a vindication of Burke in his race for Senate. 94

Harding very ugly; said there will be other recommendations, meaning that banks in democratic sections also would be abolished. 94

Glass tells C.S.H. Board has no power to abolish banks and Congress will resent it. 94

Glass very bitter against Warburg. 94

Willis says Warburg et als feel that McAdoo won't dare to fight them on cutting down; that he backed down on Foreign Agencies and will on this, fearing that division in Board will injure administration and deprive it of its best asset, the Federal Reserve system. 95

Nw 13. Sat

Harding talks with Williams and Williams puts it in writing, the memorandum being read and approved by Harding 95

This memorandum stated: -

Majority determined to cut down.

Will report accordingly.

Desire report to be submitted to President Wilson

Will vote to put it through unless Wilson communicates with Delano and asks him not to do it.

In that event, will table it for present. 95

(In other words, unless President begs for mercy they will do their best to destroy Federal Reserve system!)

Warburg says committee will abolish Dallas and substitute New Orleans. 95

Glass says has read in papers that some members favored cutting down, - would be absolutely illegal and he would give out an interview this afternoon that such action would be an affront to Congress. 97, 98.

92. Nw 10. Wed.

93.94. Nw 11. Thursday

95.96. Nw 12. Friday

97.98.99. Nw 13. Sat.



Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

C.S.H. persuades him not to publish it until he saw him again. 98

Goes over whole matter with Glass. 98

Glass says has seen McAdoo and he will not publish interview before seeing me but will write Delano at once. 98

Agrees that if committee sees President they will say they did not cut down because the President's solicitation. 98

Says President should not interfere and Board must fight it out in the Board. 98

Says members feel McAdoo exercised an undue influence over President and would not report the facts to him fairly. 98

McAdoo indignant at Harding's suggestion; asks C.S.H. to get it in writing. 98

Said if put in writing something might happen at White House! 98

C.S.H. says proper status for Board even now will restore good feeling. 99

C.S.H. says Board has grievance as to status, - can not even ask opinion of Attorney General etc. 99

C.S.H. says members have right to ask immediate decision of status. 99

C.S.H. goes to Annapolis with Delano and family - tries to talk about cutting down but Delano arranged to go in machine with Mrs. Delano, to avoid, C.S.H. thinks, talking with C.S.H. 99 Sunday, Nov 14

*Nov 14, Sunday*

Board meets Monday, Nov. 15. 100

*Nov 15, Monday*

Delano files report of committee. 100

Recommends cutting down to 8 or 9 districts and asks instructions of Board as to preparing a concrete plan. 121

Report gives alleged reasons for cutting down districts and asks for instructions to prepare concrete plan. 100

C.S.H. says McAdoo asks postponement because of death of his son-in-law, and because of necessity of completing his annual report. 100

Delano very ugly; says McAdoo was in town, knew all about the general question, has had time to talk it over with others not on Board. 100

Warburg says 2 or 3 days is ample for consideration. Matter must be decided at once. Moves meeting tomorrow to decide question. 103

Delano moves special meeting for tomorrow, - Tuesday Nov. 16, - to take up matter and vote upon it. 100

C.S.H. and Williams said had only received copy of report on Saturday evening, Nov. 13, and we should be allowed some time to study it. 100

98 99 Nov 13. Sat  
99 Nov 14. Sunday  
100 Nov 15. Monday

Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

*Nw 15, Monday*

- Delano asks how much time we want. 100
- C.S.H. says would like one week. 100
- C.S.H. says in preparing resolution, not yet ready, asking committee to state facts on which its conclusions were based, what figures it had as to saving in expenses by cutting down; also asking whether committee had considered Elliott's opinion that Board could not cut down, and whether committee has secured any other opinion (meaning from Cotton). 100, 101. \*
- C.S.H. says if Board votes for this resolution there can, of course, be no meeting tomorrow, or until the information is supplied. 101
- Miller blurts out - some members evidently wish to delay matters, to obstruct it at every stage. 101
- Says it makes him inclined to vote for report whether he agrees with every detail or not. 101
- Delano said he suspected we were trying to delay matters and were not desirous of an honest discussion. 101
- C.S.H. asks Miller if he is not entitled to as much time to consider this vital question as had already been given by the committee to other members not members of the committee (meaning Miller). 101
- Miller said yes. 101
- C.S.H. asks Miller if he had not attended meetings of the committee. 101
- Miller denied this indignantly. 101
- On further questioning, Miller admitted he had frequently discussed the matter with the committee. 101
- Also admitted he had helped committee in framing their report. 101
- Also admitted he had written a material part of the report. 101
- C.S.H. asks Delano if committee had not already prepared and agreed upon some specific plan for cutting down certain Federal Reserve banks. 101, 102.
- Delano said absolutely no. 102
- C.S.H. asks Delano if committee had not made a map showing cutting down of certain districts, which map had been given to Willis. 102
- Delano hesitated, and finally said there have been 8 or 9 maps prepared as well as 8 or 9 drafts of the report filed this a.m. 102
- C.S.H. reads his resolution, just sent in by Foulk. 102
- Terrific row, charges as to delay repeated, etc. 102
- Board votes to table resolution. 4 to 2. 104 \*

*Nw 15, Monday*

100. *Nw 15, Monday*

101

102

103

104



Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

C.S.H. tells Delano that it was of doubtful propriety for committee to consult with some member (Miller) to exclusion of others on such a vitally important matter as this. 102

Delano turned savagely to C.S.H. as if intending to assault him and said threateningly what C.S.H. meant. 102

C.S.H. starts to repeat statement when Delano yelled out "I heard it, what do you mean by it!" 102

C.S.H. repeats statement. 102

Delano said the committee has been treated shamefully - you do not want to discuss it honestly. 102

C.S.H. asks Delano if members of Board not members of committee had not been consulted on any specific plan of cutting down. 102

Delano yelled out "Never!" 102

Miller admits he had discussed with committee specific plans and had opposed several suggestions. 102, 103

Says that while he had discussed matter with committee and had helped write their report, it was always with an "open mind". 103

Said he was absolutely free to vote in any way upon request of committee for instructions or upon any specific plan presented. 103

Delano later said he knew committee had a majority of Board in favor of instructions to report a plan! 103

C.S.H. was finally asked to see McAdoo and report on earliest date he could attend. 103

Warburg said question was simple, - whether or not Board would instruct committee to prepare a definite plan. 103

Warburg said report merely asked instructions as to this. 103

*Nw 15. Monday*

C.S.H. points out that report contains conclusions settling the whole matter and even stated that the Federal Reserve system, as at present constituted, was a failure. 103

C.S.H. says Board could not instruct committee without accepting the conclusions in the report, and this would prevent our discussing the statement that the Federal Reserve system was a failure, - which C.S.H. vigorously denied. 103

C.S.H. says the conclusions in report as to saving of expenses of cost of Federal Reserve notes, contained no facts to support it. 103, 104.

C.S.H. says before voting Board should know all facts and figures upon which its conclusions were based. 104.

C.S.H. asks if committee had talked with any outside person or banker. 104

All, including Delano, said No. 104

102. *Nw 15. Monday*

103. " " "

104. " " "

Federal Reserve Board (Cont.)

Cutting down Federal Reserve Banks and districts (Cont.)

Harding then said he had talked with one of his Senators as to political effect of cutting down. 104

C.S.H. or Williams asks if any member had talked with Sec. Houston. 104

All said No except Miller who remained silent. 104

Williams said, am I right in understanding that no member has talked with Houston? 104

Miller made no reply. 104

Delano said McAdoo told someone that one bank would be abolished and he won't deny this. 104

C.S.H. and Williams go to McAdoo's house. 104

McAdoo writes letter appointing next Monday for meeting and says hopes C.S.H. resolution will be approved by Board. 104

*Nw 15 Monday*

Delano says committee at meeting on Monday will give all details asked for in C.S.H. resolution. 104

Williams moves for stenographer at future meetings in this report. 104, 105.

Delano violently opposes unless Board will vote that in future all meetings of every nature shall be taken down by stenographer. 105

Delano asks Williams why he made this motion. 105

Williams says Congress may call for a report and it was desirable to have it accurate. 105

Warburg says Board would refuse to give report to Congress. 105

C.S.H. asks him to repeat, and Warburg said it would be a bad precedent to give such information to Congress. 105

*Nw 15 Monday*

Harding moves to table Williams motion. 105

Voted to table, - 4 to 2. 105

Williams moves Board reconsider its tabling of C.S.H. resolution. 105

C.S.H. rules Williams can not so move, as he voted against tabling. 105

Miller finally moved to reconsider in order to give us a copy of attorney's opinion. (Probably Cotton) 105

Board votes to reconsider. 105

*Nw 15 Monday*

Another general row. 105

Voted, again, to table C.S.H. resolution, 4 to 2. 105

Delano says committee will give all information asked for, at meeting Monday, but declines to give advance information "to be shot at". 105

Delano said:

Had treated committee shamefully

Not acting in good faith

Were not honest

Playing for delay

Pettibogging. 105

104. Nw 15. Monday

105 Nw 15. "



Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

*Nov 15. Monday* C.S.H. reminds Delano that in that morning he said that after obtaining the information he asked for by his resolution, he should ask for only one week to study it, and then would be willing to vote. 106

C.S.H. says if not now given the information or before next meeting he should then ask for one week to study it. 106

C.S.H. said if you consider this playing for delay or pettibogging he shall nevertheless insist on it. 106

Miller says C.S.H. attitude makes him want to vote "the whole hog" and that "damned quick!" 106

Miller says a Board member inspired the attack of Burke on Minn. bank. 106

C.S.H. asks him to name the member and he said - Sec. McAdoo. 106

Delano said he knew this was true, and that McAdoo would not deny it. 106

Williams then said - "I understand no member directly or indirectly has consulted with Sec. Houston?" 106

All denied except Miller who remained silent. 106

Harding repeated that he had consulted with one of his Senators as to political effect of cutting down districts. 106

Harding raised question whether C.S.H. had right to record McAdoo in favor of C.S.H. resolution. 107

C.S.H. said No except by unanimous consent; that Board hitherto had always granted such consent. 107

Harding did not press the point. 107

Delano said copy of report should be sent to Houston. 107

Williams said that, as committee had sent copy to Glass, one should be sent to Sen. Owen. 107

C.S.H. agrees. Bitter debate and no action. 107

Miller suddenly said he was about ready to move that whole report be made public. 107

*Nov 15. Monday* C.S.H. said would not object were it not for statement of want of confidence in Federal Reserve system, which would disturb the country and might cause financial trouble. 107

Wild burst of hilarity from Delano, Harding, Miller and Warburg. 107

Warburg, a few minutes later, said he would like to read the report again, that he had not yet read it completely, as he only received it Sunday afternoon, or this morning on his return from N.Y. 107

Said he would like to strike out anything which might disturb the public! 107

106. Nov 15. Monday

107

107. Nov 13. Monday

108. Nov 15. Monday

109. Nov 16. Tuesday

Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

Delano attacks Williams; says he will never admit any error in Reserve Bank Organization Committee; would never admit he was in error in anything. 107

Harding said stenographer at Richmond hearing before Reserve Bank Organization Committee gave a false report of what actually occurred. 107

Delano again said: Committee treated shamefully. 108

Nov 15. Monday

Trying to prevent honest discussion.

Said matter could have been discussed in 3 ways:

1. Legality
2. Expediency
3. By pettifogging methods which we were following, unworthy of gentlemen and of Board. 108

Said Elliott had changed opinion and now agreed with Cotton that Board could cut down. 108

Said C.S.H. said no lawyer of repute would give such an opinion. 108

(See C.S.H. letter to Delano, dated Nov. 16. Showing reply of C.S.H.)

Said Sen. Owen, at Oklahoma hearing, said Board would cut down. 108

Delano's reference to expediency evidently refers to Harding ultimatum to President Wilson. 108

One of committee said, if instructed to report, could report in 2 or 3 days. 108

Nov 15. Monday

Williams says Harding examined and approved Williams printed statement as to ultimatum to President Wilson 108

Harding said he had reported this talk with Williams, as evidenced by the memorandum to his colleagues. 108

Nov 16. Tuesday

Willis said Delano's statement that committee had not agreed on any specific plan or map may have been technically true at that moment, but that at one time the committee had agreed and had prepared a map accordingly (evidently the one Harding showed to Williams) 109

Said he pointed out so many objections to the plan that the committee became divided as to certain phases of it. (e. g. Miller objected to abolishing Boston) 109

McAdoo by letters to Delano and Miller says C.S.H. told him of their charge that he incited Burke to attack Minn. bank and demanded their authority. 109

C.S.H. felt it his duty to tell McAdoo as it was a deliberate charge made in meeting of Board. 109

Williams writes Delano asking that map referred to by Harding in his talk with him (on ultimatum) be produced at next meeting, also that the opinions of Elliott and Cotton be produced. 109



Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

Delano asks Federal Advisory Council at their meeting for opinion as to anything which could be done to strengthen the Federal Reserve system, - evidently hoping some one would suggest cutting down of districts, - but no one responded. 110

*Nov 17. Wed.*

McAdoo tells C.S.H. that Delano said C.S.H. did not quote him quite correctly and that Miller said same and that C.S.H. should be more careful. 111 C.S.H. explains to Board why he told McAdoo of charges of Miller and Delano. 111

Nearly broke his heart to do it. 111

Made at regular meeting of Board. 111

Felt it his duty to McAdoo. 111

Delano says does not remember saying that McAdoo told someone that Minn. bank would be abolished. 111

Miller said did not name McAdoo but said he understood that a member of Board had inspired Burke's attack on Minn. bank, and that Delano said it was Sec. McAdoo. 111

Miller added that if C.S.H.'s memory was as faulty on all matters as on this, it was not much good. 111

C.S.H. said he made a written memorandum of what they said in that day, but would gladly accept their statement that he had not quoted them correctly. 111 (Is positive, however, he quoted them correctly)

Delano said he was the guilty person and knew he was correct on the authority of two people. 111

Board reads record. 111

Delano insists on keeping in what he said about the 3 possible courses and pettifogging. 111, 112.

Delano later said he had lost his temper Monday and doubtless had said much which he ought not to have said. 112

Said became angry at imputation that committee was trying to "steam roller" the matter through. 112

Admitted that he said committee had 4 votes in favor of the report but that Miller had not directly made any promise as to this vote. 112

C.S.H. said he intended to make a complete reply to every attack on him, but should wait a while that his words should be measured. 112

Williams moves to send copy of report to Houston. 112

Miller moved to refer to committee. 112

Delano said committee is to make another report, striking out certain statements in present report, and will ask to substitute it for original report, and that, therefore, there was no occasion for sending copies now of original report to Houston or Owen. 112

*Nov 17. Wed.*

110. Nov 16. Tuesday

111. Nov 17. Wed.

112. " " "

Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

Nov 17, Wed.

Miller said he was satisfied, on reading report that there were statements in it which might give a false impression, and that, to a certain extent, C.S.H. was justified in his criticisms of it. 112

C.S.H. asks Miller if he does not now agree with position then taken by C.S.H. that Board could not vote for the report without ratifying its <sup>arguments</sup> and conclusions based on facts and experiences not reported in detail. 112

Miller said yes. 112

C.S.H. ruled that as committee had not been discharged it could make another report if it desired and Board could then decide, when offered, what action to take on it. 112, 113.

Finally agreed matter of sending copy to Houston and Owen should be left to committee. 113

Delano said would write Glass to return original report as committee may put in another. 113

Nov 19, Friday

Lyerly says Federal Advisory Council considered cutting down of districts and while many believed it could wisely be done, all agreed that such action should not be considered at present time. 114

Delano gives C.S.H. new draft of report which committee will ask to be substituted at meeting on Monday. 114

In this draft, committee merely strikes out 5 or 6 pages in which they gave reasons for cutting down. 114

Done evidently to avoid having to give facts and figures on which original report based. 114

C.S.H. believes Delano will now decline to give data asked for in C.S.H. resolution. 114, 115.

Willis says committee gave him proposed plan and map and said it was tentatively agreed upon, but that they had taken them back and now had them in their possession. 115

Said also Cotton had discussed matter with Miller in detail. 115

Nov 20, Sat.

Said Miller was weakening. 115

Sen. Owen talks with C.S.H. 115

Said copy of report had been given him. 115

Furious. Said Congress would intervene. 115

Charges will be brought against committee. 115

Said satisfied Board had no such power and if he said it had power at Oklahoma hearing, as C.S.H. pointed out, he was broad enough to change his opinion after study of question. 115

Nov 20, Sat.

Senator Smith (Hoke) talks with C.S.H. 115

Terribly stirred up. 115

Has just talked with Harding. 115



Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

Nov 20. Sat.

Senator Smith (Hoke) talks with C.S.H. (Cont.)  
 Harding is weakening. 115  
 Told Harding each bank abolished would institute court proceedings. 115  
 Harding finally said would not vote for any measure sure to result in law suit. 115  
 Harding asks Willis to act as intermediary between committee and McAdoo. 116  
 Asks Willis to tell McAdoo, at his house, that Harding would like to talk with him in Willis's presence. 116  
 Tells Willis he, and C.S.H., thinks he said also, the committee would be willing to postpone cutting down if McAdoo would yield on certain other differences, e.g. open market powers and clearings. 116  
 (Probably Harding referred to his own views on clearings, and to Warburg's views on open market powers. Delano wants clearing system put through but is wobbly on open market powers). 116

Nov 20. Sat.

Told Willis later committee would compromise if McAdoo would agree to remove Starek at N.Y. and force Comptroller to give all examiners reports to Federal Reserve Agents. 116  
 McAdoo told Willis would see Harding tomorrow, Sunday, Nov. 21, but preferred that Willis be not present. 116  
 C.S.H. and McAdoo agree they will never compromise by changing vote on any other matter. 116

Nov 20. Sat. 10.30 PM

C.S.H. returning from dinner. Nov. 20, 1915, at 10:30 P.M. found message from McAdoo to call him up. 116  
 McAdoo asks C.S.H. to write President Wilson, as Governor of the Board, and request him to obtain from Attorney General an opinion as to power of Board to cut down districts and abolish banks. 116  
 C.S.H. prepares letter to send to President in morning. 116  
 McAdoo said he would do it, had he not been a member of reserve bank organization committee. 116, 117.

Nov 20. Sat.

C.S.H. received Cotton's opinion that Board had this power only late this Saturday p.m. - too late to call meeting of Board. 117  
 C.S.H. feels any citizen at any time can address President on any subject. 117  
 C.S.H. felt, in view of conflicting opinions of Elliott and Cotton, it was of vital importance to have opinion of Attorney General to lay before Board on Monday. 117

Nov 21. Sunday

McAdoo calls C.S.H. up Sunday. 117  
 Said he got C.S.H. letter and it was being attended to. 117  
 C.S.H. says he has prepared a memorandum with some new ideas in the matter and McAdoo asked him to send it to Attorney General. 117

Nov 21 Sunday

115. Nov 19 + 20. Friday + Sat.

116. " 20 Sat.

117. " 21 Sunday

Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

*Nw 21 Sunday* McAdoo said he had talked with Harding who said he would not vote to precipitate a law suit and, therefore, would vote to dismiss the whole matter. 117

McAdoo said he made no promise to Harding, nor did Harding ask for any. 117

*Nw 22 Monday* President Wilson sends C.S.H. a note; Monday morning, November 22. 118

Said he would ask opinion from Attorney General with pleasure. 118

Attorney General sends opinion to C.S.H. saying Board has no such power. 118

*Nw 22 Monday* Board meeting 11 a.m. Monday Nov. 22, 1915.

McAdoo tells Board has for some time wanted Attorney General to give him an official opinion to enable him to vote on matter as Chairman of Board. 118

McAdoo said he had sent Attorney General all material documents, data, etc. some days ago. 118

Said Attorney General had been looking into matter. 118

Said he (McAdoo) had received Cotton's opinion on Saturday, and felt Attorney General's opinion should be asked. 118

Said it was embarrassing for him to ask his opinion, as he was a former member of Reserve Bank Organization Committee. 118

Said no time to spare as he assumed matter must be voted on by Board today. 118

Said he therefore asked C.S.H. to write to President and ask him to obtain opinion from Attorney General and that the opinion was here. 118

C.S.H. reads his letter to President and his reply. 118

C.S.H. lays opinion of Attorney General before Board. 118

C.S.H. tells Board if there had been any meeting he would have told Board what he intended to do. 118

C.S.H. said he had every reason to believe matter would be continuously debated beginning that day, and that in view of conflicting opinions of our counsel, it was most important to have before the Board the opinion of the Attorney General. 118, 119.

That the Attorney General had been working on it for some days in accordance with McAdoo's informal request. 119

C.S.H. added that in his letter to President he made the request as a member of the Board as well as Governor. 119

That any member had the right to see or write the President upon any matter. 119

That he had signed the letter as Governor because that was his official title. 119

Rioting almost followed. 119

Miller said - "You took orders from the Secretary of the Treasury!" 119

117 Nw 21 Sunday

118 22 Monday

119



Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

*Nov 22. Monday*

C.S.H. said he acted on own volition and assumed entire responsibility for action. 119  
 Warburg, Delano and Harding very ugly. 119  
 Said Governor is servant of Board. 119  
 No right to address President without vote of Board. 119  
 C.S.H. said impossible to call a meeting, the matter was an emergency and he had to act as he deemed best. 119 )  
 C.S.H. added he never supposed any member would object to an opinion from the Attorney General, especially in view of the conflicting opinions of Board's counsel. 119  
 All said they were delighted to have the opinion but shocked at C.S.H. writing President without vote of Board. 120  
 McAdoo said to Miller that the proceedings were subject to rules of parliamentary law, and that he would permit no member to insult or impute improper motives to another. 120  
 This squelched Miller. 120  
 C.S.H. could have but did not remind Delano that he and Gov. Strong conferred with Morgan and Col. House without knowledge or authority of Board. 120.  
 All said matter could not rest there and that Governor's powers must be defined. 120  
*Nov 22. Monday*  
 C.S.H. reads letter from Senator Hoke Smith protesting against cutting down. 120  
 C.S.H. reads letter from Senator Owen, protesting against a plan which he said abolished Boston, Cleveland, Minneapolis, Dallas and Atlanta, and consolidated St. Louis and Kansas City. 120  
 C.S.H. reminds Board that McAdoo had told Board he had sent Sen. Owen a copy of the report. 120  
 C.S.H. says Sen. Owen asked him directly what districts committee wished to abolish. 120  
 C.S.H. says he told Owen that Delano said committee had not agreed on any specific plan but that Williams said Harding had offered him a map and that, while he had not examined it, Harding had told him that it abolished Boston, Minn., Cleveland (substituting Cincinnati); that it consolidated Kansas City with St. Louis, Atlanta with Richmond and made New Orleans a Federal Reserve Bank and added Baltimore to Philadelphia. 121  
 C.S.H. said this explained Sen. Owen's reference to a specific plan. 121  
 Warburg very bitter. Says this letter must be answered. 121  
 Warburg says he never advocated transferring Boston to N. Y. 121  
 This statement is in direct contradiction to Williams who said Miller had objected to Warburg plan of consolidating Boston with N.Y. 121

*Nov 22 Monday*

*119. Nov 22. Monday*

*120. " " "*

*121. " " "*

Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

Williams moves for stenographer. 121  
 All said delighted if made a universal rule for all future meetings; otherwise would oppose it. 121  
 Harding moved that any two members could demand a stenographer. 121  
 Williams moved for stenographer for this meeting and that later any 2 members could demand a stenographer. 121  
 Williams withdraws motion on McAdoo's request. 121  
 C.S.H. requested by Board to ask Attorney General not to publish his opinion for the present, to which all agreed. 121

*Nw 22. Monday*

Attorney General agreed to this. 122  
 C.S.H. writes President to same effect. 122  
 Discussion resumed. 3 p.m.  
 Warburg said:

Committee put in false position. 122  
 Speed at which opinion was received shows some one trying to prevent Board action. 122  
 C.S.H. asks if he refers to President. 122.  
 Warburg says, somewhat abashed, No. 122  
 warburg later said:

Board put in position detrimental to its usefulness and dignity. 122  
 Extraordinary for Governor to write President. 122  
 Governor is servant of Board. 122  
 Would gladly have postponed debate in order to obtain opinion of Attorney General 122  
 Had no intention of forcing a vote on Monday. 122  
 Glad to discuss matter in every aspect. 122  
 C.S.H. introduced a resolution in order to delay matters. 122

*Nw 22. Monday*

Delano said committee had no intention to crowd debate 122  
 C.S.H. reminds Warburg and Delano that what they call unreasonable delay was merely a request for one week's time to examine facts on which committee based its conclusions, which facts it did not report. 122

That Delano moved to take up matter the next day in spite of request of McAdoo for a reasonable adjournment until he could be present. 122  
 That Miller said there was no need of any debate; that we knew all about it now. 122  
 That Warburg said matter must be decided at once and that at the outside, two days would be ample. 122, 123.

*Nw 22. Monday*

Williams reminded Delano that he said that if not decided before Monday, Harding would be away. 123

121. *Nw 22. Monday*

122



Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

*Nw 22 Monday*

Also reminded Delano that he said that other members were going away and that it would be December 6 before we could come together again, which would be out of the question. 123

None of them denied this. 123

C.S.H. reminded them that Delano had twice said he had 4 votes in favor of cutting down districts and Federal Reserve banks. 123

Miller says this is true, but denies that he had pledged his vote. 123

C.S.H. again says he had every reason to believe the matter would be kept in debate, beginning Monday, until settled. 123

*Nw 22 Monday*

That while committee now said they would be glad to discuss the law, in their original report they said they had considered the law and that Elliott had changed his opinion and agreed with Cotton that Board could lawfully cut down. 123 \*

Delano denied this with some qualifications. 123

C.S.H. told Elliott Monday evening Nov. 15, what Delano had said, in Williams presence, and Elliott said it was not true. 123

*Nw 22 Monday*

C.S.H. also pointed out that the 2nd report omitted this statement that committee had considered the legal aspects. 123 \*

*Nw 22 Monday*

Delano then said Board had consented to have 1st report withdrawn and 2nd report substituted. 123

C.S.H. denied this and said Board had merely consented to receive the 2nd report and that he had ruled that, the committee not having been discharged, it could make a 2nd report and the Board would then decide what to do with it; that the Board had simply voted to receive it. 124

Willis said this was true. 124

Warburg and Delano then said committee would have asked for no action except by unanimous vote of Board, - a statement so palpably untrue that it made C.S.H. fairly gush! 124

Harding said committee had been put in false light with the President who had been led to believe that they intended "snap" action. 124

McAdoo said anyone can write to President. 124

Delano tells C.S.H. that Warburg will make remonstrance as to C.S.H. letter to President. 124

C.S.H. says he can do this and, in such case, C.S.H. will write President giving him his written account of everything which had transpired. 124

C.S.H. says his written account contains strong expressions of opinion and strong comments and will show clearly C.S.H. reasons for belief that the committee and Miller intended to jam through a redistricting plan. 124

123. *Nw 22 Monday*

124

Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

C.S.H. said it would give him pleasure to have Warburg remonstrate. 124

Nov 22, Monday

Warburg reminds C.S.H. that at meeting of Nov. 15 he said he would cancel his southern engagement. 124  
Warburg later said, however, that the pressure was so great he would probably have to go. 125

Working sheets  
- Charlotte, NW  
con. Nov 16

This statement does not change C.S.H. belief that he intended to force a vote on Monday, - he was not to go away until Monday evening. 125

Nov 22, Monday

Delano finally moved that whole matter be tabled indefinitely and it was carried unanimously. 126

C.S.H. believes Miller must have told committee he should vote against cutting down and that this was the reason for Delano's motion. 126

Nov 22, Monday

C.S.H. then withdrew his motion on his resolution, the whole matter having been tabled. 126

Warburg said he wished to go on record that his firm, unchangeable belief was that the Federal Reserve system could not succeed with 12 banks and should be cut down to 8 or 9. 126

Delano reads long memorandum to Board deprecating personal disputes and urging harmony. 131

Talked as if he was the only harmonious person on the Board. 131

Nov 29, Monday

He admitted, however, that with others he had done things he ought not to have done. 131

McAdoo calls on each member and we all agree that all differences should be united. 131

Willis talks with C.S.H.:-

Delano asked him one day whether Warburg had shown him anything. 131

Willis said yes - a typewritten report and map, cutting down districts and abolishing 4 banks. 131

Delano said he would have spoken to him of it before, but he feared Warburg might not like it. 131

Delano said it was important to keep it secret. 131

Willis said of course he would not give it out. 131

Delano said, "I mean, secret from other members of the Board!" 131

Said Warburg called him into his office to read a typewritten copy of the report, - the one offered to Williams by Harding. 131

Warburg would not let it go out of his office. 131

Committee undecided whether or not to insert a definite plan of cutting down in 1st report. 132

Miller had talked with him as to advisability of this, spending at one time over an hour arguing in favor of a general plan for cutting down. 132

124. Nov 22 Monday

125 " " "

126 " " "

127 " " "

128 Nov 22. Wed

129 Nov 25 Friday

130 " " "

131 " 29. Monday

132 Nov 25 Friday



132 Nov 25 Monday

133 " " "

134 " " "

135 Dec 1 Wed

136 Dec 1 Wed

Federal Reserve Board (Cont.)  
Cutting down Federal Reserve banks and districts (Cont.)

Willis said:

Willis absolutely disagreed with Miller. 132  
Warburg says would have been glad to postpone matters to await opinion from Attorney General, as would not care to do anything which would result in legal proceedings. 132  
Willis said Warburg said, previous to row at first meeting, that he did not care if legal proceedings did result with trouble for a few weeks. 132

Nov 29 Monday

C.S.H. satisfied, - a deliberate conspiracy to jam through redistricting before Congress could meet. 132

Dec 1 Wed

Board meeting, Dec. 1, 1915.  
Discussing of minutes of meeting of Nov. 22. 135  
Willis reads two statements, one long and one abbreviated. 135  
Pleased no one. 135  
Delano and Miller favored a short report, while Warburg and Harding favored a complete one. 135  
Harding said he had drawn a report as to C.S.H. letter to President, but that it had not been passed on by committee. 135  
C.S.H. said glad to have committee take any action it pleased, but that if the were criticized he should file a complete statement justifying his action by the emergency which existed. 135  
Miller complained of executive interference, referring to the President by name. 135  
C.S.H. said emergency existed just as when Delano visited Morgan and Col. House. 135  
Delano said he did this as an individual. 135  
C.S.H. said he wrote President as an individual as well as Governor. 135, 136.  
Miller reads a long statement. 136  
Admits he wrote whole report of committee. 136  
Admits he had consulted with committee as to specific plans. 136  
This is absolutely inconsistent with his statement of Nov. 15. 136  
Said work of Organization Committee badly done. 136  
Said McAdoo very foolish not to cooperate now and correct errors from within, which would otherwise surely be corrected from without, and that this might mean a reduction to 3 or 4 districts. 136  
C.S.H. suggested it might mean, without expressing any opinion, an increase to 15 or 20 districts. 136

Dec 1 Wed

Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

*Dec 1, wed*

C.S.H. calls for last plan of committee and report on which it was based. 136

Delano says, - for what ulterior purpose do you want it? 136

Warburg says might agree to C.S.H. seeing it if he will agree never to speak of it or show it to anyone. 136

C.S.H. says he has no "ulterior purpose" nor had he, up to this time, any thought of showing it to anyone, but that he would make no agreement as to condition of seeing what was the property of the Board. 136, 137.

*Dec 1, wed*

Delano finally sent up and brought down maps, as follows:

1. Marked as Harding's plan
2. " " Delano "
3. " " Willis criticism of committee plan. (See) 137

Warburh mutters something about alternative plans. 137

Willis very angry at reference to his map and asks 5 minutes to explain. 137

Said he was appointed Secretary of Committee but had not been asked to attend a single meeting. 137

Said Warburg brought him a draft of report and asked him to delimit the districts. 137

That this report abolished 4 banks. 137

That Warburg and Delano enjoined secrecy. 137

Delano said he was glad Willis had not mentioned it to anyone as it would have "queered" him with Warburg. 137

Willis explained that he had talked with C.S.H. after Harding's talk with Williams, - (ultimatum) 137

Willis later told C.S.H. that the plan abolished Boston, Minneapolis, etc. 137

While Willis was talking with C.S.H., Warburg came in and gave C.S.H. 2 plans, neither of which abolished Boston. 137

Warburg said at morning session Harding alone favored abolishing Boston because Atlanta and Dallas were to be abolished. 137

This is in direct conflict with what Willis said. 137

Delano comes into C.S.H. office and has talk. 138

*Dec 1, wed*

C.S.H. said he thought Delano did not want to talk on Annapolis trip. 138

Delano said not true, that his wife asked him to ride with her. 138

C.S.H. says a frank talk might have avoided much trouble. 138

C.S.H. speaks to Delano about Harding's ultimatum to President. 138

136. Dec 1. wed

137. " " "

138. " " "



Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

Delano at first seemed to take view that Harding spoke only for himself. 138

C.S.H. reminded him that Harding said on Nov. 15 that he had reported his talk with Williams to his colleagues. 138

Delano remained silent. 138

Williams said it was stated at one of the meetings that the committee asked Harding to see Williams. 138

Warburg, in discussing the minutes, kept saying "we must not forge the records." 138

C.S.H. explains that Delano and Miller do not want to "forge the records" but simply to record the resolutions, votes, reports, etc. without attempting to state in full the debates, bitter remarks, etc. 138

Warburg admits that debates need not be recorded. 138

C.S.H. finds in his papers a copy of letter from Williams to McAdoo. 139z

This letter says:

I enclose memorandum of an interview with Harding. 139 \*

Harding has seen and confirmed this memorandum 139

Harding asks me to say to you that when called on you 2 or 3 evenings ago, he carried with him a copy of the committee's report, with a map showing the proposed redistricting with permission from the committee to leave it with you for your information. 139

Harding says he now has it on his desk and will send it to you, should you care to see it, before it is submitted to the Board next week. 139

Williams adds: -

Personally, I have not seen the report or the map. 139

The memorandum referred to states in detail the (ultimatum) talk of Harding with Williams 139

In it Harding states his proposition is between man and man. 139

Harding, in meeting of Board on Nov. 15 said he reported this conversation to his colleagues and none of them questioned or denied his authority. 139 \*

This map, he told Williams, abolished Boston. 139 Meeting, Friday, Dec. 3, 1915

Delano presents a 3d draft of report of committee. 142

An attempt to justify committee. 142

Contained many errors of fact. 142

Speaks of dilatory methods. 143

Says committee will not now criticize C.S.H. for writing to President. 143

C.S.H. says no objection to report being received provided certain errors of fact were stricken out, also the reference to letter of C.S.H. to President. 142

*Dec. 2 Thursday*

*Dec 2 Thursday*

*Dec 3 Friday*

138. Dec 1. Wed

139. Dec 2 Thursday

140. " " "

141. " " "

142. Dec 3. Friday

Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

Delano and Harding said they would look into this. 142

*See 3. Friday* C.S.H. agrees, if facts corrected, report could be filed as of today, but said if propriety of his writing to President was referred to, he should file a report justifying his action. 142

Long wrangle as to minutes of meetings of Nov. 15, 22, and 29. 142

*See 4. Sat.* C.S.H. suggests certain additions. 142  
Meeting, Sat. Dec. 4, 1915. 145

C.S.H. says certain statements in 3rd draft of report make it necessary for him to place on record his full reasons for writing to the President. 145

C.S.H. had already written Delano to same effect, fully conceding the right of committee to file any report it wished, until discharged, and right of Board to make any disposition of it it should see fit. 145

C.S.H. says willing to leave matter as it now stood on the record, but if committee wishes to put into the report which it seemed to C.S.H. should be answered it was for them to determine 145

Williams said he should file an answer. 145  
Committee ask C.S.H. to point out his criticisms 145

*See 4. Sat.* C.S.H. points out certain clear errors of statement, also references to dilatory tactics, letter to the President, etc. 145

(See C.S.H. letter to Delano)  
Delano says committee ought to look report over and perhaps revise it. 145

Harding said these matters should be kept in and C.S.H. could then answer them in any way he chose. 145

Warburg leaned to Delano's view but insisted on keeping in the reference to C.S.H. writing to the President. 145, 146

*See 4. Sat.* Agreed finally committee could consider matter and file report later in any form it wished. 146

All of them insisted on keeping in the report the statement that if the Attorney General had known that branches were to be established in every district abolished, he would not have used such language as to the banks "rooting in the ground" etc. 146

C.S.H. points out that branches were not referred to in either of the drafts of the committee report or in Cotton's opinion, - which was sent to the Attorney General. 146

\*

142 *See 3 Friday*

143 " " "

144 " " "

145 *See 4. Sat*

146 " " "



Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

They replied that if Board had discussed the matter on the merits, this would have appeared. 146  
 C.S.H. points out that branch would be a different corporation from the abolished Federal Reserve bank, both as to capital and perhaps as to territory; that 4 out of 7 directors of a branch are appointed by the directors of the Federal Reserve bank and their tenure would be at pleasure of the Federal Reserve bank directors. 146  
 Warburg said all of the directors of the abolished bank would be at once appointed directors of the branch bank. 146

Dec 4, Sat.

Williams asks Warburg's authority for statement as to what the directors of the parent bank would do. 146  
 Branch banks are created, not by the Federal Reserve Board but by the Federal Reserve bank. 146, 147.  
 Delano said that while in Minn. he had discussed this very matter with Jaffry who said it would be better for the Minn. district if it were abolished provided a branch of the Chicago bank were put in its place. 147

Delano quickly added that all he discussed with Jaffray was the general matter of abolishing the bank suggested by Burke. 147

(Delano here contradicted himself for he said on Nov. 15, in reply to a specific question from C.S.H. that no member of the committee had talked with any outside person or banker regarding the matter of abolishing banks. See page 104)

Dec 4, Sat

Delano said that if McAdoo had been present at meeting of Nov. 15, there would have been no row or misunderstanding. 147

Warburg said C.S.H. and Williams should apologize to the committee for their conduct. 147

Williams replied he had been daily expecting an apology from the committee. 147

Willis tells C.S.H. that the statement in the minutes of the meeting of Nov. 22 or Nov. 29 - that Warburg said that anyone who would not agree that the districts and banks should be cut down to 8 was an enemy of the Federal Reserve system - was absolutely correct. 148

Willis says Delano admitted that Warburg said this but said that Warburg had lost his temper and that the words should not be recorded. 148

Dec 4, Sat

Delano sends C.S.H. a new draft of the 3rd report. 148  
 It adopted most of C.S.H.'s suggestions. 148  
 Retained, however, statement as to C.S.H. letter to President, and also a reference to the Attorney General and branches. 148

146 Dec 4, Sat

147 " " "

148 " " "

148 Dec 4. Sat  
 149 " " "  
 150 " " "  
 151 Dec 5. Sunday  
 152 " " "  
 153 " " "  
 154 Dec 6. Monday  
 154 A Dec 10 Tuesday. Sat

Cutting down Federal Reserve banks and districts (Cont.)

C.S.H. prepares answer to send Delano. 148  
 C.S.H. considers preparing a statement showing all the facts which justified his letter to the President. 148  
*Dec 4. Sat* Williams moves that committee at once file with Board all data etc. which they had said were in their possession when they filed the first draft of report. 148 \*  
 Delano said committee would be willing to prepare these. 148  
 Williams points out that in the original draft of report the committee stated it already had this data. 148, 149.  
 Williams said this motion need not be acted on today but could stand with liberty to bring it up at any future meeting, and this was agreed to. 149  
*Dec 4. Sat* Delano moves that 3rd draft shall be considered filed subject to such changes as committee may decide to make, and that further discussion be postponed until Harding's return from Atlanta. 149  
 All voted aye except Harding who asked to be recorded against it. 149  
*Dec 6. Monday* Meeting, Dec. 6, 1915.  
 Warburg asks C.S.H. how he felt about 3rd draft of report which, he said, had been somewhat changed in accordance with C.S.H.'s suggestions. 154  
 CSH said had not read it carefully but would do so. 154  
 Warburg said if Williams should reply to it, the committee would change it and put in some "nasty things" 154  
 Said that committee had shown clearly they were right in all they did. 154  
 Said committee felt obliged to keep in report the reference to the Attorney General and to branches. 154  
 C.S.H. points out that their report said nothing about branches just as he stated supra on page. 146 \*  
 Warburg says if parent bank refused to establish the abolished bank as a branch, the Federal Reserve Board would reestablish the Federal Reserve bank. 154  
*Dec 10 Tuesday* The committee on Dec. 15, 1915, filed with the Board at its request a memorandum on redistricting. 154 A (loose sheet)  
 Memorandum begins with 2 plans: -  
 1. In which Boston is kept distinct  
 2. In which Boston is merged in N.Y. 154 A \*  
 Memorandum says that from point of view of securing the most economic and effective operation, there can not be any doubt that plan 2 would be the more advisable one. Being mindful, however, of what might generally be considered as the sentiment of the country, the committee does not contemplate uniting districts 1 and 2, hoping that district No. 1 may succeed in proving its ability to act as an independent and self-supporting center. 154 A



Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

There are attached to the memorandum 4 different proposed plans of redistricting, as follows: -

Plan I. 8 banks  
 Boston consolidated with N. Y.  
 Atlanta " " Richmond  
 Minn. " " Chicago  
 Dallas " " Kansas City 154 A

Plan II. 9 banks  
 Boston not changed  
 Atlanta consolidated with Richmond  
 Minn. " " Chicago  
 Kansas City " " St. Louis  
 Dallas " " New Orleans. 154 A

Plan III. 9 banks  
 Boston not changed  
 Atlanta consolidated with Richmond  
 Minn. " " Chicago  
 Dallas " " Kansas City 154 A

Plan IV 9 banks  
 Boston not changed  
 Atlanta consolidated with Richmond  
 Minn. " " Chicago  
 Kansas City" " Dallas 154 A

*Dec 10 Monday*

*Dec 10. Monday*

*Dec 10. Monday*

*July 25, 1916  
Tuesday*

Meeting Friday, Dec. 10  
 Board approved minutes of meetings of Nov. 15 and Nov. 22, accepting the suggestions of C.S.H. as to adding some items. 155  
 Williams and McAdoo reserve right to file a further statement. 155  
 C.S.H. files a memorandum as to the 3rd draft of report of committee filed Dec. 4. 155  
 Harding suggests a test case by consolidating 2 districts in spite of opinion of Attorney General, leaving it to courts to decide the matter. 155  
 Warburg said this ought to be done. 155  
 Delano said nothing. 155  
 Bill introduced in Senate by Senator Smith of Maryland authorizing Federal Reserve Board to consolidate districts. 247  
 McAdoo says will jeopardize all our other amendments and should go over, without expressing any opinion on merits. 247  
 Harding agrees to this. 247  
 Meeting of Wednesday, July 26, 1916. 248

154 A. Dec 10. Monday

155 " " "

247 " " "

Federal Reserve Board (Cont.)

Cutting down Federal Reserve banks and districts (Cont.)

July 26, 16, Wed.

Board unanimously agrees to inform senate that, without expressing any opinion on merits, the Board feels the present is not an opportune time for enacting this legislation. 248

Delano tells Williams he has wired Miller for expression of opinion on Smith bill and showed him a telegram from Miller that he absolutely favored the bill. 269

Delano never before had spoken to us of this telegram. 269

See also - McAdoo

(End of Federal Reserve Board, cutting down etc)

Discount rates

The Governors at conference in February, 1915, protest against fixing of rates by Federal Reserve Board of own volition. 1

They claim that the Federal Reserve bank has sole right to initiate rates, and that Board has power merely to approve or disapprove the initiated rate. 1

The Board states it clearly has power to fix rates on its own volition. 1, 2.

Warburg tells Governors Board clearly has this right, although it may never have to exercise it. 1, 2.

Dividends and expenses

See - Federal Reserve banks; same

Foreign Agencies of Federal Reserve banks

See - Federal Reserve banks; foreign agencies

Fowler petition

Attacks Federal Reserve banks and Board for discounting munition acceptances and for issuing Federal Reserve notes against them. Charges Directors of Federal Reserve Bank of New York with fraud. 23

Conference of C.S.H. with Attorney General. 23

Attorney General advises against any action on. 23

Fowler has interview with C.S.H. 24

C.S.H. insists charges must be put in writing. 24

Board dismisses petition. 28

Governor

Harding says if Richard Olney had been Governor the row over McAdoo's change in the call of N.Y. meeting would not have occurred. 48, 49.

Harding says C.S.H. and McAdoo are so intimate that McAdoo fails to keep in mind the distinction between Chairman and Governor. 49

Rotation in office of Governor

See - Hanlin, C.S.

McAdoo, W. G.

McAdoo, W. G.

Harding objects to members rising when, enters room. 52

Make Board pay for a tea it gave Pan American Financial Congress. 21



Federal Reserve Board (Cont.)

Miller, A. C.

Says by-laws are necessary as members have no trust or confidence in one another. 50

Says Board has surrendered to Wall Street. 59

Says McAdoo inspired attack of Treasurer Burke against Federal Reserve Bank of Minn. 106

See - Federal Reserve Bank of Minn.

Pan American Financial Congress

See supra- McAdoo

Public moneys

Board appoints committee to obtain from Attorney General a reconsideration of opinion that monies received by Federal Reserve Board are public moneys to be accounted for to Auditor of State Dept. 2

C.S.H. opposes this. 2

Redesignation of Federal Reserve cities

Board agrees to ask opinion of Attorney General. 126

Redistricting

C.S.H. moves that all petitions for, be studied from light of experience. 125

Withdraws motion when Delano moves that all petitions be tabled. 126

Wisconsin banks petition

See- Federal Reserve Bank of Minn.

C.S.H. says burden of proof is on banks seeking to overthrow decision of Reserve Bank Organization Committee. 126, 127.

See - Federal Reserve Board; cutting down. Redistricting.

Row over Brown Brothers acceptance credit.

See - Acceptance credits

Row over meeting called at U.S. Subtreasury, N. Y.

See - Acceptance credits

McAdoo

Starek

Board appoints committee to consider charges of, against Gov. Strong. 22

See - Williams

Status of Federal Reserve Board

C.S.H. fears trouble from McAdoo. 21

McAdoo forces Attorney General to strike out one sentence from opinion as to independent status of Federal Reserve Board, against protest of Assistant Attorney General Warren. 22

Attorney General rules that Federal Reserve banks are not Government banks and that their officers are not officers of U.S. 23

Federal Reserve Board (Cont.)

Status of Federal Reserve Board (Cont.)

Harding intimates some members may resign if authority of Board not fixed. 49

Harding hints that Congressional action may be called for. 49

Harding says Board is a democratic Board and that each member has as much power as does McAdoo. 50

C.S.H. talks with Col. House as to. 53

C.S.H. tells McAdoo that quarrels in Board all hinge on status controversy. 55

McAdoo says whole trouble lies with President Wilson who is against putting Federal Reserve members ahead of Interstate Commerce Commission and Civil Service Commission. 55

C.S.H. tells McAdoo, Federal Reserve Board should rank just below members of Congress and above the Solicitor General, Counsellor of State Dept. and Assistant Secretaries. 56

McAdoo said this would swell their heads! 56

C.S.H. tells McAdoo of threatened resignations. 56

McAdoo expresses hope that they may resign. 57

McAdoo says if President reads the correspondence he may take them by the scruff of the neck. 57

McAdoo says President is willing to put Board on a parity with Assistant Secretaries. 56

McAdoo never before told this to C.S.H. 56

C.S.H. says Board would not be satisfied with this. 56

McAdoo utterly unable to comprehend the Board's side. 57

C.S.H. tells McAdoo the dispute as to cutting down of districts really hinges on status dispute. 99

C.S.H. says it is really an anti administration attack 99

McAdoo tells Delano he will soon take up status matter and hopes he can please Board. 99

C.S.H. defends Board from McAdoo's attacks. 99

Assistant Secretary Phillips tells British Ambassador that Federal Reserve Board outranks Assistant Secretaries. 153

McAdoo, at his dinner to Board, tells C.S.H. to follow Cabinet - putting him ahead of Assistant Secretaries and Cong. Glass. 168

Harding tells McAdoo that Board is indignant at their status. 178

McAdoo says presence of a Cabinet member on Board adds to its dignity. 178

McAdoo says Board wants Sec. of Treasury and Comptroller of Currency taken from Board. 178

McAdoo says Board wants more power than any administration will ever give it. 178

McAdoo says he told President he would not object to a status ahead of Assistant Secretaries. 178



Federal Reserve Board (Cont.)

Status (Cont.)

McAdoo says President is very much embarrassed as Assistant Secretaries have had their status for a century. 178

See - McAdoo Status

Treasury

Harding says Board is locked upon as merely an adjunct of, and that it will leave Treasury building. 178

- See also - Acceptance credits
- Clearing system
- Commodity paper
- Discount rates
- Government deposits
- Laughlin
- McAdoo
- Redistricting
- Rich
- Status
- Treasury domination

Federal Reserve cities

McAdoo notifies Board that he will remove all Govt. deposits from national banks in, and will put them in Federal Reserve banks. 128  
See - Federal Reserve Board; redesignation

Federal Reserve districts

See - Federal Reserve Board; cutting down Redistricting

Federal Reserve notes

- Conference with Attorney General as to issue of, against munition acceptances. 23
- Attorney General says Board can not consider use made of, after issue. 23
- Willis says cutting down of districts will destroy Federal Reserve notes and not save expense. 85
- Miller favors issue of, against gold or against part gold and part paper; feels the present indirect method of "reversing the pump" should be validated. 229
- Miller objects to gold with the Federal Reserve Agent counting as reserve. 229
- Warburg asks if Miller would not favor the issue of, directly against gold, - as provided in proposed amendment, - as an emergency proposition requiring 5 affirmative votes. 230
- Miller says No, as he has no confidence in the Federal Reserve Board as at present constituted! 230

Federal Reserve notes (Cont.)

Glass opposes making, lawful money. 263

Glass opposes making gold held by Federal Reserve Agents count as reserve. 263

Board's suggested amendment that Federal Reserve notes should be lawful money up to 5% etc. not acted on by Senate 264

Glass pleased at failure. 264

Warburg says Harrison is only man who knows anything about the proposed amendments as to. 264

Warburg says it is wise to drop the amendment as to, as lawful money. 265

Says he never expected it to become law. 265

Yet he told the Board it was vital. 265

Warburg says C.S.H. responsible for failure of amendment. 265

C.S.H. points out that Warburg ordered Harrison back from his vacation especially to watch this amendment. 265

Warburg says he ordered Harrison back merely to prepare a draft of new regulations. False. 265

Conference committee rejects Board amendment providing for issue of, against gold. 287

McAdoo said only he and President could have induced Glass to accept it and they were not clear enough as to its merits to try. 287

C.S.H. feels McAdoo and President made a great mistake in not trying to persuade Glass. 287

Federal Reserve system

McAdoo's suggestion of issuing further Aldrich - Vreeland notes is a direct blow at! 1

Rumored that 25 of most powerful national banks contemplate withdrawing from. 114

Gov. Strong says Directors of Bank of England consider Federal Reserve Act a wonderful piece of legislation 223

See - Federal Reserve Board; cutting down  
Harding  
Warburg

Federal Trust Company 218

See - O'Neil, J. H.

Fish, Pliny

See - McAdoo

Fleming

See - Federal Reserve Bank, Kansas City

Forbes, Mrs. Malcolm

C.S.H. lunches with. 284

Foreign credits

See - Acceptance credits  
Great Britain



Foreign Governments

See - Acceptance credits

Forgan

Dr. Laughlin says Forgan is more narrow than Vanderlip and Bush. 134

Says he favors cutting down capital but that is absolutely necessary for Federal Reserve banks to earn expenses and dividends. 186

See - Bills of exchange

Federal Reserve banks; capital

Fowler petition, Munitions

See - Federal Reserve Board; same

Fox, Austin 201

see - Brandeis

-G-

Garrison, Secretary

Warburg expresses sympathy with, in his resignation. 185

C.S.H. writes President Wilson indorsing his stand on. 185

McAdoo says, is a reactionary. 185

Gatch

See - Federal Reserve Agent, Deputy

Georgia Bankers Association

Speech. C.S.H. 229

Germany

Lansing says he believes Germany entered into a secret agreement to give the Pope of Rome temporal power if she won the war. 176

Netherlands by issuing notes against gold earmarked in U.S. can buy securities from, free from interference by Great Britain. 222

See - Cotton

Glass, Carter

Had interview with Warburg at his request at his house. 69

Said that from what Warburg told him there was evidently a serious division in Federal Reserve Board. 70

Warned Warburg that if Board did not publish open market regulations he would attack it. 70

Said he failed to convince Warburg. 70

Glass, Carter (Cont.)

Says there will be a strong movement in Congress to displace Williams as a member of Federal Reserve Board. 70

Says he believes the office should be represented on the Board, but that the trouble arose from the personality of Williams. 70

Says it was clearly the intent of Congress that the Federal Reserve banks should have copies of all the examiners reports. 70

Says there is no possible doubt of the right of Federal Reserve banks to go into the open market to secure revenue for expenses and dividends. 70

C.S.H. tells Board that Glass says a letter on open market purchases would not be satisfactory. 71

Delano says Glass told him it would be satisfactory. 71

Warburg said Glass told him he recognized the danger of a regulation at this time and approved a letter. 71

Will oppose effort to cut down districts. 94

Bitter towards Warburg. 94

Will issue public statement that cutting down districts would be an affront to Congress. 97, 98.

Says has talked with McAdoo and won't issue statement until he sees C.S.H. 98

Says will at once write Delano on the matter. 98

At first saw no objection to committee seeing President as to cutting down of districts. 98

Finally agreed with C.S.H. that it would merely give the committee the opportunity to say it gave up the plan because the President had interfered. 98

Says the committee feel that McAdoo exercises an undue influence over the President and that he could not be trusted to state the facts correctly to him. 98

Willis says Dr. Laughlin made many suggestions as to drafting the Federal Reserve Act to Glass and himself. 132

Willis says Dr. Laughlin had unwittingly led bankers to believe that he could dominate his views. 132

Willis says he prepared draft of Federal Reserve Act for Glass. 133

Willis says:

Dr. Laughlin got Glass to tell him the general plan of draft. 133

Dr. Laughlin asked Glass if he could prepare a bill showing his views and that Glass said yes. 133

That the Glass bill was not founded on the bill which Dr. Laughlin then prepared, of which bill, Willis has a copy. 133

That Dr. Laughlin asked him to give him a copy of the Glass bill, which he declined to do. 133

That certain New York bankers tried to secure removal of Glass from the Banking and Currency Committee. 133



Glass, Carter (Cont.)

Willis (Cont.)

That the National City Bank worked on Ailes to secure this but he declined. 133

That Dr. Miller secured a copy which disturbed Glass very much. 140

McAdoo suggests appointing Glass to Federal Reserve Board in place of Miller. 141

C.S.H. says, although he admires Glass, this would start a political fight and inure the administration. 141

Glass much worried about the divisions in Federal Reserve Board. 159

Says bankers are laughing at us. 159

Says clearing system should have been put in long ago. 159

Says Elliott and Cotton are no lawyers. 159

Says Warburg will hold in back even if Attorney General says we have mandatory power.s 159

Says he thinks Delano honest but that his surroundings had been such that he failed to grasp the interests of the people against the banks. 159

Says the intent of Congress was to give us mandatory power. 159

Says will have to go to Congress if Attorney General denies this power. 159

C.S.H. feels Willis is responsible for Glass's worries. 160

McAdoo at dinner to Federal Reserve Board puts C.S.H. ahead of Glass. 168

Glass sends to the Board the Smith bill giving power to Board to cut down districts, etc. 208

Harding to confer with Glass as to clearing members. 261

Glass bitter against Kitchin. 262

Glass will agree to clearing members. 262

Irrevocably opposed to making Federal Reserve notes reserve money. 263

Opposed to having gold with Federal Reserve Agent count as reserves. 263

Will consider matter, as to counting gold with Federal Reserve Agent as reserves. 263

Glass tells C.S.H. the Senate Committee on Banking and Currency had been polled and was unanimously in favor of confirmation of C.S.H. 263

McAdoo says only the President and he could have persuaded Glass to agree to issuing Federal Reserve notes against gold and that they were not clear enough as to its merits to try. 287

See - Bills of exchange  
Federal Reserve banks; dividends  
Williams

Goebel

See - Federal Reserve Bank; Kansas City

Government banks

Federal Reserve banks are not. 23

Government deposits

McAdoo tells Board he will withdraw all deposits from national banks in Federal Reserve Cities and will deposit the funds in Federal Reserve banks. 128

Warburg prepares amendment providing that Sec. of Treasury can not deposit public funds in Federal Reserve banks without consent of Federal Reserve Board, as such deposits interfere with discount policy of Board. 177

Warburg says the 15 millions of deposits by McAdoo in Federal Reserve banks for crop moving has interfered with discount policy of Board. 180

McAdoo explains that originally he announced while in Maine that he would make the deposits only if necessary; that he would have consulted with Board had he been in Washington. 180

McAdoo said he consulted Board before the deposits were actually made. 180

McAdoo said a grave emergency existed because of threatened action of Great Britain to make cotton contraband. 180

McAdoo said these deposits were availed of but little. 180

Harding said, - merely psychological effect. 180

Harding says not for him to attack McAdoo for helping south. 180

Harding admits he wrote McAdoo that no deposits were necessary. 181

Warburg says his plan is for an amendment to prevent Sec. of Treasury from depositing in national banks without consent of Federal Reserve Board. 181

McAdoo says Board could overcome any action of Treasury by rediscounts or by raising discount rates. 181

McAdoo says Warburg's amendment would injure prestige of Board as it could not possibly be enacted. 181

C.S.H. says Warburg plan would perpetuate Subtreasuries forever. 181

Delabo said deposits in Federal Reserve banks should be equitably apportioned among the states, just as law requires deposits in national banks. 181

McAdoo said if any future Secretary should make deposits in Federal Reserve banks to injure the Federal Reserve system, the President would remove him. 182

McAdoo said as much danger of Federal Reserve Board acting wrongfully as Sec. of Treasury. 182

C.S.H. says if bill introduced would reveal differences in Board. 182

Warburg says bill will be introduced anyway. 182

C.S.H. says if bill introduced outside of Board, the Board, if summoned, could express its views with a minimum of injury. 182



Government deposits (Cont.)

Harding says he will vote against Warburg's plan but reserves right to bring up matter later and if his colleagues insist on a minority report, he will signify his concurrence as to part which he approves. 182

Finally agreed Miller could put in annual report a statement that no recommendations are made as to certain matters because Board had difference of opinion. 182

Finally agreed annual report should go in without Warburg and Delano plan as to Government deposits. 183

Agreed, however, that, prior to June 30, 1916, Board would send to Congress any amendments any 2 members wished sent, the others to have right to send a majority or minority report. 183

Harding introduces proposed letter to Atlanta requiring 100% reserve against. 185

McAdoo says it is a "damned fool" letter and will insist on a record vote. 185

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Again discussed. Shown that Federal Reserve banks were not using these deposits and were thus, in effect, keeping a 100% reserve. 193

C.S.H. suggests writing a letter approving course of Federal Reserve banks in conserving funds which Treasury at any time might remove, and Harding agreed to redraft his letter along these lines. 193

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That while Board is always glad to take up any question with an individual bank, the conference, in protesting against pressure by Board as to discount rates went beyond its legal powers. 173

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- Gov. Strong admits truth of " 173
- Gov. Strong says Governors can and will accommodate themselves to the spirit of the memorandum. 173
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- Sir Paul asks C.S.H. many questions as to Federal Reserve Act. 150
- C.S.H., in leaving, tells Ambassador he was sorry not to have had a longer talk with Sir Paul. 150
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- C.S.H. tells Embassy postponing interview because of engagement with Sec. of Treasury. 151
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Nomination reported favorably on August 1, 1916. 264

Sen. Hollis says C.S.H. received unanimous report of committee and that all praised him. 267

Nomination laid before Senate but Senate took up Farm Loan Board and did not reach C.S.H. 266

McAdoo says will push confirmation. 266

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Government deposits

Governor of Federal Reserve Board

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C.S.H. says - not until his term expires. 161

McAdoo says:

Great God! I hope you will understand that while

I am here you will be at my right hand. I should never even consider such a change. 161, 162

C.S.H. believes McAdoo put this out as a "feeler". Is amazed at such a suggestion. 162

Delano tells C.S.H. of interview of himself, Harding, and Warburg with President on rotation of Governor. 233

Says nothing personal. 233

Told President hoped C.S.H. would be reappointed. 233

Said President listened to them but said nothing. 233

Delano sends C.S.H. a copy of his letter to President. 233

Letter said: -

Rotation of Governor one of most important matters which 4 members wished to ask amendment of Congress. 233

Owing to coming election they had sent no amendments except those vitally necessary for administration of Federal Reserve system, etc. etc. 233



Hamlin, C. S. (Cont.)

Federal Reserve Board (Cont.)

Governor of Federal Reserve Board (Cont.)

C.S.H. comment is that letter did not say that there was nothing personal to C.S.H. intended, and that a fair inference would be that it was prompted by reasons growing out of administration of the office by C.S.H. 233, 234.

Delano said he explained to President that the Ex-officio members could not attend more than 1/3 of the meetings. 234

Delano seemed very bumptious and egotistical and acted as if whole matter was settled. 234

Delano said rotation must come! 234

C.S.H. thinks he also said, - I am a candidate. 234

C.S.H. told them he had no objection and would loyally accept President's decision. 234, 235

C.S.H. shows McAdoo the copy of letter. 235

McAdoo said he knew nothing of it. 235

Said they talked with him last week as to rotation and complained at not having had opportunity to talk with President, and he said why don't you. 235

McAdoo indignant. 235

Adverse to considering anyone of them for Governor. 235

Said would never stand for Delano as Governor. 235

C.S.H. tells him not to think of him but to do what was best for system. 235

C.S.H. advises designation of Delano. 235

C.S.H. fears Delano will resign if not designated. 235

McAdoo says he wishes he would. 235

C.S.H. suggests that McAdoo does not speak to him again, that he and C.S.H. had been good friends, and C.S.H. would loyally accept the decision. 235, 236, 237

Williams says it would be preposterous to designate any other than C.S.H. and he will tell this to McAdoo. 236

All were so pleasant at meeting that C.S.H. suspects McAdoo must have yielded on rotation of. 238

McAdoo asked C.S.H. if meeting was peaceful and this confirmed C.S.H. suspicions. 238

McAdoo says mind not yet made up as to Governor. 239

If any change made Harding would be designated as Governor and probably Warburg as Vice Governor 239

Asked C.S.H. how they would feel at such designations. 239

C.S.H. says they would all be mad except Harding. 239

That Warburg expects to be Governor. 239

That Jacob Schiff had come out for Wilson, in opinion of C.S.H., to secure designation of Warburg. 239

Hamlin, C. S. (Cont.)

Governor of Federal Reserve Board (Cont.)

- McAdoo said Schiff acted purely from public spirit! 239
- C.S.H. said he thought Delano also wanted it and felt Warburg could not get it. 239
- McAdoo said, No, they all asked to have it go to the short term. 239
- C.S.H. is sure Delano thinks by fighting he can get it 240
- C.S.H. says if Harding were designated, Warburg would be furious. 240
- C.S.H. says Delano would resign, and that both would say Harding had double crossed them. 240
- McAdoo says Delano under no circumstances could have it. 240
- Delano a narrow, peevish man, and he wishes he would resign. 240
- Said would injure administration to designate Warburg 240
- Said all were unworthy of it. 240
- C.S.H. says not to consider himself at all. 240
- C.S.H. says better to designate Delano and avoid disruption in Board prior to election. 240
- C.S.H. says minority have "struck" and can injure administration if it does not yield. 240
- C.S.H. tells McAdoo the plans of the minority if they get the Governorship. 241
- McAdoo says very much embarrassed as to what to do. 241
- McAdoo says he and President believe C.S.H. retention as Governor is for good of F.R. System. 241
- C.S.H. suggests amending Act and providing for a Board of Governors, but McAdoo said Congress would not consent. 241
- C.S.H. asks Delano if McAdoo has spoken to him about rotation. 246
- Delano said No, but that Harding had had talks with him. 246
- C.S.H. said he was a disinterested spectator. 246
- That he had told McAdoo he would loyally support whatever the President decided to do. 246
- Delano was much pleased and said he knew C.S.H. would take this position. 246
- C.S.H. added that he had told McAdoo not even to discuss it with him. 246
- McAdoo tells C.S.H. that President has reluctantly decided to have Governor rotate each year. 269
- That Delano and Warburg had told friends of the administration that they should resign if this were not done. 269
- That the President felt that Delano's letter to him was a polite species of blackmail. 269



Hamlin, C. S. (Cont.)

Governor of Federal Reserve Board (Cont.)

McAdoo also said:

That President, at any other time, would have had no difficulty in treating it as it warranted 269

That if they should resign before election it would injure the administration. 269

That this was clearly their intent. 269

That he had carefully considered what the rotation should be. 269

That it would be impossible to designate Warburg 269

That to designate Delano would emphasize the passing over of Warburg. 269, 270.

McAdoo said Delano absolutely unfitted for Governor. 270

That he was narrow, bigoted, and reactionary 270

Thick and stupid. 270

Had given him every opportunity to be friendly but that he had been cold and aloof. 270

More of an undeveloped boy than a man. 270

That Harding was better fitted than the others, although he recognized his limitations. 270

McAdoo said that Miller was absolutely out of the question for the position 270

McAdoo asks C.S.H. opinion. 270

C.S.H. says: -

Looking to harmony Delano should be designated 270

Admits this would emphasize passing over of Warburg 270

Certain Delano will resign if not designated. 270

Certainly would if also dropped from position of Vice Governor. 270

McAdoo said did not care a straw if he did. 270

That Delano had forced issue and President had yielded. 270

If he should resign because not designated as Governor he would be ridiculous. 270

C.S.H. feared his resignation would be more injurious than that of Warburg 270

McAdoo said Warburg's resignation would hurt us with the bankers at this time. 270

McAdoo said Warburg without doubt would accept Vice Governor 271

C.S.H. said if Harding and Warburg were designated, Delano and Warburg would feel that Harding had double

crossed them and would break up any future combination between them. 271

McAdoo said had grave doubts of Harding's loyalty to system and asked if C.S.H. thought he would be loyal. 271

C.S.H. believes he will be, as he would consider himself an important factor in Board and this would make him work for harmony. 271

Hamlin, C. S. (Cont.)

Governor of Federal Reserve Board (Cont.)

McAdoo says will talk with Harding and say President relies upon his loyalty to Federal Reserve system 271 Will tell him that President will designate him because of his fine work on clearings. 271 That designation will be for one year only which will give President a hold on him. 271

McAdoo said:

Fully appreciated the insincerity of the minority and their reactionary feelings. 271 That they had "struck" at a critical time. 271 That very regretfully President and he felt it expedient to yield, but to yield as little as possible. 272

C.S.H. says he appreciates the situation and would probably do the same under like conditions. 272

That he was only too glad to render a service to President by eliminating himself. 272

McAdoo expressed deep gratitude of President and himself for broad way C.S.H. looked upon the situation. 272

Said he and President both wished to designate C.S.H. but that it seemed better to yield. 272

C.S.H. congratulated by Cong. Eagle on redesignation as Governor. 272

McAdoo sheepishly corrects him. 272

Eagle says C.S.H. is of good N.E. stock and country has confidence in him. 272

C.S.H., on whole, does not blame President and very likely would have done the same for sake of expediency. 273

Yet the fact remains that the reactionaries have dared the President and he has yielded. 273

Only hope is that Harding will abandon his freely expressed reactionary views. 273

Delano is to be pitied. 273

Vain, bumptious, comedit. 273

Has forced the issue and has lost both Governor and Deputy Governor. 273

Hoist by his own Petard and it serves him right. 273

McAdoo sends C.S.H. a letter enclosing designations of Harding and Warburg asking C.S.H. to deliver them 277

McAdoo writes C.S.H. congratulating him upon success as Governor. 278

C.S.H. asks Harding to move into his room at once. 279

Harding asks C.S.H. to take his New England pictures with him. 279

Harding fears trouble over his designation. 279

Says has wired Warburg for a conference. 279

Says will work for harmony. 279

Felt it his duty to accept. 279



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Federal Reserve Board (Cont.)

Governor of Federal Reserve Board (Cont.)

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 C.S.H. wires McAdoo from New York to stiffen up Harding who seems to be weakening. 280  
 Harding says:  
 Warburg is furious. 280  
 Delano quiet but bitterly disappointed. 280  
 Warburg prepared letter to President accepting his designation as Vice Governor, but lecturing President for not making him Governor. 280  
 Delano and he with great difficulty persuaded him not to send it but merely to accept designation as Vice Governor. 280  
 Told Warburg President would resent it and take drastic action. 280  
 Warburg made all sorts of wild suggestions and threats. 280  
 Warburg wants to insist on President designating him as Governor and Delano as Vice Governor 280  
 Delano would not agree. 280  
 Has told Warburg if harmony is not restored he would write President and ask him to designate some one else. 280, 281  
 Says impossible for President to designate Warburg, a German only recently naturalized, having a brother on Emperor's Council in Germany 281  
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 C.S.H. said if Delano had frankly come to him matter could have been worked out. 283  
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Harding, Gov. Headings

1. Rediscount rates between Federal Reserve banks should be 1/2% below rate of rediscounting bank. 2
2. Brown, of Federal Reserve Bank of Atlanta talks like a wild man, - wants a rate of 2 1/2% for discounts with other Federal Reserve banks. 3
3. Fears Atlanta banks are over extending under 4% Federal Reserve bank rate. 3
4. A 2 1/2% rediscount rate would be a pure gratuity to member banks unless it is shared with customers 3, 4.
5. The 4% Federal Reserve bank rate has not benefitted customers. 4
6. The southern banks pay from 3% to 6% on deposits. 4
7. Rediscounts between Federal Reserve banks should take the New York rate or a fraction below. 4
8. Any rate below 4% will encourage speculation. 4
9. Advises calling meeting in New York on Brown Brothers acceptance credit. 33
10. Says McAdoo told him he wished Miller would try to break a quorum by staying away from meeting. 33
11. C.S.H. wires Harding in New York about meeting. 34
12. Harding would meet at Subtreasury. 34
13. Speaks of interviews with Sir Richard Crawford as to cotton 43
14. Told Sir Richard, if cotton is to be made contraband it should be done before crop begins to move. 43

Harding, Gov. (Cont.)

- 15. Harding does not represent the cotton committee of Board. 43
- 16. Matter never considered by Board. 44
- 17. Says State Department asked him to confer unofficially with Sir Richard. 44
- 18. Says McAdoo said U.S. in danger of immediate rupture with Germany. 44, 45
- 19. Harding gives impression that some agreement as to cotton might be made with Great Britain which Germany would regard as a direct breach of neutrality. 45
- 20. McAdoo calls Harding to account for refusal to attend meeting at Subtreasury, N. Y. 45
- 21. Harding says Willis was opposed to meeting in Subtreasury 46
- 22. Harding says power of Board must be definitely settled 48
- 23. Suggests preparation of by-laws. 48
- 24. Says McAdoo is so friendly with C.S.H. that he does not bear in mind the powers of Chairman and Governor 48, 49
- 25. Says if Olney had been Governor the row would not have accrued. 49
- 26. Intimate possible resignations from Board. 49
- 27. Also of Congressional investigation. 50
- 28. Agrees to suggested by-laws that 2 or 3 members may call a special meeting. 50
- 29. Says Board is a democratic Board and each member has as much power as Secretary of the Treasury. 50
- 30. Writes Secretary he will discuss his action as to Subtreasury meeting only in a full Board meeting 50
- 31. To meet Warburg and Miller in conference. 51
- 32. Harding's claim that the Chairman can not call a meeting made ridiculous by fact that he himself called meeting for this morning. 51
- 33. C.S.H. writes McAdoo stating position of Harding et als as to New York meeting. 51
- 34. Harding tells C.S.H. he has just had conference with President Wilson as to his conferences over cotton with State Department and Sir Richard and that President fully approved. 51
- 35. Says McAdoo had no right to issue call for, or fix place of meeting, but he did not care personally, but felt it wise to keep with Warburg and Miller to head off any pro-German agreement they might make together. 51
- 36. Says Miller has changed his views on discount of munition acceptances by Federal Reserve banks. 51
- 37. Very decidedly objects to members rising when McAdoo enters Board room. 52
- 38. Says no need of Government deposits in Federal Reserve banks, but he did not intend by objecting to be held up as a Judas by the south. 55

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Harding Gov. (Cont.)

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M. K. Warburg

Willis

McAdoo

C. S. H.

Olney

Warburg

Miller

Wilson

Crawford

Richard

Sir

Germany

U. S.

State Department

Board

Federal Reserve

Subtreasury

New York

Meeting

Confidence

Agreement

Resignation

Investigation

Special

Democratic

Secretary

Chairman

Governor

Judas

South



Harding, Gov. (Cont.)

- 39. Agrees Warburg's plan is best way to put it through. 55
- 40. McAdoo says does not care if Harding should resign. 56
- 41. Harding urges Board to fix conditions as to commodity rates rather than to have Federal Reserve banks do it. 58
- 42. Says it is a matter of exigency. 58
- 43. Says Miller offended because Board slightly changed a press interview prepared by him. 59
- 44. Says McAdoo suggested the changes and they were good ones. 60
- 45. Says Miller wrote him a letter protesting against Govt. deposits; in doubt whether he should open it but would consult Warburg. 60
- 46. Reports against open market powers for purchase of bills. 62
- 47. Says, however, he is open to conviction. 62
- 48. McAdoo says Harding wants to run with the hares and course with the hounds. 63
- 49. Harding says Board has fixed a 3% commodity rate for the south and should now drop the matter. 65
- 50. Said Board's course could not be defended. 65
- 51. Tantamount to saying he had deceived Board. 66
- 52. Evidently does not want to interfere with member bank rates except to please his constituents. 66
- 53. C.S.H. thinks Harding will resign if Miller is dropped from Board. 66
- 54. McAdoo says he does not care. 66
- 55. Harding gives C.S.H. copy of report of Warburg and himself against C.S.H. report favoring open market powers 67
- 56. Most insulting to C.S.H. 67
- 57. Said earnings more important to C.S.H. than safety of Federal Reserve system. 67
- Spoke of danger of low rates. 67
- 58. Harding did not see this danger when he pleaded for a 3% commodity rate for south. 67
- 59. Says McAdoo's deposits in Federal Reserve banks was pure politics to carry favor with south. 67,68
- 60. Thinks Federal Reserve Board represents banks more than the people. 68
- 61. Reports in favor of a letter to Federal Reserve Agents as to open market operations, instead of regulations. 70
- 62. C.S.H. gives copy of his minority report to Harding. 71
- 63. Committee meets and Harding votes in favor of sending letter 72
- 64. On C.S.H. motion to substitute his minority report in Board meeting, Harding votes No. 72
- 65. Willis goes to meeting with Harding, et als, to consider cutting down of districts. 77
- 66. C.S.H. sends Harding a letter from New Orleans branch bank asking authority to purchase state bank acceptances. 78

Harding, Gov. (Cont.)

- 67. Harding reverses his position and intimates it may be possible to amend acceptance regulations and grant this. 78
- 68. C.S.H. sends amendment to Harding who replies equivocably. 78
- 69. Harding in original report says Federal Reserve banks do not want power to buy domestic bills yet Atlanta asks to have a rate fixed and Cleveland and Phila. favor it! 78
- 70. Warburg in memoranda on acceptance regulations strenuously avoided criticizing Harding although Harding has changed his mind constantly. 79
- 71. Warburg says in effect in memorandum that Harding knew little or nothing about acceptances but was willing to abide by his judgment. 79
- 72. Harding says if Williams keeps his letters on the files protesting against being dropped from committees, he will file a memorandum. 83
- 73. Harding reads newspaper clipping saying McAdoo approved of Federal Reserve Bank of Atlanta investing its funds, including Government deposits, in warrants. 84
- 74. Willis says Harding et als called him in and showed him their plan of cutting down. 85
- 75. Harding writes Williams that he will oppose putting him under Federal Reserve Board. 88
- 76. Harding says to C.S.H. , - you have "stumped" Miller by your questions as to cutting down. 88
- 77. Harding votes to permit New Orleans branch to purchase state bank acceptances. 90
- 78. Warburg furious against Harding. 90
- 79. Every word Harding said was contra to his report. 91
- 80. Tells Williams the committee on cutting down can not agree. 91
- 81. Harding opposes putting northern Alabama in Cleveland district. 91
- 82. Harding votes against power granted to Federal Reserve Agent Rich as to publicity. 94
- 83. Harding tells C.S.H. that committee will report in favor of cutting down in democratic as well as in republican districts. 94
- 84. Harding presents to Williams to give to McAdoo, an ultimatum on cutting down. 95
- 85. Says committee will cut down unless President sends for Delano and asks him not to. 95
- 86. Harding, in new committee assignment takes 6 districts and C.S.H. is not given any. 97
- 87. Harding admits he had talked with one of his Senators as to political effect of cutting down. 104, 105, 106, 107



Harding, Gov. (Cont.)

- 88. Harding moves to table resolution for a stenographer at cutting down meeting. 105
- 89. Questions right to have McAdoo's vote recorded. 107
- 90. Says stenographic report of reserve bank organization committee gave a false report of Richmond meeting 107
- 91. Says committee, if instructed, can report a plan of cutting down within 2 or 3 days. 108
- 92. Harding said he reported to his colleagues his talk with Williams giving an ultimatum as to cutting down of districts. 108
- 93. Williams asks that map referred to by Harding in his ultimatum talk be produced. 109
- 94. Says recently learned on authority, when in Chicago, that 25 of most powerful national banks in the country were planning to withdraw from Federal Reserve system 114
- 95. Senator Smith says, is weakening on cutting down question 115
- 96. Harding said he would not vote for any measure which would surely result in a law suit. 115
- 97. Asks Willis to act as intermediary in talk, between McAdoo and himself as to cutting down. 116
- 98. Asks Willis to make appointment with McAdoo. 116
- 99. Said would be willing to abandon cutting down if McAdoo would yield on open market powers, clearings, etc. 116
- 100. Said that committee would compromise if McAdoo would agree to fire out Starek in New York and require Williams to give examiners reports to Federal Reserve Agents. 116
- 101. McAdoo agrees to meet Harding but without Willis. 116
- 102. McAdoo tells C.S.H. he will never compromise with Harding 116
- 103. McAdoo said:  
Had talk with Harding. 117
- 104. Said he would never vote to precipitate a law suit. 117
- 105. Harding neither asked nor received any promise. 117
- 106. Harding agrees with McAdoo that Board should appoint 6 out of the 9 directors. 117
- 107. Very ugly because of C.S.H. letter to President as to opinion from Attorney General as to power to cut down 119
- 108. Harding showed Williams, during the ultimatum talk, a map and plan and told him it abolished Boston, Cleveland (substituting Cincinnati), consolidated Kansas City with St. Louis, consolidated Atlanta with Richmond, made New Orleans a Federal Reserve Bank and added Baltimore to Philadelphia. 120, 121.
- 109. C.S.H. reminded Delano that he said that if cutting down matter not settled before Friday, Harding would be away 123
- 110. Harding said the committee had been put in a false light before the President who had been made to believe such action was intended. 124





Harding, Gov. (Cont.)

- 134. Voted against filing 3rd report subject to changes to be made by committee, and postponing further discussion until his return from Atlanta. 149
- 135. McAdoo denies Harding's statement that he had agreed to settle Starek matter satisfactorily. 149
- 136. Said he merely said he would look into Harding's suggestion that Starek should be dropped as a Government director. 149
- 137. British Ambassador refers to splendid work Harding has done on cotton. 153
- 138. Suggests cutting down, in spite of opinion of Attorney General, in order to make a test case. 155
- 139. Introduces resolution setting forth important matters which should be settled by Board. 162
- 140. These were:-
  - 1. Examiners reports.
  - 2. Examiners as Class C Directors
  - 3. Governors as directors 162
- 141. Vigorously opposes McAdoo's suggestion for postponement. 162
- 142. Finally consents to split up 2 into two parts:-
  - (a) Service as Deputy Federal Reserve Agents
  - (b) Service as Class C Directors. 162
- 143. Moves previous question on resolution, - the first time this motion made in Board. 163
- 144. Objects to including in annual report a statement of what Board had done to make lower rates, as in future Board might not want to take this responsibility, in case over-expansion should result. 174
- 145. Says members are indignant at their status and intended ultimately to move out of Treasury building as they were locked on as merely a Treasury Department under control of Secretary of Treasury. 178
- 146. Says he personally feels that amendment restraining the Secretary of Treasury as to Government deposits should be dropped. 178
- 147. Said, however, if insisted on, he must vote at least for part of it. 178
- 148. Complains bitterly of Williams rulings and lack of tact. 179
- 149. Harding says he merely redrafted Warburg's memorandum as to Government deposits. 180
- 150. Says 15 million Government deposits could only effect the 800 million cotton crop psychologically. 180
- 151. Says not for him to attack McAdoo for helping south. 181
- 152. Admits he wrote McAdoo, - no need for Government deposits. 181
- 153. Says he will vote against Warburg's plan as to Government deposits, but reserved right: -
  - 1. To bring matter up later.
  - 2. If minority report insisted upon to concur in part which he approved. 182
- 154. Bitterly objects to C.S.H. amendment for direct appropriations by Congress. 183

Harding, Gov. (Cont.)

- 155. This evidently moved him to change his mind as to Warburg amendments. 183
- 156. Appointed by Board to cooperate with Comptroller on all matters. 184
- 157. Agrees to accept Presidency of Baltimore Trust Co. but plan finally falls through. 184
- 158. Introduces proposed letter to Atlanta requiring 100% reserve on Government deposits. 185
- 159. McAdeco calls it a "damned fool" letter. 185
- 160. Postponed. Harding very ugly. 185
- 161. Objects to questions put by C.S.H. at Conn. banks petition - very discourteous and insulting. 190,191.
- 162. C.S.H. feels, not a gentleman. 191
- 163. C.S.H. feels, not in sympathy with Federal Reserve system and is a reactionary. 191
- 164. Tells Board has seen in papers that a Washington bank had discounted a note with Federal Reserve Bank of Richmond signed by Galt Brothers and indorsed by Mrs. Woodrow Wilson. 192
- 165. Says he was a chump ever to have gone on Federal Reserve Board. 192  
Says also: -
- 166. Administration members won't allow any amendments for fear of giving the Republicans political capital. 192
- 167. Said McAdeco told him this. 192
- 168. Said C.S.H. was afraid of political opposition. 192
- 169. C.S.H. says amendment under discussion, State banks as associate members, - would be taken by bankers as an admission that the Federal Reserve system was a failure. 192, 193.
- 170. Harding at once said the Federal Reserve system was a failure unless radically amendment and within 5 years this would generally be admitted! 193
- 171. Agrees to modify letter to Atlanta as to 100% reserve on Government deposits, so as merely to approve course of bank which had used letter, thus, in effect, keeping a 100% reserve. 193
- 172. Moves to second Delano's motion to grant whole of Conn. banks petition. 194
- 173. Harding says if Warburg, Miller and Delano vote against Belling for Federal Reserve Agent, Richmond, this would leave decision with him and he did not want to be put in this position. 195
- 174. Favors granting entire petition of Conn. banks. 196
- 175. Votes against postponement to await result of clearing system. 196
- 176. Votes against motion to transfer Fairfield County and postpone the rest. 197
- 177. Threatens to make public his report on Conn. banks petition



Harding, Gov. (Cont.)

- 178. Finally votes against transferring Fairfield County. 197
- 179. Very angry at Williams opposition to increase in Gov. Seay's salary. 200
- 180. Says if proper salary given, would look somewhat differently upon kind of man needed for Federal Reserve Agent (meaning Bolling) 200
- 181. Very indignant at Miller for objecting to increase in Elliott's salary. 203
- 182. Said not first time Miller had imputed bad faith to members. 203
- 183. Said would not rest silent under such intimation. 203
- 184. Moves postponement of Conn. banks petition until July 15 204
- 185. Agrees that he never will vote to transfer eastern Conn. to New York or any part of Mass. 205
- 186. Says committed to Hardy for Federal Reserve Agent at Richmond. 205
- 187. Tells Hardy will report his name but suggested his withdrawal which Hardy declined. 205
- 188. Moves election of Hardy. 206
- 189. C.S.H. satisfied Harding used Hardy as a device to get rid of Bolling. 207, 212.
- 190. Bitterly attacks Smith bill to allow Federal Reserve banks to buy notes in open market. 208
- 191. Very indignant at Miller for moving to postpone election of Federal Reserve Agent, Richmond. 210
- 192. Voted against postponement. 210
- 193. Votes for Hardy's election and carried because Miller changed vote to Aye. 210, 211
- 194. Consents to C.S.H. signing voucher for Williams salary claim. 213
- 195. Says he wrote British proclamation making cotton contraband 213
- 196. Favors permitting Kansas City to increase rates. 214
- 197. Says Kansas City rates are out of line and should be increased. 214
- 198. Attacks Miller for his prejudice against banks and says he will publicly denounce him. 215
- 199. McAdoo says may recommend to President to designate C.S.H. for Governor and Harding as Vice Governor 231, 232.
- 200. C.S.H. agrees with McAdoo that if he is not designated, Harding might be best man for Governor. 231
- 201. C.S.H. said if Harding is made Governor, and Delano dropped as Vice Governor, Warburg should be made Vice Governor. 231, 232.
- 202. McAdoo thinks Harding would be pleased to be Vice Governor 232
- 203. Harding et als tell C.S.H. of interview with President as to rotation of Governor. 233  
Said nothing personal to C.S.H. 233

Harding, Gov. (Cont.)

- 203. Told President C.S.H. should be reappointed. 233
- 204. McAdoo says if any change made it will be Harding and Warburg. 239
- 205. C.S.H. said other members - except Harding, - would be mad. 239
- 206. McAdoo says Harding et als asked that Governorship be given to man having the short term, - i.e. Warburg 239
- 207. C.S.H. says Warburg will be furious if Harding is designated. 240
- 208. C.S.H. says all will say that Harding has double-crossed them. 240
- 209. C.S.H. gives Harding a memorandum as to Wisconsin banks petition. 245
- 210. Harding says C. S.H. solution will not solve problem. 245
- 211. Harding asked by Board to consult McAdoo as to Wisconsin banks petition. 247
- 212. Agrees that Smith bill, authorizing Board to cut down districts, should be postponed. 247
- 213. McAdoo says will vote for Wisconsin petition if Harding and C.S.H. agree on it. 247
- 214. C.S.H. draft of letter, with changes by Harding, as to Smith bill, agreed to. 248
- 215. McAdoo favors Wisconsin amended petition as per map given to Harding by bankers. 248
- 216. Harding says Milwaukee banks will lose all their reserve accounts to Minneapolis banks if petition not granted, and delay would work irreparable injury. 250
- 217. C.S.H. says will accept Harding's judgment that his solution was not practicable. 251
- 218. Harding said out of question to transfer Milwaukee to Federal Reserve Bank of Minn. 251
- 219. Votes to reopen Wisconsin banks petition. Lost. 252
- 220. Harding explains situation, with consent of Board, to Senator Husted. 253
- 221. Harding suggests that Sen. Husted see McAdoo. 253
- 222. McAdoo says agreed to vote for petition on Harding's statement that all were for it. 253
- 223. Votes to reopen petition. 254
- 224. Milwaukee Committee first visited Harding and Delano. 255
- 225. Harding congratulates C.S.H. on his reappointment. 257
- 226. Harding tells Sen. Husted he is not afraid of political effect of reopening Wisconsin petition. 258
- 227. Harding tells C.S.H. transfer of Wisconsin banks will not injure Federal Reserve Bank of Minn. 259
- 228. Said Minn. was a wheat district. 259
- 229. Confers with Burleson over collecting checks through the Post Offices. 260



Harding, Gov. (Cont.)

- 230. Harding at first feels that if state bank checks are not collected, at least 500 national banks would be driven out of the Federal Reserve system by the competition. 261
- 231. Later said we could suspend collection without injuring Federal Reserve system. 261
- 232. Harding suggests clearing members with right to deduct reasonable exchange charges. 261
- 233. Conference with Glass as to clearings. 262
- 234. Prepares draft of amendment striking out "at par" in Section 16. 264
- 235. C.S.H. feels Harding is weakening and never at heart wanted to abolish exchange charges. 264
- 236. Harding gives his draft of amendment to Glass, who, he said, seemed to favor it. 266
- 237. Harding makes new draft of amendment not striking out "at par", but providing for clearing members. Said he sent it to Glass. 267
- 238. McAdoo says President has decided to rotate Governorship and asks C.S.H. opinion. 270
- 239. C.S.H. says if Harding made Governor, the others would think Harding had double crossed them. 271
- 240. McAdoo doubts Harding's loyalty to Federal Reserve system and asks C.S.H. if he thinks he would be loyal. 271
- 241. C.S.H. says Harding would be loyal as he would consider himself an important factor in Board, which would make him work for harmony. 271
- 242. McAdoo says will tell him President relies upon his loyalty and has determined to designate him because of his fine work on clearings. 271
- 243. Said President would designate him for 1 year only which would give him a hold on the situation. 271
- 244. Says minority "struck" at a critical time and President felt it was better to yield. 271, 272
- 245. C.S.H. hopes Harding will abandon his reactionary views. 273
- 246. Harding believes Gov. Wold anti-dated his circular as to passing Milwaukee checks. 276
- 247. McAdoo sends C.S.H. the designation of Harding as Governor and asks him to deliver it. 277
- 248. Copy of designation. 278
- 249. Harding says Gov. Wold admitted to him that his circular had been anti-dated by him. 279
- 250. Harding says he fears trouble over his designation as Governor. 279
- 251. Says his associates wanted Rotation but got more of it than they expected or wanted. 279
- 252. Said he had wired Warburg and Delano for a conference in N. Y. 279
- 253. Says Warburg is so vitriolic he fears trouble. 279
- 254. C.S.H. tells Harding to move into his room immediately 279
- 255. Harding begs C.S.H. to take his N.E. pictures with him 279

Harding Gov. (Cont.)

Harding Gov. (Cont.)

256 Harding at first feels that if state bank checks are not collected, at least 500 national banks would be driven out of the Federal Reserve system by the competition. 281

257 Later said he would suspend collection without inquiring Federal Reserve system. 281

258 Harding suggests clearing members with right to demand responsible exchange charges. 281

259 Conference with Glass as to clearing. 282

260 Prepares draft of amendment striking out "at par" in Section 16. 284

261 C.S.H. feels Harding is weakening and never at heart wanted to abolish exchange charges. 284

262 Harding gives his draft of amendment to Glass, who, in said, seemed to favor it. 285

263 Harding makes new draft of amendment not striking out "at par", but providing for clearing members. Said he sent it to Glass. 285

264 Mahon says President has decided to retain Governorship and asks C.S.H. opinion. 270

265 C.S.H. says if Harding gets Governor, the others would think Harding had done it crossed them. 271

266 Mahon doubts Harding's loyalty to Federal Reserve system and asks C.S.H. if he thinks he would be loyal. 271

267 C.S.H. says Harding would be loyal as he would consider himself an important factor in Board, which would make his work for harmony. 271

268 Mahon says will tell his President earlier upon his loyalty and has determined to designate him because of his fine work on this subject. 271

269 Said President would designate him for 1 year only which would give him a hold on the situation. 271

270 Says minority "strong" as a critical time and President felt it was better to yield. 271, 272

271 C.S.H. says Harding will abandon his responsibility view. 272

272 Harding believes Gov. would not be able to carry on as to passing Milwaukee checks. 272

273 Mahon says C.S.H. the designation of Harding as Governor and asks him to deliver it. 272

274 Copy of designation. 272

275 Harding says Gov. would abdicate to him that his circular had been anti-dated by him. 272

276 Harding says he fears trouble over his designation as Governor. 272

277 Says his associates wanted Hobson but got more of it than they expected or wanted. 272

278 Said he had wired Warburg and Delano for a conference in N. Y. 272

279 Says Warburg is so vitriolic he fears trouble. 272

280 C.S.H. tells Harding to move into his room immediately. 272

281 Harding says C.S.H. to take his W.E. pictures with him. 272

Harding, Gov. (Cont.)

256 Says he will work for harmony. 279

257 Says felt it his duty to accept Governorship out of loyalty to President, whatever his associates might feel. 279

258 Seemed, however, very much disturbed. 279

259 C.S.H. believes he had entered into some agreement with his associates which they will accuse him of breaking. 279, 280.

260 Tells C.S.H. Warburg is furious but Delano takes it more quietly although bitterly disappointed. 280

261 Says Warburg prepared a letter to President accepting designation but lecturing the President for not making him Governor. 280

262 Says Delano and he, with great difficulty prevented him from sending it. 280

263 Said he told Warburg the President would justly resent such a letter and would take drastic action. 280

264 Said Warburg made all sorts of wild threats. 280

265 Said Warburg wanted to insist that President designate him as Governor and Delano as Vice Governor. 280

266 Said Delano would not agree to this. 280

267 Said he told Warburg, if harmony not restored he should refuse to accept his designation. 280

268 Harding said impossible for President to designate Warburg, - a German only recently naturalized. 281

269 Spoke also of Warburg having a brother on Council of German Emperor. 281

Harding said:-

270 Warburg almost wild. 282

271 Had drawn statement. 282

272 Insisted on its being printed in Bulletin. 282

273 Statement said that majority of Board favored designation of the 2 year member and were opposed to President making designation; that Board would soon bring matter to attention of Congress. 282

274 Harding told Warburg no such statement could be published. 282

275 Said Warburg said he would publish it himself. 282

276 Said he told Warburg it would only make him ridiculous. 282

277 Harding said Warburg wrote Col. House that if rotation were not adopted by President, he and 3 other members would resign. 282

278 Harding said he had told Warburg long ago that he would abide by decision of President and that Warburg had no right to quote him as intending to resign. 282

279 Told Warburg if he published such an interview it would only give comfort to enemies of the Federal Reserve system and would deprive administration of its deserved credit for Federal Reserve Act. 283

280 Said Warburg, - "That is just what I want!" 283



Harding, Gov. (Cont.)

- 281. C.S.H. tells Harding of his earlier plan to provide for a Board of Governors. 283
  - 282. Harding said he, and he believed the others, would have gladly accepted this. 283
  - 283. Harding thinks Warburg is out of his head. 283
  - 284. Harding talks with C.S.H. as to Rich letter about Wisconsin banks petition. 284
  - 285. Harding told C.S.H. that Gov. Wold tried to induce one of Minn. Senators to protest but he would not do so. 285
  - 286. Warburg strongly urges C.S.H. not to send his proposed letter to Rich. 291
  - 287. Harding advises C.S.H. to see Lansing before meeting with Committee as to neutrality of Bank of England agreement. 299
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- C.S.H. lunches with, at Manchester. 31
  - C.S.H. talks over friction in Board with. 53
  - Warburg objects to the conference with Col. House and Delano 36
  - Tells, whole trouble lies with Status dispute. 53
  - House advised McAdoo to consider the row over the New York meeting as a trivial incident. 53
  - Willis says, obtained a copy of Glass draft of Federal Reserve Act and gave one to Warburg. 140
  - Warburg wrote, that if rotation of Governor is not adopted, he and 3 other members will resign. 282
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176  
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Says real reason is a secret agreement with Germany that  
Pope will be given temporal power if Germany wins war.  
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Says, on March 25, 1916, that we are very near a break with  
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Later, could not even see him. 129  
Willis did not treat him fairly. 129  
Willis and he drafted bills for Federal Reserve Act. 129

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Glass gradually induced his committee and President to accept it. 129

Said when bill was before Senate, Dr. Miller had a copy. 129

Miller conferred with New York bankers to emasculate it. 129

Originally employed to give whole time to National Reserve Association. 129

New York bankers knew their names would kill it and induced Chicago to undertake it. 129

New York subscribed liberally to expenses which were all legitimate while he was in charge. 129

Much work done in west and south. 129

No direct attempt to influence Congress. 129

Even Sen. Vordaman accepted their bill. 129

Vanderlip, Warburg, and Irving Bush were among the New York leaders. 129

New York found Chicago acting in good faith for interest of the people. 129

New York did not like this, - wanted to pull the strings. 130

New York, as chief contributor, wanted to dictate the bill. 130

New York finally refused to give any more money as it could not cominate. 130

Chicago had to raise funds to put the matter through. 130

Laughlin, in disgust at New York, finally gave the matter up. 130

Bush said New York was raising a "slush" fund. 130

Laughlin says Warburg is absolutely unprincipled, - would do any kind of dirty, underhanded work. 130

said Aldrich disliked Warburg and said he had done little or nothing to help. 130

Became convinced Aldrich plan must be thrown over as the people would not stand for it. 130

Said Warburg was crazy to get on Federal Reserve Board and all his talk of sacrifice was pure hypocrisy. 130

Said he believed Warburg secured his confirmation by use of money. 130

That New York hired lobbyists and even put spies in his office. 130

Warburg absolutely unfit for Federal Reserve Board; merely an investment fund and stock broker who knew nothing of commercial credits. 130

C.S.H. said he had suggested Laughlin's name to McAdoo for Federal Reserve Board. 130

L. said he knew Warburg had and would fight him. 130

Willis tells C.S.H. of his troubles with Dr. Laughlin. 132

Willis said:-

Laughlin was retained by Bankers Association in New York and Chicago. 132

He, Willis, was retained to write book about banking 132

That he wrote 75% of it and Laughlin inserted pages about National Reserve Association. 132

Laughlin made many suggestions to Glass and himself.



Laughlin (Cont.)

Willis (Cont.)

Laughlin, unwittingly, gave bankers to understand that as an old teacher of Willis, he could dominate his views. 132, 133.

Willis prepared draft of Federal Reserve Act for Glass. 133

Laughlin induced Glass to tell him its general principles, - consolidated reserves etc. 133

L. asked Glass if he could draw a bill submitting his views and Glass said yes. 133

L. then drafted a bill, of which Willis has a copy. 133

The Glass bill was not based on Laughlin's bill. 133

They were careful not to base Federal Reserve Act on any bill presented by special banking interests. 133

L. asked Willis for a copy of Glass bill but Willis said he could not give it to him. 133

L. was very angry. 133

Later a Chicago banker said Federal Reserve Act was based on Laughlin's bill and Willis at once wrote denying this. 133

N. Y. tried to have Glass removed from the Congressional committee. 133

N. Y. tried to have Willis removed as an expert of the committee. 133

The National City Bank worked on Ailes in Washington to do this but he declined. 133

N.Y. induced a Congressional Committee to summon Willis. 133

Willis appeared and proved by documents that the Federal Reserve Act draft was not based on Laughlin's or any other banker's bill. 133

N.Y., especially Warburg, brought every pressure to bear on him to control the bill. 133, 134

Gov. Strong once came very near offering him a bribe. 134

Says Laughlin is honest. 134

Wrote Laughlin once as to authorship of Federal Reserve Act but he refused to discuss matters. 134

Says Laughlin became convinced the bankers were working for their own rather than for the peoples' interest. 134

Laughlin found that Fergan and Reynolds were more narrow and bigoted than Bush and Vanderlip, and finally gave up in disgust. 134

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2. Wants to force Richmond to lower its discount rates. 1
3. Claims that rediscount rates between Federal Reserve banks  
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4. Insists that he, and not C.S.H. as Governor, should sign  
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5. Angry at Governors for recommending a 4% rate for rediscounts  
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6. Federal Reserve Bank of New York offers a 2½% rediscount  
 rate to Atlanta in order to embarrass McAdoo. 6
7. McAdoo still ill and very much worried about Riggs Bank  
 suit. 9
8. C.S.H. advises him not to have a trial of Riggs Bank case, but  
 to secure a compromise. 9
9. C.S.H. advises him to think of himself and to drop Williams  
 from consideration. 9
10. C.S.H. thinks he would like to do this but loyalty to  
 Williams prevents. 9
11. Brandeis says penalties should be waived and that this course  
 will save McAdoo's reputation. 10
12. This course would leave allegations of bill met by McAdoo's  
 answer, and would end the matter. 10  
 See - Brandeis
13. President Wilson thinks McAdoo's evidence as to what Ailes  
 said would turn the tide against the Rigg's bank. 11
14. C.S.H. did not tell McAdoo of his talk with the President,  
 as felt that McAdoo would not consent to waiving  
 the penalties purely from loyalty to Williams. 12
15. McAdoo feels, C.S.H. thinks, that he has encouraged Williams  
 and is therefore responsible for his queer actions. 12
16. McAdoo tells C.S.H. he is sorry that he (C.S.H.) talked so  
 frankly with Brandeis, who had told him all about it. 13

McAdoo (Cont.)

- 17. Especially disturbed at C.S.H. statement that he might have to testify against Williams in the Riggs' Bank tax loan deposits. 13
- 18. C.S.H. said it was his duty to tell Brandeis all he knew, that he did not want to testify, but if summoned should tell all the facts although it would be like tearing out his tongue to have to testify. 13
- 19. C.S.H. told McAdoo Brandeis said Williams conduct not justified in morals or equity. 13
- 20. Strongly urged McAdoo to accept an honorable settlement. 13
- 21. Said that a trial, however it might turn out technically, would drag in the President and injure the administration. 13
- 22. McAdoo says will not object to a fair settlement. 13
- 23. C.S.H. tells McAdoo, Riggs Bank would surely be willing to settle, as many of Williams allegations, even though not relevant to the bill, would greatly injure the bank. 13
- 24. McAdoo asks C.S.H. to read his affidavit. 14
- 25. C.S.H. tells him it is very strong and if settlement made will leave him in a strong position. 14
- 26. C.S.H. points out that some reasons given in the tax deposit matter, in the affidavit, McAdoo could not have known until later. 14
- 27. McAdoo said Williams had verbally told him of these matters before May 6. 14
- 28. The record, however, shows that the examiners discovered them only on May 18 and reported them officially on May 26. 14
- 29. McAdoo said his decision as to tax deposits, of May 6, was only tentative and finally determined only in his letter to Glover of June 9 or 11. 14, 15.
- 30. McAdoo said nothing of this to C.S.H. when he directed him to tell Flather the deposits would not be made in Riggs Bank. 15
- 31. C.S.H. surprised that Brandeis told McAdoo what C.S.H. said as it was said in absolute confidence. 16
- 32. McAdoo tells C.S.H. all talk of compromise is nonsense. 17
- 33. Warren tells C.S.H. that McAdoo and Williams prevented a compromise by insisting on filing their affidavits. 17
- 34. Warren said McAdoo made a great mistake in putting into the affidavit his letter to Attorney General in which he asked that Counsel be assigned to Williams and said he did not wish to do injustice to Riggs Bank. 17, 18.
- 35. Said this letter would probably make relevant the advise given to Williams by Brandeis et als, - which Williams disregarded. 18
- 36. Judge McCoy finds that McAdoo engaged in no conspiracy, that he was justified in what he did and could not have done otherwise. 18



McAdoo, W. G. (Cont.)

- 37. McAdoo gives copy of C.S.H. Index Digest of Federal Reserve Act to each delegate at Pan American Financial Conference referring to C.S.H. wonderful address. 19
- 38. Asks C.S.H. to serve on a secret committee to revise reports of committees at Pan American Conference. 19, 20.
- 39. McAdoo declines to receive outside subscriptions for a permanent Secretary of Pan American Conference. 20
- 40. Makes Federal Reserve Board pay for a tea given to Pan American Conference, although it was given at request of committee and Assistant Secretary Peters said it would be paid for out of the appropriation. 21
- 41. Tells C.S.H. if Board does not pay it, it might be subject to some political attack. 21
- 42. Quare, - did the Secretary pay himself for the dinner he gave to delegates in his own name? 21
- 43. C.S.H. feels McAdoo does not regard Federal Reserve Board as part of the administration and fears future trouble as to status. 21
- 44. Warren tells C.S.H. that McAdoo objected so vigorously to one sentence in Attorney General's opinion as to the independent status of Federal Reserve Board, that the Attorney General struck it out, - over Warren's protest. 22
- 45. Extraordinary that this opinion should have been shown to McAdoo before publishing it, unknown to Board. 22
- 46. C.S.H. has conference with, et als as to collecting checks through Postmasters. 23
- 47. President Wilson tells McAdoo he hopes Board will make a special effort to give Ogilvey, a Princeton man, an appointment. 28
- 48. Board tells McAdoo it will not waive age limit for Ogilvie. 28
- 49. Harding meets McAdoo in New York. 33
- 50. McAdoo very angry at Miller. 33
- 51. McAdoo approves proposed letter to Gov. Strong. 33
- 52. Says, if necessary, will advise Comptroller to sign and send it. 33
- 53. McAdoo telephones C.S.H. favoring meeting in New York tomorrow. 33
- 54. Fully approves proposed letter to Gov. Strong. 33
- 55. Says can not be at New York meeting. 33
- 56. Said he knew what was behind Miller's attitude. (Pro German) 33
- 57. Said he would know what to do if Miller broke a quorum by absenting himself from meetings. 33
- 58. Minority says McAdoo had no right to change call for meeting by substituting the New York Subtreasury. 35
- 59. McAdoo telephones from North Haven, Maine. 36
- 60. Says no need to ask as to policy of administration as to discount by Federal Reserve banks of munition acceptances as Elliott has advised Board it can not prevent Federal Reserve banks from discounting such acceptances. 36



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- 61 McAdoo tells Harding U.S. is in danger of immediate rupture with Germany over British Orders in Council. 44, 45
- 62 Gives impression that U.S. will make agreement with Great Britain over cotton which Germany will regard as a direct breach of neutrality. 45
- 63 C.S.H. sends McAdoo a full account of New York meeting as to Brown Brothers acceptance credit. 45
- 64 McAdoo sends C.S.H. draft of letter calling minority to account for refusing to meet at SubTreasury 45
- 65 Says he called meeting there after consulting with C.S.H. 45
- 66 C.S.H. corrects McAdoo; says did not consult with him; if he had, C.S.H. would have called for meeting at Subtreasury. 45
- 67 McAdoo wires that he has cut out the reference to C.S.H. 45
- 68 Advises C.S.H. to file protest in records. 45
- 69 Minority did not question legality of call at the meeting. 47
- 70 Miller files statement:

  - 71 No discourtesy to McAdoo intended. 47
  - 72 Had McAdoo been at meeting he would have attended. 47
  - 73 In absence of McAdoo felt members could consult own convenience. 47

- 74 Miller did not claim Secretary's action in changing call was illegal. 47
- 75 Harding says if Richard Olney had been Governor, McAdoo would not have changed the call. 48
- 76 Harding says that McAdoo and C.S.H. are so intimate that McAdoo does not sufficiently bear in mind the power of Governor. 48, 49.
- 77 C.S.H. says:
  - McAdoo did not overrule him in changing call. 49
  - Chairman has that right. 49
- 78 Harding says Board is a Democratic Board and each member has as much power as McAdoo. 50
- 79 C.S.H. writes McAdoo stating position of minority. 51
- 80 Harding decidedly objects to members rising when McAdoo enters Board room. 52
- 81 C.S.H. tells Col. House that Board feels that McAdoo officially looks down on members. 53
- 82 C.S.H. tells House whole trouble arises from failure of McAdoo to settle status question. 53
- 83 McAdoo consulted House about New York meeting row and Col. House advised him to consider it as a trivial incident. 53
- 84 Board much disturbed over McAdoo's public statement that he should make deposits in Federal Reserve banks, without interest, for rediscount of cotton paper. 54
- 85 McAdoo wants Board to arrange for commodity paper at specially low rate of interest. 54
- 86. Accepts Warburg's suggestion that Federal Reserve banks arrange this. 54
- 87. C.S.H. believes this a purely political move of McAdoo. 55



McAdoo, W. G. (Cont.)

- 88. C.S.H. advises McAdoo to treat N. Y. row lightly. 55
- 89. McAdoo wants a fight. 55
- 90. C.S.H. says status matter is at bottom. 55
- 91. McAdoo says whole trouble is with the President, who does not want to put Board above the Interstate Commerce Commission and Civil Service Commission 55
- 92. Says President willing to put Board on a parity with Assistant Secretaries, but never before told this to C.S.H. 56
- 93. C.S.H. tells McAdoo, Board should rank just below Congress and ahead of Counsellor of State Department, and Solicitor General. 56
- 94. McAdoo said this would swell their heads and make them more obstructive than ever. 56
- 95. Says would welcome resignations from Board. 56
- 96. Said if President could see the correspondence (N.Y. meeting) he might take some of them by the scrough of the neck. 56, 57.
- 97. C.S.H. feels McAdoo can not see the other side of the question. 57
- 98. C.S.H. feels McAdoo should not have been put on Board as Chairman. 57
- 99. C.S.H. feels, should merely have a seat on Board, or perhaps, should not be on Board at all. His presence means jealousy and friction. 57
- 100. McAdoo accepts statements of minority as to N.Y. row. 58
- 101. McAdoo replies to Miller's statement that Board has surrendered to Wall Street, by asking him if he means to impute misconduct to any member, and Miller says No. 59
- 102. McAdoo asks C.S.H. how members would feel if Miller's resignation were called for. C.S.H. objects. Sept. 7, 1915. 60
- 103. McAdoo says many prominent people have told him member banks are refraining from rediscounting to weaken Federal Reserve banks and prevent them from making expenses and dividends. 61
- 104. McAdoo again, Sept. 15, 1915, brings up question of Miller's resignation.  
Says:  
Has lost all confidence in him. 63  
An ultra conservative sympathy only for the banks  
None for their customers.
- 105. C.S.H. again objected. 63
- 106. Thinks Delano honest but obstinate and ultra conservative. 63
- 107. Says Harding wants to run with the hares and course with the hounds. 63
- 108. C.S.H. says Board absolutely right as to Williams and examiners reports. 63

(Cont.) W. G. McAdoo

109. Asks C.S.H. for his memoranda as to Williams and examiners reports. 63

110. McAdoo thinks Federal Reserve Banks should have copies of all examiners reports. 63, 64.

111. McAdoo suggests to Governor Fancher that failure to earn expenses and dividends shows that Cleveland does not need a Federal Reserve Bank. 65

112. McAdoo says President is much disturbed over Miller, feels that he adds nothing to the Board and was considering calling for his resignation. Sept. 22, 1916. 66

113. McAdoo said he was tempted to ask him to do this. 66

114. C.S.H. objects. 66

115. McAdoo says Miller has written a nasty letter to Harding 66

116. C.S.H. objects to calling for Miller's resignation and says the other members would line up with him. 66

117. McAdoo replied, - "But Miller would be out of the Board." 66

118. C.S.H. said other members might resign and McAdoo said "Let them resign, I don't care." 66

119. C.S.H. thinks McAdoo almost out of his head for only Thursday he said it would be very bad, politically, to have any split in Board. 66, 67.

120. Infuriated when C.S.H. said Board would send amendments to Congress; said President would make short work of any amendments he did not favor. 67

121. C.S.H. says Board has right to this by a majority report and the others could file a minority report. 67

122. McAdoo feels Board is subordinate to administration as represented by himself. His attitude will lead to trouble in future. 67

123. Harding says McAdoo's deposits in Federal Reserve banks was a shrewd political move to carry favor with the south. 67, 68.

124. Delano prepares draft of report signed by him severely condemning McAdoo for the Govt. deposits, - said it was a purely political move. 68

125. Delano says deposits were made without consultation with the Board and the Board not responsible for them, and suggests an amendment changing the law, as it enabled McAdoo to frustrate all plans of the Board. 69

126. McAdoo furious with Delano. 69

127. Board very angry because McAdoo published letter of President favoring branches or agencies of Federal Reserve banks in South America. 73

128. McAdoo speaks at Indiana State Bankers Association, Indianapolis. 74

129. McAdoo tells C.S.H. of Board meeting on Federal Reserve bank agencies in South America. 75

130. Committee reported adversely. 75

131. Report very discourteous. 75

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109. Asks C.S.H. for his memoranda as to Williams and examiners reports. 63

110. McAdoo thinks Federal Reserve Banks should have copies of all examiners reports. 63, 64.

111. McAdoo suggests to Governor Fancher that failure to earn expenses and dividends shows that Cleveland does not need a Federal Reserve Bank. 65

112. McAdoo says President is much disturbed over Miller, feels that he adds nothing to the Board and was considering calling for his resignation. Sept. 22, 1916. 66

113. McAdoo said he was tempted to ask him to do this. 66

114. C.S.H. objects. 66

115. McAdoo says Miller has written a nasty letter to Harding 66

116. C.S.H. objects to calling for Miller's resignation and says the other members would line up with him. 66

117. McAdoo replied, - "But Miller would be out of the Board." 66

118. C.S.H. said other members might resign and McAdoo said "Let them resign, I don't care." 66

119. C.S.H. thinks McAdoo almost out of his head for only Thursday he said it would be very bad, politically, to have any split in Board. 66, 67.

120. Infuriated when C.S.H. said Board would send amendments to Congress; said President would make short work of any amendments he did not favor. 67

121. C.S.H. says Board has right to this by a majority report and the others could file a minority report. 67

122. McAdoo feels Board is subordinate to administration as represented by himself. His attitude will lead to trouble in future. 67

123. Harding says McAdoo's deposits in Federal Reserve banks was a shrewd political move to carry favor with the south. 67, 68.

124. Delano prepares draft of report signed by him severely condemning McAdoo for the Govt. deposits, - said it was a purely political move. 68

125. Delano says deposits were made without consultation with the Board and the Board not responsible for them, and suggests an amendment changing the law, as it enabled McAdoo to frustrate all plans of the Board. 69

126. McAdoo furious with Delano. 69

127. Board very angry because McAdoo published letter of President favoring branches or agencies of Federal Reserve banks in South America. 73

128. McAdoo speaks at Indiana State Bankers Association, Indianapolis. 74

129. McAdoo tells C.S.H. of Board meeting on Federal Reserve bank agencies in South America. 75

130. Committee reported adversely. 75

131. Report very discourteous. 75



McAdoo, W. G. (Cont.)

- 132. McAdoo suggests recommitment for amendment allowing national banks to invest in stock in foreign banking corporations. 75
- 133. Miller objects to recommitment. 75
- 134. McAdoo finally agreed to a press statement against the plan. 75
- 135. This statement was, - and was construed by the press as, - a direct blow at McAdoo and President. 75
- 136. Said he published the President's letter favoring foreign agencies, merely to please South American delegates, and that Cooksey published it without his knowledge; that he never even thought of antagonizing the Board. 75
- 137. Another instance of lack of tact on McAdoo's part. The Board, however, on its part, should not have published its adverse report. 75
- 138. Warburg prepares bitter attack on McAdoo in connection with joint agencies of Federal Reserve banks in South America. 77
- 139. Willis opposes it. 77
- 140. Warburg prepares series of resolutions attacking McAdoo 77
- 141. McAdoo calls Willis to his house. 77  
McAdoo greatly disturbed. 77
- 142. Willis advises concessions to bring about harmony. 77
- 143. McAdoo said he tried to have matter postponed until his return from Indianapolis by reference to a committee. 77
- 144. McAdoo said committee could make a unanimous report to which he would agree. 77
- 145. McAdoo told Willis his amendment would permit member banks to unite in forming corporations in foreign countries. 78
- 146. McAdoo said Board insisted, as a condition of doing this, that an immediate statement be given to the public 78
- 147. That a committee was appointed to prepare a statement. 78
- 148. McAdoo said, after some minor changes, he reluctantly agreed to it. 78
- 149. Willis said McAdoo conceded too much in agreeing that Federal Reserve banks could not establish agencies in countries where national banks had branches. 78
- 150. Willis said McAdoo made a fatal mistake. 78
- 151. Willis said Cotton told Board it was so dominated by McAdoo that the country was laughing at it. 78
- 152. McAdoo objects to Federal Reserve Bank of New York giving up its present building leased from his friend, Pliny Fisk. 91
- 153. Willis says Warburg et als feel that McAdoo won't dare to fight them over cutting down of districts, as he had backed down on Federal Reserve bank agencies 95

McAdoo, W. G. (Cont.)

- 154 Glass confers with McAdoo about cutting down of districts 98
- 155 Board members feel McAdoo exercises undue influence over President. 98
- 156 Glass says Board feels that McAdoo unable to report facts correctly to President. 98
- 157 McAdoo asks C.S.H. to get Harding to put his cutting down ultimatum in writing, and that, if he did, something might happen at the White House. 98
- 158 C.S.H. tells McAdoo that whole trouble would subside if President will give Board a status just below Congressmen and above Counsellor of State Dept., Solicitor General, and Assistant secretaries. 98, 99.
- 159. C.S.H. said to McAdoo:-
- 160. Status of Board is the real trouble. 99
- 161. Feel they are not part of administration. 99
- 162. Will, therefore, establish one of their own. 99
- 163. Warburg trying to injure the administration for Pro German purposes. 99
- 164. Board angry at being slighted. 99
- 165. McAdoo won't agree that status of Board is the real trouble. 99
- 166. Feels their attitude is simply anti-administration 99
- 167. Says has told Delano he would soon take up status matter and hoped he could please the Board. 99
- 168. C.S.H. begs McAdoo to do this at once. 99
- 169. C.S.H. said to McAdoo:  
Board can show it is out in the cold. 99
- 170. Can not even address the Attorney General. 99
- 171. Has right to have status settled. 99
- 172. C.S.H. made little impression on McAdoo, - he is strangely blind. 99
- 173. McAdoo asks postponement of cutting down of districts until he can be present. 100
- 174. Delano very ugly - says McAdoo is in town, knows all about the matter, has found time to talk it over with others not members of Board. 100
- 175. C.S.H. instructed to find from McAdoo earliest date he could attend. 103
- 176. Delano said McAdoo had told some one that Federal Reserve Bank of Minn. would be abolished. 104
- 177. McAdoo appoints next Monday for a meeting. 104
- 178. McAdoo writes Board he hopes resolution of C.S.H. will be adapted. 104
- 179. Miller and Delano accuse McAdoo of inciting Burke to attack Federal Reserve Bank of Minneapolis. 106
- 180. McAdoo writes Delano and Miller asking their authority for statement about Burke. 109, 111.
- 181. McAdoo says Delano claims that C.S.H. did not quote him quite correctly about Burke. 111

McAdoo, W. G. (Cont.)

182. McAdoo suggests recommendations for amendments following national bank to invest in stock in foreign banking corporations. 98

183. Miller objects to amendments. 98

184. McAdoo finally agrees to a press statement against the amendments. 98

185. This statement was - and was construed by the press as a direct blow at McAdoo and President. 98

186. Said he published the President's letter favoring foreign agencies, mainly to please South American delegates, and that Cooksey published it without his knowledge; that he never even thought of antagonizing the Board. 98

187. Another instance of lack of tact on McAdoo's part. The Board, however, on its part, should not have published the adverse report. 98

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189. Willis opposes it. 97

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192. McAdoo greatly disturbed. 97

193. Willis advises committee to bring about harmony. 97

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195. McAdoo said committee would have unanimous report to which he would agree. 97

196. McAdoo told Willis his statement would permit Board to write in foreign corporations in foreign countries. 98

197. McAdoo said Board insisted as a condition of being this that an immediate statement be given to the public. 98

198. That a committee was appointed to prepare a statement. 98

199. McAdoo said after some minor changes, he reluctantly agreed to it. 98

200. Willis said McAdoo conceded the truth in agreeing that Federal Reserve banks could not establish agencies in countries where national banks had branches. 98

201. Willis said McAdoo made a fatal mistake. 98

202. Willis said McAdoo said Board is not authorized by McAdoo that the country was laughing at it. 98

203. McAdoo objects to Federal Reserve Bank of New York giving up its present building leased from his friend. 91

204. Willis says Warburg at the time that McAdoo won't dare to fight over cutting down of districts, as he had backed down on Federal Reserve bank agencies.



McAdoo, W. G. (Cont.)

- 182. C.S.H. tells Board why he felt it his duty to tell McAdoo about Burke. 111
- 183. Harding asks Willis to serve as an intermediary between him and McAdoo at an interview. 118
- 184. Harding says committee will yield on cutting down if McAdoo will yield on open market powers, clearings, etc. 116
- 188. Harding says committee will compromise if McAdoo will agree to fire out Starek, and to require Williams to give examiners reports to Federal Reserve Agents. 116
- 186. McAdoo agrees to meet Harding, but not with Willis 116
- 187. says he will never compromise. 116
- 188. McAdoo asks C.S.H. to write President asking him to obtain opinion from Attorney General as to power of Board to cut down districts, etc. 116
- 189. McAdoo says would do it himself, were he not a member of reserve Bank Organization Committee. 116, 117
- 190. McAdoo tells C.S.H. he has received his letter to President and it was being attended to. 117
- 191. McAdoo asks C.S.H. to send to Attorney General his (C.S.H.) memorandum on the matter. 117
- 192. McAdoo said he had a talk with Harding who said he would not vote to precipitate a law suit and would vote to dismiss whole matter. 117
- 193. McAdoo said Harding neither asked nor received any promise in return. 117
- 194. McAdoo agrees with Harding that Board should appoint 6 out of the 9 directors. 117
- 195. McAdoo explains to Board why he asked C.S.H. to write to President. 118
- 196. Tells Harding any member can write President. 124
- 197. McAdoo tells Board he will remove all Govt. deposits in banks in Federal Reserve cities and put them in Federal Reserve banks. 128
- 198. C.S.H. tells Laughlin he had recommended him to McAdoo for place on Board. 130
- 199. McAdoo calls on minority and agrees that all differences should be eliminated. 131
- 200. C.S.H. tells McAdoo that we should combat feeling that Federal Reserve system depends on good will and suffrage of member banks. 131
- 201. Copy of letter from Harding to Williams giving ultimatum to McAdoo on cutting down of districts 139
- 202. McAdoo admits he gave copy of original Glass Act to Miller for suggestions but they were of no value. 140
- 203. C.S.H. opposes to McAdoo suggestion made by Williams that Miller's resignation be called for. Dec. 2, 1915. 141

McAdoo, W. G. (Cont.)

132. Glass says that McAdoo should not be cut out of the Board. 111

133. Board members feel McAdoo exercises undue influence over President. 111

134. Glass says Board feels that McAdoo unable to report facts correctly to President. 98

135. McAdoo says C.S.H. is not willing to put his cutting down of districts. 111

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203. McAdoo says C.S.H. is not willing to put his cutting down of districts. 111



McAdoo, W. G. (Cont.)

- 204. C.S.H. tells McAdoo others will resign if Miller called on to resign. 141
- 205. McAdoo says he does not care; that country will recognize that the administration will protect the Board and conserve for the people the prosperity caused by Federal Reserve Act. 141
- 206. McAdoo suggests calling for Miller's resignation and putting Glass in his place. Dec. 2, 1915. 141
- 207. McAdoo says whole country would rejoice. 141
- 208. C.S.H. tells McAdoo it would raise a political issue which would disturb the country and injure the administration. 141
- 209. McAdoo favors policy of not having national bank examiners as Deputy Federal Reserve Agents. 142
- 210. McAdoo advises C.S.H. to send to Warburg reply to his attacks in article on acceptance regulations. 142, 143.
- 211. McAdoo says President will shortly send for C.S.H. and Delano separately to discuss divisions in Board. 143
- 212. McAdoo tells C.S.H. he is to ask Warburg to go on International High Commission. 144
- 213. McAdoo tells Harding will satisfactorily settle Starek matter. 147
- 214. Delano says if McAdoo had been at meeting of Nov. 15, there would have been no row over cutting down of districts. 147
- 215. McAdoo denies that he told Harding Starek matter would be satisfactorily settled. 149
- 216. Thinks Starek should serve out term as Government director, but should be relieved as Deputy Federal Reserve Agent. 149
- 217. That he merely told Harding he would consider his suggestion that Starek be dropped as Govt. director. 149
- 218. McAdoo agrees with C.S.H. as to inadvisability of having an interview with Sir Paul Harvey. 152, 153.
- 219. McAdoo reserves right to file a statement as to cutting down dispute. 155
- 220. McAdoo inclined to yield on Starek matter. 157
- 221. Very angry at Governors; they must be curbed; their title should be changed to President. 157
- 222. Talks about row between Gov. Seay and Ingle. Opposes Gov. Seay's reelection. 158
- 223. Willis says McAdoo should attend more Board meetings. 160
- 224. McAdoo inclined to yield on Starek. 161  
C.S.H. tells McAdoo:
- 225. Purpose is to displace Starek to please N.Y. directors 161
- 226. Should prefer not to make him resign as Class C director. 161



McAdoo, W. G. (Cont.)

204. C.S.H. tells McAdoo (Cont):  
 Shall vote, as matter of policy, that examiners should not be Deputy Federal Reserve Agents. 161

205. Starek should serve out his 1 year term. 161

206. McAdoo said:-  
 Warburg crazy to be Governor. 161

207. If we hold rotation out as a bait, it might satisfy him. 161

208. C.S.H. says: -  
 After what has taken place better to wait till C.S.H. term expires. 161

209. McAdoo said: -  
 Good God! as long as I am here you will be at my right hand. Should never even consider such a change! 161

210. C.S.H. believes McAdoo put this out as a "feeler" and is very indignant. 162

211. McAdoo willing to turn over the citadel to the enemy! 162

212. McAdoo objects to present consideration of Harding's resolution as to examiners reports etc. 162

213. McAdoo introduces resolution against directors or officers serving in political positions or as public officers of U.S. 163

214. Says not intended to apply to national bank examiners (Starek) nor to directors now in office. 163, 164, 165

215. McAdoo gives dinner to Federal Reserve Board and puts C.S.H. ahead of Glass and Assistant Secretary Roosevelt. 168

216. McAdoo indignant at Williams for bringing up his salary claim at this time; asks that it be held up for present. 172, 173

217. McAdoo reads memorandum against organization of Governors. 173

218. Says Governors went beyond legal powers in protesting against pressure by Board as to discount rates. 173

219. Governor Aiken says McAdoo was right. 173, 174.

220. McAdoo against C.S.H. suggestion that annual report should show work of Board in reducing discount rates. 174

221. McAdoo voted to table C.S.H. resolution authorizing purchase of notes in open market, with 2 or more responsible indorsers. 175

222. said he favored it but it should not be passed at present time. 175

223. Warburg proposes addition to annual report limiting power of McAdoo as to Govt. deposits, etc. 177

224. McAdoo asks C.S.H. to prepare draft of other amendments. 177

225. Agrees that this is a direct attack on himself. 177

226. Delano says will file minority report, if necessary. 178

227. Says members indignant at their status. 178

228. Members will ultimately move out of Treasury 178

McAdoo, W. G. (Cont.)

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 Shall vote, as matter of policy, that examiners should not be Deputy Federal Reserve Agents. 161

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250. Says members indignant at their status. 178

251. Members will ultimately move out of Treasury 178

McAdoo, W. G. (Cont.)

McAdoo said: -

- 252. Cabinet members on Board adds to its dignity. 178
- 253. Board wants, at least some members, wants Sec. of Treasury and Comptroller put off Board. 178
- 254. Want more power than any administration would ever give them. 178
- 255. Had told President he would not object to status above Assistant secretaries. 178
- 256. That President was embarrassed because Assistant Secretaries had had a status for a century which it was very difficult to overthrow. 178
- C.S.H. gives McAdoo a draft of proposed amendments:-
- 257. 1. Direct appropriations by Congress. 179
- 258. 2. Approval of Comptroller's efforts to stop usury. 179
- 259. 3. Federal Reserve Board to be given power to fix maximum rates for member banks. 179
- 260. 4. Stamp tax on checks in Interstate Commerce drawn on banks not in clearing system. 179
- 261. 5. Govt. to subscribe to stock in Federal Reserve banks in case of withdrawals by member banks. 179
- 262. 6. Right to individuals to deposit in Federal Reserve banks. 179
- 263. McAdoo explains reasons for deposits in Federal Reserve banks; emergency; merely said in Maine would deposit if necessary; before depositing consulted Federal Reserve Board; would have consulted Board before Maine statement had he been in Washington. 180
- 263 1/2. Said deposits had been little availed of. 180
- 264. Harding admits writing to McAdoo that no deposits necessary. 181
- 265. McAdoo said:  
Board would offset his action by rediscounting between banks or by increasing discount rates. 181
- 266. McAdoo said no legislation limiting his power could be enacted; that any Secretary abusing this power would be removed. 181, 182.
- 267. Said as much danger that Board would abuse its power. 182
- 268. Agrees to statement in annual report that Board forbear to suggest certain amendments because of difference of opinion. 182
- 269. Harding bitterly objects to McAdoo amendments (drawn by C.S.H.) especially as to direct appropriations by Congress. 183



McAdoo, W. G. (Cont.)

- 270. McAdoo directs Williams to consult Board on all important proposed action such as new statements in condition reports, etc. 184
- 271. McAdoo says Garrison was a reactionary with no sympathy for Wilson's policies and is glad he has resigned. 185
- 272. McAdoo tells Harding administration members will oppose all amendments fearing to give Republicans political advantage. 192
- 273. McAdoo says President would be pleased if Board will appoint Bolling, his brother-in-law, Federal Reserve Agent at Richmond; that if fit for the position his relationship should not count against him. 195
- 274. McAdoo says has asked Elliott for opinion whether Bolling was a 2 years resident. 195
- 275. C.S.H. tells McAdoo will consider matter purely from point of fitness. 195
- 276. Votes to increase Gov. Seay's salary to \$12,000. 200
- 277. McAdoo asks C.S.H. to record his vote against Hardy for Federal Reserve Agent, Richmond. 207
- 278. Finally says realizes Hardy will be elected and says he will not attend meeting and that majority may vote as they please. 207
- 279. Thought it better not to protest as he wanted nothing on the record to embarrass him in future when "certain events" may take place. 208
- 280. Said it was a deliberate affront to President which will not be forgotten. 208
- 281. McAdoo says C.S.H. right in not holding up meeting to enable him to vote on Hardy. 213
- 282. Leaves for South America. Mar. 7, 1916. 213
- 283. McAdoo asks C.S.H. when his term expires. 224  
Wishes C.S.H. reappointed. 224  
Certain it will be all right. 224
- 284. Has heard of no candidate for C.S.H.'s place 224
- 285. Wishes President to redesignate C.S.H. as Governor. 224
- 286. Said this would break Warburg's heart. 224
- 287. C.S.H. tells McAdoo would be glad to be reappointed. 224
- 288. C.S.H. says as to Governorship, his only merit is that he is probably the most even tempered of the appointive members. 224
- 289. McAdoo said C.S.H. the best fitted man, in all respects, for the position; that he was judicially fair, and had tact and ability in handling disputed questions. 224  
McAdoo tells C.S.H.:
- 290. Devil of a commotion over rotation of Governor. 231
- 291. Will ask President to designate C.S.H. for Governor and Harding for Vice Governor. 231

McAdoo, W. G. (Cont.)

390. Will ask President to designate C.S.H. for Governor and Harding for Vice Governor. 231

389. David of a commission over rotation of Governor. 231

388. McAdoo tells C.S.H. that he was judicially left for the position; that he was judicially left and had lost and ability in handling disputed questions. 234

387. McAdoo said C.S.H. the best fitted man in all respects for the position. 234

386. McAdoo says he is probably the most even tempered of the candidates. 234

385. McAdoo would be glad to be reappointed. 234

384. McAdoo would be glad to be reappointed. 234

383. McAdoo asks C.S.H. when his term expires. 234

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381. McAdoo says C.S.H. rights in not holding up meeting will not be forgotten. 235

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370. McAdoo says C.S.H. rights in not holding up meeting will not be forgotten. 235

McAdoo, W. G. (Cont.)

- 292. McAdoo tells C.S.H.: (Cont.)  
C.S.H. says Delano would resign. 231
- 293. McAdoo thinks not. 231
- 294. C.S.H. says will accept loyally decision of President. 231
- 294½. C.S.H. thinks Harding the best man if rotation adopted. 231
- 295. Determined to oust Delano from Vice Governorship 231
- 296. C.S.H. says if Harding is made Governor and Delano dropped as Vice Governor, Warburg should be made Vice Governor. 232
- 297. C.S.H. says Warburg will be bitterly disappointed if not made Governor. 232
- 298. McAdoo says Warburg could not be designated, if for no other reason, because of his German affiliations. 232
- 299. Favors C.S.H. and Harding. 232
- 300. C.S.H. says might cause trouble to pass over Delano before the election. 232
- 301. C.S.H. says willing to designate temporarily if it will help President to tide matters over the election. 232
- 302. Firm for C.S.H. as Governor, only a tried and true should be Governor. 232
- 303. Thinks Harding would be pleased at Vice Governorship. 232
- 304. C.S.H. tells McAdoo of interview of Delano, and Harding with President, and shows him a copy of Delano's letter to President. 235
- 305. McAdoo said had not seen letter nor did he know of their interview. 235
- 306. Said they had discussed rotation with him last week and complained at having had no opportunity to discuss matter with the President, and he said to them, - "Why don't you see him." 235
- 307. Indignant at tone of letter. 235
- 308. Adverse to considering designation of any one of them 235
- 309. C.S.H. tells McAdoo to think only of good of system. 235
- 310. Says will never stand for Delano as Governor. 235
- 311. C.S.H. suggests better to designate Delano, if any change made, as he might resign if not designated and also dropped from Vice Governorship. 235
- 312. Said he wished Delano would resign and others also. 235
- 313. C.S.H. tells McAdoo not to talk with him again, - that he will loyally accept any decision. 235, 236.
- 314. McAdoo asks C.S.H. if members were not very pleasant at meeting this morning. 238
- 315. C.S.H. noticed this and fears McAdoo has surrendered on rotation. 238
- 316. C.S.H. lunches with McAdoo. 239



McAdoo, W. G. (Cont.)

- 317. McAdoo says:-  
President will send in C.S.H. nomination within a few days. 239
- 318. Will be speedily confirmed. 239
- 319. Uncertain as to rotation. 239
- 320. If any change, it will be Harding and Warburg. 239
- 321. Asked how Board would feel. 239
- 322. C.S.H. said, very mad, except Harding. 239
- 323. C.S.H. says Warburg expects it and Schiff has come out for Harding for this purpose. 239
- 324. McAdoo said Schiff guided only by public spirit! 239
- 325. C.S.H. says Delano expects it as he thinks Warburg can't get it. 239
- 326. McAdoo said, - "No, they all asked that Governorship be given to member having the short term.  
(Warburg) 239
- 327. C.S.H. says he is certain, from Delano's manner, he expects it. 239, 240.
- 328. C.S.H. says if Harding is designated, Warburg will be furious and Delano will probably resign. 240
- 329. C.S.H. says both will believe Harding has double crossed them. 240
- McAdoo says:-
- 330. Delano can't have it. 240
- 331. Narrow and peevish. 240
- 332. Wished he would resign. 240
- 333. Warburg can not be Governor. 240
- 334. Would injure administration to put a German at head of our banking system. 240
- 335. Both of them narrow and not worthy of Governorship 240
- 336. Says, were it not for his marriage, the composition of the Board would be different. 240
- 337. C.S.H. says not to consider him at all. 240
- 338. C.S.H. says better to designate Delano to avoid disruption of Board prior to election. 240
- 339. C.S.H. says the members have "struck" and can injure administration if it does not yield. 240
- C.S.H. tells McAdoo the plans of the recalcitrants:
- 340. 1. To win the Governorship. 241
- 341. 2. To move out of Treasury building. 241
- 342. 3. To fight the administration and any future administration. 241
- 343. 4. To abolish the Comptroller. 241
- 344. 5. To bring about a central bank. 241
- 345. McAdoo says he knows this and is much embarrassed as to what to do. 241
- 346. Says President and he want to keep C.S.H. as Governor. 241

McAdoo, W. G. (Cont.)

- 347. C.S.H. advises McAdoo to amend Act and provide for a Board of Governors, who could choose their active executive officer. 241
- 348. McAdoo says Congress would not agree to this. 241
- 349. McAdoo tells Williams:  
President said today, - July 12, 1916, - he will reappoint C.S.H. 243
- 350. Warburg crazy to be Governor. 243
- 351. President will make no decision as to rotation for the present. 243
- 352. Warburg will be designated only over McAdoo's protest. 243
- 353. Evening Star says McAdoo is not to take C.S.H. place as Governor. 243
- 354. McAdoo and C.S.H. dine together and McAdoo says C.S.H. nomination will go in quickly, July 18, 1916. 243
- 355. Delano tells C.S.H., McAdoo has talked with Harding as to rotation. 246
- 356. McAdoo feels and Harding agrees that the Smith bill authorizing cutting down of districts should not be reported on by Board at present time. 247
- 357. Will vote for Wisconsin banks petition if C.S.H. and Harding favor it. 247
- 358. Says pressure of business has prevented President from sending C.S.H. name to senate, July 25, 1916 248
- 359. Will speak to President about it. 248
- 359 1/2. President has about made up his mind to make no change in designation of Governor, at any rate for the present. 248
- 360. Meeting of Board in office of McAdoo; vote to reopen Wisconsin petition. 253
- 361. McAdoo says question must be decided on merits, - even a suspicion of politics would cause a reaction in his mind. 253
- 362. Had agreed to vote for petition on Harding's that all felt petition should be granted. 253.
- 363. McAdoo angry at Delano and Warburg for their action on Wisconsin banks petition. 256
- 364. Says Delano and Warburg are saying and threatening dire and awful things unless rotation is settled on. 256
- 365. McAdoo says, however, they have made no threats to him, - that he will not be bulldozed. Realizes, however, that at this time they can do much to injure Federal Reserve system. 256
- 366. C.S.H. suggests that he would be willing, if President wished, to be designated only until Jan. 1, 1917. 256
- 367. McAdoo favored this. 256
- 368. McAdoo has conference with Burleson as to check collections through postmasters. 260
- 369. Conference with Glass et als asto same. 262
- 370. McAdoo obtained from C.S.H. a copy of Delano's letter to President as to rotation. 264



McAdoo, W. G. (Cont.)

- 371. McAdoo says will push C.S.H. confirmation. 266
- 372. Senator Pomerene tells McAdoo C.S.H. will surely be confirmed as soon as an executive session was held. 267
- 373. McAdoo telephones C.S.H., - 7 p.m. Aug. 3, 1916, that Senate had just confirmed him. 268
- 374. Asks C.S.H. to give him copy of his old designation as Governor. 268
- 375. says rotation not yet settled. 268
- 376. Asks C.S.H. to tell Assistant secretary Philipps to have commission made out. 268
- 377. Tells C.S.H. President has reluctantly decided to have yearly rotation in office of Governor. 269
- 378. That Delano and Warburg had told friends of administration they should resign if this not done. 269
- 379. President appreciates that Delano's letter was a polite species of blackmail. 269
- 380. At any other time, President would have no difficulty in treating it as it warranted. 269
- 381. If they should resign before election it might embarrass the administration, - which was clearly their intent. 269
- 382. Impossible to designate Warburg. 269
- 383. To make Delano Governor would emphasize the passing over of Warburg. 269
- McAdoo said:-
- 384. Delano absolutely unfitted. 270
- Narrow, bigoted and a reactionary. 270
- 385. Supposed he was honest, but is thick and stupid. 270
- 386. Had given him every opportunity to be cordial but he had been cold and aloof. 270
- 387. An undeveloped boy, rather than a man. 270
- 388. Harding better fitted than the others, but he recognizes his limitations. 270
- 389. Miller absolutely out of the question for any position. 270
- 390. Asks C.S.H. for his opinion. 270
- C.S.H. says:-
- 391. Delano should be designated looking solely to harmony. 270
- 392. Admits this would emphasize passing-over of Warburg. 270
- 393. Thinks Delano will resign if not made Governor and dropped from Vice Governor. 270
- 394. McAdoo says:-
- Does not care whether Delano resigns. 270
- 395. He has forced the issue and the President has yielded. 270
- 396. Would be ridiculous if he resigned because not made Governor. 270
- 397. C.S.H. fears Delano's resignation will be of more injury than Warburg's. 270

McAdoo, W. G. (Cont.)

- 398. McAdoo says No, - Warburg's resignation will hurt us with the bankers. 270
- 399. Says is sure Warburg will accept position of Vice Governor. 271
- 400. C.S.H. says if Harding and Warburg were designated they would all feel that Harding had double crossed them and this would break up future combinations between them. 271
- 401. McAdoo says has grave doubts as to Harding's loyalty to Federal Reserve system. 271
- 402. Says he will tell Harding that President relies on his loyalty and has designated him because of his fine work on clearings. 271
- 403. Says designation will be for one year only, and this will give President a hold on the situation. 271
- 404. Says he fully appreciates how insincere these members and their reactionary feelings. 271
- 405. Said they had "atruck" at a critical time, and President and he regretfully believed it expedient to yield, but to yield as little as possible. 271, 272.
- 406. C.S.H. tells McAdoo, it is advisable to yield; that if President, he would probably yield; that he was only too glad to render a service to President and Federal Reserve system by eliminating himself. 272
- 407. McAdoo expresses deep gratitude of President and himself to C.S.H. for broad way in which he looked on the situation. 272
- 408. said, over and over, both wished to designate C.S.H. but that it seemed better to yield. 272
- 409. Explains sheepishly to Congressman Eagle that C.S.H. has been reappointed but not redesignated as Governor 272, 273.
- 410. McAdoo sends C.S.H. the designations for Governor and Vice Governor and asks him to deliver them. 277, 278
- 411. McAdoo writes C.S.H. congratulatory line on his successful work as Governor and upon his reappointment 278, 289.
- 412. C.S.H. wires McAdoo from N. Y. telling him to stiffen Harding as he seems weak and worried. 280
- 413. McAdoo says President and he are ready for Warburg, whatever he may do. 283
- 414. Says both satisfied Delano et als were determined to rule or ruin. 283
- 415. Their resignations how would make them ridiculous. 283
- 416. Tells C.S.H. that only he and the President could induce Glass to favor issue of Federal Reserve notes against gold, but that they were not sure enough of merit of proposition to try. 287
- 417. C.S.H. tells McAdoo, President and he made a great mistake in not trying to persuade Glass. 287



McAdoo, W. G. (Cont.)

- 418. McAdoo, C.S.H. and Harding appointed a committee to consult State Department as to neutrality of Bank of England agreement. 297
- 419. McAdoo asks for copy of vote of Board on Bank of England agreement. 297
- 420. Delano appointed on committee in place of McAdoo. 299
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  - Discount rates
  - Federal Reserve banks; foreign branches
  - Federal Reserve Board; cutting down
  - Hamlin, C. S.
  - Riggs Bank
  - Williams

McAdoo, Mrs. William G.

Tells C.S.H. her father was influenced by political considerations in coming out for woman suffrage; that she had often in the past heard him argue against it. Jan. 13, 1916. 168

McCoy, Judge

See - Riggs Bank

McDougal, Governor

See - Bills of exchange

McClallan

See - Federal Reserve Bank, Chicago

McReynolds, Justice

Says he and Judge Day want U.S. to go to war with Germany because of sinking of Lusitania. May 9, 1915. 12

Meredith.

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- 2. Was present when C.S.H. told Williams he had greatly
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- 3. Objects to discount of munition acceptances either
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- 5. Takes ground that the ultimate consumer's note is
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Miller, Dr. A. C. (Cont.)

- 6. National banks can not accept drafts where the goods are ultimately to be consumed by a foreign nation. 29
- 7. C.S.H. distinguishes case of drafts by Russian Ambassador which Board held could not be discounted by Federal Reserve banks, as he was to be given a credit the proceeds of which could be used for any purpose. 29
- 8. Claims Brown Brothers acceptances are not liquid, but it was pointed out that they were all drawn by French banks and were absolutely liquid. 29
- 9. Claims that they are really loans to a foreign Government, and that the agreement for renewal turned them into long term paper. 30
- 10. Claims that they might be repudiated. 30
- 11. Says that all munition exports should be paid for in cash. 30
- 12. Harding says if Miller's views were made public a financial panic might follow. 30
- 13. Vehemently fights proposed letter to Gov. Strong. 31, 32.
- 14. Says McAdoo and Warburg should be called back to consider it 32
- 15. Objects to sending tentative draft to Gov. Strong. 32
- 16. Agrees to letter to Gov. Strong stating the exact legal questions. 32
- 17. Intimates to Harding he will break a quorum by staying away from meetings. 32
- 18. McAdoo angry with Miller. Says he wishes he would try to break a quorum by staying away from meetings, - implying he knew just what to do in such contingency. 32
- 19. McAdoo says he knows just what is behind Miller's attitude. (meaning Pro German). 33
- 20. Refuses to attend meeting as Subtreasury, N. Y. 34
- 21. Reads memorandum:-  
Federal Reserve banks should not discount munition acceptances. 37
- 22. Admitted we can not interfere with member banks. 37
- 23. Finally votes for letter to Gov. Strong. 37
- 24. Claims that Brown Brothers acceptances are not liquid. 39
- 25. Warburg and all the others say they are liquid. 39
- 26. McAdoo calls Miller to account for refusing to attend at Subtreasury meeting. 45
- 27. Miller says willis was opposed to meeting at Subtreasury. 46
- 28. Claims McAdoo had no right to change call for meeting. 47
- 29. Reads memorandum: -  
No discourtesy to McAdoo intended. 47
- 30. Had McAdoo been at meeting, all would have attended. 47
- 31. In absence of Mr. McAdoo, members had right to suit their own convenience. 47
- 32. Did not claim McAdoo had no right to change case. 47
- 33. Finally withdraws memorandum. 47
- 34. Says authority of Board must be defined in view of McAdoo letter calling them to account. 48

Miller, Dr. A. C. (Cont.)

- 35. Harding intimates he, Miller and Warburg may resign, and possibly ask Congressional action as to status. 49
- 36. Says members not giving one another mutual trust and confidence, and rules must be adopted defining power and authority of Board. 50
- 37. C.S.H. writes McAdoo stating views of Miller et als. 51
- 38. Harding says Miller has changed his views as to discount of munition acceptances. 51
- 39. Harding says he thinks it wise to keep in with Miller and Warburg to head off any pro German agreement they might make together. 51
- 40. Miller has sudden transformation. 52
- 41. Miller tells C.S.H. - Aug. 25, 1915.  
Has no doubt and never has doubted propriety of our sending abroad war munitions. 52
- 42. Has nodoubt but that war munition acceptances are eligible for discount by Federal Reserve banks. 52
- 43. Miller's position absolutely contra to his attitude at New York meeting. 52
- 44. Absolutely contrary to his position as shown in C.S.H. telegram to Delano which was shown to and approved by Miller before sending. 52
- 45. Miller attacks militaristic clan in Germany; relates experiences of discourtesy from Germany officers; attacks the Junkers; said that the industrial magnates and militaristic clan had joined hands. 52
- 46. Says his sympathies are more with France than with Germany 52
- 47. Votes against fixing of commodity rate condition by Board instead of by Federal Reserve banks. 58
- 48. Voted against amending Regulation J to permit seller or purchaser to draw. 59
- 49. Miller says he originally drew Regulation J. 59
- 50. Says he has about reached end of his usefulness on Board. 59
- 51. says Federal Reserve Board has surrendered to Wall Street 59
- 52. McAdoo asks Miller if he wishes to impute any misconduct to any of his associates and he somewhat grudgingly answered No. 59
- 53. Angry because McAdoo and Harding slightly changed a press statement prepared by him as to Government deposits in Federal Reserve banks. 59
- 54. Threatens to give out a public statement disapproving Government deposits. 60
- 55. In lieu thereof, he writes Harding a letter. 60
- 56. McAdoo asks C.S.H. how Board would feel if President called for Miller's resignation, for the best interests of the country. Sept. 7, 1915. 60
- 57. C.S.H. objects. 60



Miller, Dr. A. C. (Cont.)

- C. S. H. Says: -
- 58. Miller has no practical sense. 60  
Has no practical experience. 60
- 59. Fairly good theoretical knowledge of political economy. 60
- 60. Expedient to have one such man on Board. 60
- 61. C.S.H. thinks Miller is getting ready to resign: - his wife is ill, and Miller hates Washington in summer 60
- 62. C.S.H. thinks Miller will try to go out in a blaze of glory and is setting the scenery. 60
- 63. McAdoo again, - Sept. 15, 1915, asks C.S.H. what he would think of President calling for Miller's resignation 63
- 64. McAdoo says: -  
Has lost all confidence in him. 63
- 65. An ultra conservative. 63
- 66. Has sympathy only for banks, - none for the people 63
- 67. C.S.H. objects. 63  
C.S.H. says:
- 68. Miller has no practical knowledge of affairs. 63
- 69. Distrusts his own opinions. 63
- 70. Inclined to accept opinions of bankers. 63
- 71. Does less work than any other member. 63
- 72. Much of his apparent obstinacy due to lack of careful study. 63
- 73. Does not deny his vanity and conceit. 63
- 74. Wise to have on theorist on Board. 63
- 75. McAdoo says President very much disturbed over Miller, felt that he added nothing to the Board and that he was considering calling for his resignation, Sept. 22, 1915. 66
- 76. C.S.H. objects; says it will be said this was done to control Board. 66
- 77. McAdoo says Miller has sent a nasty letter to Harding. 66
- 78. C.S.H. says most unwise to call for Miller's resignation; the other members would line up with him. 66
- 79. McAdoo said, - Miller would be out of the Board. 66
- 80. C.S.H. fears other members would resign. 66
- 81. McAdoo said, - "Let them resign!" 66
- 82. Miller says country is stirred up at attempt to influence the Board, - referring to President's letter on Federal Reserve bank agencies in South America. 75
- 83. Miller present at a conference between Warburg, Delano, Harding and J. P. Cotton at which Warburg read a bitter attack on McAdoo with relation to Federal Reserve bank agencies in South America. Willis was present and objected. 77
- 84. Warburg lets Miller off very lightly in his article on acceptance regulations, in which he attacks C.S.H. and Williams, although Miller has been like a weather vane in the matter. 79
- 85. Miller objects to transfer of Federal Reserve Bank of Boston to Federal Reserve Bank of New York. 85

Miller, Dr. A. C. (Cont.)

- 86. Miller says matter of Rich's power for publicity in Minn. district may involve abolishing Minn. Bank. 87
- 87. Agrees Rich should have a hearing before full Board. 87
- 88. C.S.H. thinks Miller will use the Rich controversy as a pretext to abolish Federal Reserve Bank of Minn. 87
- 89. Miller says Broderick's report on Atlanta Bank shows irregularities warranting abolishing of Atlanta Bank 87
- 90. C.S.H. writes Miller asking what he relied on in Broderick's report to warrant above conclusion. 88
- 91. Harding, at meeting, passed C.S.H. a paper saying, "You have stumped Miller by your letter." 88
- 92. Delano said of Miller, - "The fool to blurt this out while it was still pending in our committee!" 88
- 93. C.S.H. writes Miller another letter asking what grounds he had for saying that the Rich issue might involve abolishing the Minn. bank. 89
- 94. Opposes paying back capital of Federal Reserve banks. 90
- 95. Says Federal Reserve banks are purely emergency banks. 90
- 96. Miller (Not in committee) has conference with Redistricting Committee on cuttingdown. 92
- 97. C.S.H. thinks it extraordinary for committee to consult Miller, - thus securing a majority of Board. 92
- 98. Objects to amending Regulation R so that private bankers can report their condition to Federal Reserve Agent and Governor, the report not to be shown to directors. 96
- 99. Meets as one of executive committee with C.S.H. and Delano to arrange committees on operation of Federal Reserve banks; no action taken as to changing Subcommittees. 97
- 100. Williams gives C.S.H. a draft of new Subcommittees. C.S.H. dropped from Boston while Miller with Harding take 6 banks. 97
- 101. Miller says certain members are trying to delay consideration of cutting down of districts by obstructing it at every stage. 101
- 102. Said it made him inclined to vote for committee report whether he agreed with it in every detail or not. 101
- 103. Admits C.S.H. and Williams entitled to as much time for considering it as has been afforded him by committee. 101
- 104. Denies that he has attended any meetings of the committee. 101
- 105. Finally admits he had discussed the matter with the committee frequently. 101
- 106. Admits he has helped committee materially in framing its report. 101
- 107. Admits he wrote a material part of report. 101
- 108. Miller admits he has discussed specific plans with the committee and had opposed several suggestions. 102, 103
- 109. Says that while he had discussed matter with the committee and had helped write their report, it was always with an "open mind". 103

Miller, Dr. A. C. (Cont.)

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69. Agrees Rich should have a hearing before full Board. 87

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Miller, Dr. A. C. (Cont.)

- 110. Said he was absolutely free to vote as he pleased upon the request of the committee for instructions or upon any specific plan later presented. 103
- 111. Delano told Board he knew he had a majority of Board in favor of instructions to report a specific plan of cutting down. (meaning Miller) 103
- 112. Miller makes no reply when Williams asks if any member has talked with Sec. Houston. 104, 106.
- 113. Votes to lay C.S.H. resolution on table. 104
- 114. Moved to reconsider in order that committee might give Cotton's opinion to C.S.H. 105
- 115. Again votes to table C.S.H. resolution. 105
- 116. Says attitude of C.S.H. and Williams makes him want to vote the "whole hog" i.e. for all the committee wanted, whether he personally agrees with it or not. 106
- 117. Says he wants to do this damned quick! 106
- 118. Miller says McAdoo inspired Burke's attack on F.R. Bank of Minn. 106
- 119. Says about ready to move that whole report be given to the public. 107
- 120. C.S.H. points out that statement of committee of want of confidence in Federal Reserve system would disturb the country and perhaps cause a financial panic. 107
- 121. Hilarious laughter from Miller et als. 107
- 122. Willis says Miller objected to abolishing the Federal Reserve Bank of Boston. 109
- 123. McAdoo asks Miller's authority for his statement about Burke. 109
- 123 1/2. Miller tells McAdoo, C.S.H. did not quote him quite correctly about Burke and that he should have been more careful. 111
- 124. Miller said he did not name McAdoo but merely said a member of Board inspired Burke and that it was Delano who named McAdoo. 111
- 125. Says if C.S.H. memory is as faulty on other matters as on this, it was not much good. 111
- 126. Miller moves to refer to committee the matter of sending copies of the report to Sec. Houston and Senator Owen. 112
- 126 1/2. Says he is satisfied, on reading the report, that it contained statements which might give a false impression, and that C.S.H. was justified, to a certain extent in his criticisms. 112
- 127. Says he agrees with position taken by C.S.H. at meeting that it was not possible to vote for the committee report without ratifying its arguments and conclusions based on facts and experiences not reported in detail. 112

Miller, Dr. A. C. (Cont.)

- 128. Willis and Elliott say that Miller has consulted with Cotton and he is weakening. 115
- 129. Miller charges C.S.H. with taking orders from McAdoo, in writing to President for opinion of Attorney General. 119
- 130. McAdoo informs Miller that the Board proceedings are subject to general rules of parliamentary law and that no members could insult or impute improper motives to another. 120
- 131. C.S.H. reminds Miller that at the meeting of Nov.15 he said there was no need of any debate, that we knew all about it now. 122
- 132. Miller admits Delano said he had four votes but denies that he had pledged his vote. 123
- 133. C.S.H. is satisfied that Miller has told committee he should not vote with them. 126
- 134. Miller says Federal Reserve agents insist on a clear ruling as to mandatory powers of Board in clearings. 128
- 135. Moves appointment of committee to report a complete draft of open market regulations. 128
- 136. Miller and Harding appointed. 128
- 137. C.S.H. thinks Miller is scared over his action as to cutting down and now wants to put on record some radical leanings. 128
- 138. Laughlin says Miller had a copy of the Federal Reserve Act draft when it was before the Senate, and was conferring with New York bankers to emasculate it. 129
- 139. C.S.H. believes Miller et als were in a conspiracy to jam through cutting down of districts. 132
- 140. Favors a short report of minutes in regard to cutting down. 135
- 141. Miller complains of executive interference, - referring, as he expressly stated, to President Wilson. 135
- 142. Miller makes a long statement to Board: - Admits he wrote the whole report of the committee. 136
- 143. Has consulted with committee as to specific plans. 136
- 144. Absolutely inconsistent with his statements at meeting of Nov. 15. 136
- 145. Work of Organization Committee done badly. 136
- 146. Secretary McAdoo very foolish not to cooperate, and correct its errors from within. 136
- 147. Otherwise these errors would surely be corrected from without, and this might mean a reduction to 3 or 4 districts. 136
- 148. Glass much disturbed at learning that Miller had a copy of draft of Federal Reserve Act. 140
- 149. McAdoo tells Glass he gave a copy to Miller for suggestions but that they were of no value. 140

Miller, Dr. A. C. (Cont.)

111. Delano said Board know he had a majority of Board in favor of... (reading Miller) 108

112. Miller makes no reply when Williams asks if any member has talked with Sec. Houston 104 105

113. Votes to lay C.S.H. resolution on table. 105

114. Moved to reconsider in order that members might give Cotton's opinion to C.S.H. 105

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116. Says attitude of C.S.H. and Williams makes his want to vote the "whole hog" i.e. for all the committee wanted, whether he personally agrees with it or not. 108

117. Says he wants to see this demand pulled 108

118. Miller says Delano implied Burke's attack on C.S.H. Book of Minn. 108

119. Says about ready to move that whole report be given to the public. 107

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123. McAdoo says Miller's authority for his statement about Burke. 108

124. Miller calls Motion C.S.H. did not quote his date correctly about Burke and that he should have been more careful. 111

125. Miller said he did not name McAdoo but merely said a member of Board implied Burke and that it was Delano who named McAdoo. 111

126. Says if C.S.H. memory is as faulty on other matters as on this, it was not much good. 111

127. Miller moves to refer to committee the matter of sending copies of the report to Sec. Houston and Senator Owen. 112

128. Says he is satisfied on reading the report, that it contained statements which might give a false impression, and that C.S.H. was justified to a certain extent in his criticisms. 112

129. Says he agrees with position taken by C.S.H. as to the fact that it was not possible to vote for the committee report without ratifying its errors and conclusions based on facts and experiences not reported in detail. 112



Miller, Dr. A. C. (Cont.)

- 150. Willis says he heard from other sources that Miller was bitterly opposed to Federal Reserve Act draft. 140
- 151. Williams, Dec. 2, 1915, says Miller should be asked to resign. 141
- 152. Said Miller was building a house and that this was the time to act. 141
- 153. C.S.H. objects. 141
- 154. C.S.H. tells McAdoo, Miller's resignation should not be called for. 141
- 155. Said Delano might resign if Miller's resignation asked for. 141
- 156. McAdoo said he did not care; that the country would recognize that administration will protect the Federal Reserve Act and conserve to the people its benefits. 141
- 157. McAdoo, Dec. 2, 1915, suggests that Glass be appointed in Miller's place, and says whole country would applaud. 141
- 158. C.S.H. says he admires Glass but such action would be political suicide and would project a political fight which would disturb the country and rob administration of much of the credit for the Federal Reserve Act, - now conceded even by Republicans. 141
- 159. C.S.H. says would be playing into the hands of the Republican party. 141
- 160. McAdoo said would think this over but C.S.H. feels he made little impression on him. 141
- 161. C.S.H. believes Miller et als dislike him because they can not control him, and they think they can control McAdoo. 160
- 162. Miller and C.S.H. hold up Federal Reserve Agent Ramsey of Dallas because of charges of Oswald Villard. 167
- 163. Miller and C.S.H. vote against designation of Fleming as Deputy Federal Reserve Agent at Kansas City 170
- 164. Miller objects to stating in annual report what Board has done to reduce discount rates. 174
- 165. C.S.H. claims report should deny that Federal Reserve banks are purely emergency banks. Referred to Miller who was drafting the report. 174
- 166. Miller favors an amendment to Section 13 giving to Federal Reserve banks right to purchase in open market notes secured by warehouse receipts covering agricultural staples. 175
- 167. All agreed Miller's amendment was too narrow, and if passed at all, should be broadened. 175
- 168. Miller votes against laying C.S.H. amendment, - notes with 2 indorsements, - on table. 175

Miller, Dr. A. C. (Cont.)

Miller, Dr. A. C. (Cont.)

- 169. Miller suggests statement in annual report that Board makes no recommendation as to certain other amendments as it can not agree. 182
- 170. Miller says whole Federal Reserve system depends on N. Y. which was practically a central bank. 184
- 171. Miller moves to postpone Conn. banks petition until clearing system is in operation. 194, 196.
- 171½. Says will vote against Bolling for Federal Reserve Agent, Richmond. 195
- 172. Votes to postpone as above. 196
- 173. Votes to transfer Fairfield County and to postpone rest until clearing system established. 197
- 174. Says if Harding gives his report on Conn. banks petition to the press, he will say that centralization of credit should not be carried further by increasing the power of N.Y. except on clearest proof of its absolute necessity. 197
- 175. Moves resolution that Board will pay Williams' salary claim because advised by Elliott and Cotton that it was a valid legal claim. 202
- 176. Miller indignant at motion to increase Elliott's salary, for acting for Board and for Comptroller. 203
- 177. Miller says it is a bargain and intimates it is a corrupt bargain. 203
- 178. Says will file a memorandum showing up the whole matter. 203
- 179. Says it was a "fudge". 203
- 180. Harding indignant at Miller. 203
- 181. Says this not the first time Miller has imputed bad faith to his associates. 203
- 182. That he should not rest silent under such an intimation. 203
- 183. Miller then in effect apologized. 203
- 184. Williams asks Miller what he meant by "Fudge". 203
- 185. C.S.H. says Counsel should be asked to define it. 203
- 186. Miller votes against increasing Elliott's salary. 204
- 187. Says he shall vote for Hardy as Federal Reserve Agent at Richmond. 206
- 188. Moves to table Hardy appointment until Delano and Harding return from west. 209
- 189. Says is not satisfied that Hardy is the best man. 209
- 190. Especially in view of his refusal to withdraw. 209
- 191. Says he wants more time to look into his qualifications 210
- 192. Votes to table. 210
- 193. Miller reiterates above views. 210
- 194. Miller refuses to vote when C.S.H. puts main question. 210
- 195. C.S.H. says as 3 did not vote he is in doubt as to whether Hardy was elected. 210
- 196. Miller then voted Aye and C.S.H. declared Hardy elected. 211
- 197. Miller's sudden flopping over shows his insincerity. 211



Miller, Dr. A. C. (Cont.)

- 198. Whole matter a device of Miller et als. to avoid voting on Bolling. 212
- 199. Miller tried to be cunning but was forced to show his hand. 212
- 200. C.S.H. disgusted at Miller's duplicity. 212
- 201. McAdoo very indignant at Miller et als. Felt that sharp practices had been resorted to. 213
- 202. Miller opposes petition of Federal Reserve Bank of Kansas City to increase discount rates. 214
- 203. Said he believed all rates should be increased at all Federal Reserve banks but did not like the reasons given by Kansas City. 215
- 204. Harding attacks Miller. 215
- 205. Has noted his suspicion and prejudice against banks. 215
- 206. Harding says if Miller believed rates should be advanced, he should so vote whether not he approved of reasons given. 215
- 207. Miller finally agreed to vote favorably. 215
- 208. Miller announces that he is to leave on a 3 months vacation. May 31, 1916. 229
- 209. Never asked consent of Board. 229
- 210. Miller opposes amendments to sec. 16. 229  
Miller says:-
- 211. Favors issue of notes against gold or against part gold and part paper. 229
- 212. Thinks present indirect method should be validated. 229
- 213. Objects to making gold with the Federal Reserve Agent count as reserve. 229
- 214. Warburg asks if Miller will not agree to this as an emergency proposition, requiring 5 votes. 230
- 215. Miller says No; that he has no confidence in Federal Reserve Board as at present constituted! 230
- 216. Said unwise to give Board such power. 230
- 217. Miller opposes cooperation between Federal Reserve banks 230
- 218. Delano attacks Miller; says any man with brains can see the difference between things which are different, etc. 230
- 219. Miller wires Delano he is absolutely in favor of Smith bill authorizing Board to cut down Federal Reserve districts. 269
- 220. McAdoo says Miller is absolutely out of the question for Governor or any position. 270
- 221. McAdoo says Miller et als are insincere and reactionaries; that they had "struck" at a critical time; that very regretfully he and President thought it expedient to yield but as little as possible. 271, 272.
- 222. Miller says Rich wrote him complaining of interference of Wisconsin Congressmen in Wisconsin bank petition but did not mention C.S.H. 291
- 223. Miller told Rich in Mirm: -  
Letter deserves and will doubtless receive censure of Board. 291

Miller, Dr. A. C. (Cont.)

198. Miller suggests statement in annual report that Board makes no recommendation as to certain other amendments as it has not agreed. 182

199. Miller says that Federal Reserve system depends on N. Y. which was practically a central bank. 184

200. Miller says to postpone Board, banks petition until clearing system is in operation. 184, 185

201. Says will vote against Bolling for Federal Reserve Agent. 185

202. Votes to postpone as above. 185

203. Votes to transfer Fairfield County and to postpone until clearing system established. 187

204. Says if Harding gives his report on Conn. banks petition to the press, he will not have authorization of credit should not be carried further by increasing the power of N. Y. except on clearest proof of its absolute necessity. 187

205. Moves resolution that Board will pay Williams' salary. 188

206. Says demands advised by Miller and Boston that it was a valid legal claim. 188

207. Miller indignant at motion to increase Elliott's salary. 188

208. Miller says it is a bargain and indicates it is a bargain bargain. 188

209. Says will file a memorandum showing up the whole matter. 188

210. Says it was a "trick". 188

211. Harding indignant at Miller. 188

212. Says this was the first time Miller has indicated his faith in his associates. 188

213. That he should not vote unless under such an indication. 188

214. Miller then in effort apologized. 188

215. Williams asks Miller what he meant by "trick". 188

216. C.S.H. says Council should be asked to define it. 188

217. Miller votes against increasing Elliott's salary. 188

218. Says he should vote for Hardy as Federal Reserve Agent at Hartford. 188

219. Moves to table Hardy's appointment until Delano and Harding return from west. 188

220. Says is not satisfied that Hardy is the best man. 188

221. Represents view of his refusal to withdraw. 188

222. Says he wants more time to look into his qualifications. 188

223. Votes to table. 188

224. Miller reiterates above views. 188

225. Miller refuses to vote when C.S.H. puts main question. 188

226. C.S.H. says as I did not vote as I did not vote as to whether Hardy was elected. 188

227. Miller then voted and C.S.H. declared Hardy elected. 188

228. Miller's motion striking over shows his insincerity. 188

Miller, Dr. A. C. (Cont.)

- 224. Miller told Rich in Minn. (Cont.)  
A charge that Board is influenced by political considerations. 291
  - 225. Rich tells Miller his letter to Miller is same as that to C.S.H. 291
  - 226. Miller said it was different and Mosher confirmed this. 291, 292.
  - 227. Miller says Rich acted as if he had never seen the letter to C.S.H. 292
  - 228. Miller says he believes Mosher wrote both letters. 292
  - 229. Rich told Miller he merely wanted to inform Board of gossip and rumors which he did not believe in. 292
  - 230. Miller says if true his method of expression was very faulty. 292
  - 231. Miller says evidently Decker and the Minn. bank were trying to scare the Board. 292
  - 232. Miller tells Rich - on his request for permission to withdraw letter, - that he will agree if C.S.H. will. 292
  - 233. C.S.H. says if not withdrawn he will send a copy to Wisconsin Congressmen and Senators and let them settle with Rich. 292, 293.
  - 234. Miller begs C.S.H. not to do this as it would result in Rich's resignation or removal and would injure the Federal Reserve system. 293
  - 235. Miller says he is disgusted with Rich. 293
  - 236. Says Rich depends on Mosher even to do his thinking for him. 293
  - 237. Miller says he will vote against Wisconsin petition as transfer would injure Minn. 293
  - 238. C.S.H. explains to Miller that Gov. Wold tried to influence Sen. Nelson to protest but that he declined. 293
  - 239. Miller said Wold would say he did this to counteract work done by Wisconsin delegation. 293
  - 240. Votes with Williams in favor of postponing Bank of England agreement. 297
  - 241. Rich writes apologetic letter to C.S.H. and Miller said would write Rich he could withdraw his letter. 300
  - 242. Miller strongly urges C.S.H. to agree to this and he finally consented. 300
  - 243. Miller says unless Rich withdraws his letter the Board would feel obliged to censure him. 300
- See - Acceptance credits  
Federal Reserve Board; cutting down  
" " " ; status  
Votes

Miller, Gov.

See - Federal Reserve Bank, Kansas City



Milwaukee banks

See - Federal Reserve Bank, Minn.

Moore, John Bassett

See - Pan American Financial Conference

Morgan, J. P.

Furnishes a private car for Federal Advisory Council to go from New York to Washington. 66

Calls on C.S.H. at Mattapoisett. 268

Takes C.S.H. and H.P.H. on launch among yachts. 268

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Morse, R. M. 198

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Rich, Federal Reserve Agent

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National Bank Examiners reports. 162

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National banks

Twenty-five of most powerful, in country are planning to withdraw from Federal Reserve system. 114

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McAdoo

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O'Brien, Gen.

See - Pan American Financial Conference

Officers of U.S.

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Federal Reserve banks

Ogilvie

See - McAdoo  
Wilson

O'Neil, Joseph H.

Says country went prosper until Wilson Administration is  
swept out. 218

Opposed C.S.H. for Assistant Secretary. 218

C.S.H. feels, will oppose his appointment to Federal Reserve  
Board. 218

Angry because his bank, - the Federal Trust Company, - has  
not been admitted to Federal Reserve system. 218

Federal Reserve bank won't admit Federal Trust Company unless  
book value of certain investments materially reduced. 218

Curtiss reports capital almost impaired by bad loans and  
shrinkage in investments. 219

Federal Reserve bank will require certain % of earnings to be  
allocated to bring up general condition of assets. 219

O'Neil apparently willing to do what Federal Reserve bank requires  
but Directors evidently are not. 219



O'Neil, Joseph H. (Cont.)

O'Neil amazed at condition pointed out by Federal Reserve bank; he thought his bank was in first class condition. 219

Broderick says ruling that book value must be reduced by 50% of shrinkage, is a reasonable requirement. 219

says only a little more, if any, than Comptroller would require from a national bank already incorporated. 219

Broderick and Federal Reserve Agent Curtiss severely criticize Thorndike, the Mass. Bank Commissioner. 219

Say he never interferes unless a bank is insolvent. 220

Say that Thorndike knew that savings and other banks had large stock investments and that marking them down would result disastrously. 220

Say that N.Y. law requires marking down to within 3% of market value, and that we had not gone nearly so far as that. 220

Open market powers

Miller favors amendment to Section 14, permitting Federal Reserve banks to purchase in open market notes secured by warehouse receipts covering agricultural staples. 174, 175.

All agreed this is too narrow, assuming any change necessary 174, 175.

C.S.H. moves amendment permitting purchase of notes with 2 or more responsible indorsers. Jan. 28, 1916. 175

Warburg objects. 175

Moved to table C.S.H. motion lost by a tie vote. 175

McAdoo votes for tabling. 175.

McAdoo says he favors C.S.H. amendment but not at this time. 175

Delano said if forced to vote on merits would favor it but thought it should be postponed. 175

Glass writes sending Smith bill permitting purchase of commercial paper in open market. 208

C.S.H. favors. 208

Warburg, Harding and Delano oppose. 208

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Owen, Senator

Says Federal Reserve Board has power to cut down districts. 108

Asks C.S.H. about cutting down. 115

Furious. 115

Says Congress will interfere. 115

Says satisfied Board has no power to cut down and is broad enough to change any contrary opinion. 115

Protests against right of Board to cut down. 120

McAdoo sent him a copy of committee report. 120

C.S.H. tells him of general facts. 120

Warburg very bitter. Says letter must be answered. 120

Warburg denies ever favoring the abolishment of Boston. 120

Warburg mad at Owen's letter's reference to clearings. 127

Pan American Financial Conference.

- Lunch of C.S.H. to Aldao. 18
- Dinner of C.S.H. to certain delegates. 18
- H.P.H. Lunch to certain wives of delegates. 19
- Address of C.S.H. 19
- C.S.H. attends dinner to Uruguay delegation by Gen. O'Brien 19
- C.S.H. attends lunch of Nicaragua delegation. 19
- McAdoo gives dinner. 19
- McAdoo gives each delegate a copy of C.S.H.'s index digest of Federal Reserve Act. 19
- Vanderlip offers to give \$10,000 for a permanent secretary 20
- Vanderlip offers to pay all expenses for sending U.S. delegates to South America 20
- U.S. Chamber of Commerce offers to pay expense of a permanent secretary. 20
- McAdoo declines to receive any subscriptions. 20
- Peters gives breakfast to delegates. 20
- Villa Noeva dines with C.S.H. 20
- C.S.H. appointed on secret committee to examine all committee reports, with Vanderlip, Fahey, and John Bassett More. 20
- McAdoo insists that Federal Reserve Board must pay for a tea given at request of committee, although Assistant Secretary Peters said it would be paid out of the Congressional appropriation. 20

Par, Section 16.

- Harding favors striking out words "At par" in section 16, if Board continues to collect checks through Postmasters. 262
- Prepares draft for this purpose. 265
- Prepares new draft retaining words "At par" and providing for clearing members. 267

Patrons, Section 16.

- Kitchin says word refers only to member banks, and not to depositors in banks, for banks have never deducted exchange charges from their depositors. 263

Peabody, G. F.

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Philadelphia Chamber of Commerce

Address, C.S.H. 114

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 Willis says broad enough to include Starek. 163  
 C.S.H. says prospective merely. 163  
 McAdoo agrees with C.S.H. 163, 164  
 Board modifies resolution so that directors already elected need not resign. 164

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Warburg charges, in Wolfe appointment. 6, 7.  
 Federal Reserve Bank of New York played, in offering Atlanta a 2 1/2% rediscount rate. 6, 7.  
 President Wilson asks Board to appoint O'Gilver, - a Princeton man. Board declines to waive age limit. 28  
 McAdoo played, in deposits in Federal Reserve banks. 69  
 Williams objects to appointment of Judge Good rich as Federal Reserve Agent at Kansas City because he is a Republican. 165  
 Williams says Board is prescribing Democrats. 165  
 Delano says 2 out of the 3 Government directors at Federal Reserve Bank, Chicago, are Democrats. 165  
 Mrs. Wilson tells C.S.H. that President Wilson came out for woman suffrage purely for politics; that she had often heard him argue against it. 168  
 Warburg, by his amendment as to Government deposits, is trying to make political capital for the Republicans. 179  
 McAdoo says Warburg amendment is a political attack against him and Williams. 181  
 Harding says McAdoo said he was opposed to proposed amendments as they would give political capital to the Republicans 193  
 Wilson suggests appointment of his brother-in-law Bolling for Federal Reserve Agent, Richmond. 195  
 Marsh, Treasurer of Democratic National Committee, has a candidate for Government director at Chicago, in Meredith's place. 245  
 C.S.H. says no, in Wisconsin banks petition.  
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Harding moves, for first time in history of Board. 163

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Attacks Wilson's foreign policy and C.S.H. procures article in reply by Guillard Hunt which Springfield Republican prints. 176

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Warburg

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Ramsey, Federal Reserve Agent, Dallas

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Redesignation of Federal Reserve cities

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Rediscounts between Federal Reserve banks

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Redistricting

Connecticut banks

- Committee to report although no hearings held 94
- Hearing on petition. 190, 191
- Warburg and Delano favor granting whole petition. 194
- "Due regard" means present business an absurdity. 194
- Miller moves to postpone until clearing system established. 194
- Harding favors. 196
- C.S.H. opposes. 196
- Congressman Hill says Eastern banks will also petition



Redistricting (Cont.)

Connecticut banks (Cont.)

C.S.H. says will not oppose transfer of Fairfield County 196  
C.S.H. votes for Miller motion to postpone. Lost. 196  
Voted to grant petition as to Fairfield County and to  
postpone the rest. 197

Harding and Warburg voted No. 197

Harding threatens to publish his minority report. 197

Miller says, if he does, he will state that centralization  
of credit by further increasing the power of  
Federal Reserve Bank of New York should stop, and  
that nothing but the clearest evidence would  
warrant further increase. 197

C.S.H. says he will make a statement which may result in  
a feeling that certain members are reactionaries. 197

Congressman Hill says decision as to Fairfield County will  
injure him, and asks C.S.H. to write to Mr. Whipple  
at New Haven that he did not suggest it. 198

C.S.H. advises him not to ask this and he agrees. 198

Delano says postponement to await results of clearing  
system would induce C.S.H. to try to block clearing  
system. 199

Board agrees to postpone balance of Conn. petition until  
June 15. 204

C.S.H. says Board should study evidence before Reserve  
Bank Organization Committee. 204

Harding assures C.S.H. he will never vote to assign  
eastern Conn. or any part of Mass. (e.g. Springfield)  
to New York. 205

Warburg gives same assurance. 205

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Committee appointed to consider all pending petitions. 82

C.S.H. points out that Board has already announced that  
no more changes would be made save on workings of  
experience. Miller and all agreed that this was  
correct. 82

Louisiana banks

Transferred from Dallas to Atlanta. 194

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Rich

See - Federal Reserve Board; cutting down  
" " " ; redistricting.

Reed, Senator

See - Federal Reserve Bank, Kansas City

Regulation J.

See - Acceptance credits

Strong, Gov.

Regulation R

See - Miller





Riggs Bank (Cont.)

Brandeis says (Cont.)

This would save McAdoo's reputation which would be seriously injured by a trial. 10  
 Has so advised McAdoo, who seemed pleased with the idea, but had done nothing. 10  
 Would leave allegations of bill met by McAdoo's answer and would end the matter. 10  
 That if a trial were held, the Bollinger case would be mild by comparison. 10  
 Asked C.S.H. what connection he had had with the matter. 10  
 C.S.H. said he had not approved the tax deposit discrimination against the Riggs Bank. 10

Brandeis said: -

C.S.H. should instantly see Wilson and tell him all he knew 10  
 Should advise Wilson to follow Brandeis's advice. 10  
 Attorney General advised him to consult with C.S.H., and advise him to see Wilson. 10  
 Attorney General said all the lawyers agreed that the case was an ugly one and should not be tried, as Williams, in all probability, would be beaten. 10  
 C.S.H. has a half hour's talk with President Wilson. 10

Wilson said:-

A local fight between Williams and the Riggs Bank. 10  
 Should go to a finish. 10  
 No possibility of its involving the administration. 10  
 If Williams is beaten, he should not hesitate to take proper action. 10

C.S.H. said to Wilson: -

Certain that administration will be involved and injured. 11  
 Asked President to consider the chance of its being proved that the withdrawal of the 2 millions of deposits from the Riggs Bank was considered and approved by the Cabinet and by himself. 11

President Wilson quickly replied it had not been. 11

Wilson said:-

Can not turn down Williams without a hearing. 11  
 Williams' letters were clearly improper. 11  
 Agrees with C.S.H. that on this matter Williams is not of sound mind. 11  
 Wilson said McAdoo's evidence as to what Ailes said would turn the tide against the Bank. 11  
 Wilson seemed absolutely confident and serene. 11

C.S.H. tells Brandeis Wilson does not understand the case. 11

Brandeis said the Attorney General, in his presence, told

Wilson that he agreed with Brandeis's opinion. 11

Sherman Allen told me Glover said he had been "carrying" one

of the Cabinet since beginning of the administration. 12

C.S.H. tells this to Brandeis in confidence. 12

C.S.H. did not tell McAdoo of his talk with Wilson because he

felt McAdoo, out of loyalty to Williams, would not consent

to putting in his own defense, wholly apart from Williams 12

Riggs Bank (Cont.)

C.S.H. feels McAdoo realizes he has encouraged Williams and is really responsible for his queer actions. 12  
 McAdoo tells C.S.H. he is sorry he talked so freely to Brandeis who has told him of the interview. 12  
 McAdoo very displeased. 12  
 Said he wanted C.S.H. to read his affidavit. 12  
 Said he was especially displeased at C.S.H. statement to Brandeis that he might have to testify against Williams as to the tax deposit discrimination. 13  
 C.S.H. tells McAdoo it was his duty to tell Brandeis all he knew about the matter. 13  
 C.S.H. says hardly necessary to say he had no desire to testify, but that, if summoned, he should testify to the actual facts, but it would be like tearing out his tongue to have to say anything. 13  
 C.S.H. says Brandeis told him that Williams' conduct was not justified in equity or morals. 13  
 C.S.H. strongly advises McAdoo to compromise matter honorably. 13  
 C.S.H. says it will inevitably, whatever the final decision, drag in and injure the President, the administration, and McAdoo himself. 13  
 McAdoo says he will not object to a full settlement. 13  
 C.S.H. says Riggs Bank will be glad to settle as many of his and Williams' allegations, even if not relevant to the bill, will clearly injure it greatly. 13  
 McAdoo asks C.S.H. to take his affidavit, read it, and let him know by 9:30 how it struck him. 14  
 Brandeis dines with C.S.H. and again says a trial, whatever the decision, will ruin McAdoo and Williams and irretrievably injure Wilson and the administration. 14  
 C.S.H. calls up McAdoo at 9:30 and says the affidavit puts his case in the strongest possible manner, and if filed, and a settlement made, would put him in a strong position. 14  
 C.S.H. points out that some reasons stated in affidavit as to the tax deposits could not, it will be claimed, have been known by McAdoo until later. 14  
 McAdoo says Williams verbally told him these reasons before May 6, the date of his decision. 14  
 On the record, however, it appears that the examiners only discovered these alleged facts on May 18 when they reported these facts officially only on May 28. 14  
 McAdoo said his decision of May 6, was only tentative, subject to consideration, and was finally determined upon only in his letter to Glover, dated June 9 or 11. 14, 15.  
 McAdoo said he did not tell C.S.H. of this when he directed him to tell Flather that no tax deposits would be made in the Riggs Bank! 15



Riggs Bank (Cont.)

Warren tells C.S.H. that suggestions of settlement were made at hearing yesterday and case was postponed to work them out. 15

Williams asks C.S.H. squarely if he does not think his affidavit was a complete answer to the bill. 15

Williams had previously sent it in to C.S.H. who had read it. 15  
C.S.H. told Williams he had greatly strengthened his case by specifically waiving all penalties except one for \$5000 for refusal to give a list of all loans back to 1896. 15

C.S.H. said, in Miller's presence, that he felt sure Williams would have lost on question of these penalties. 15

C.S.H. says the \$5000 penalty involves a question of law, on which much could be said on either side, and that there was at least a fighting chance that the Government might lose. 15

(The court later granted an injunction against enforcing this penalty.)

C.S.H. tells Williams that if the other side suggests a settlement he ought to try in every way to reach an honorable one, as a trial would injure the administration, and McAdoo seriously, even though the case might be won on legal points. 15, 16.

Williams disagreed and even fought the suggestion of waiving the penalty imposed for failure to give a list of securities available as collateral for Aldrich-Vreeland notes, which C.S.H. had told him could not be lawfully imposed or collected. 16

Williams, as a matter of fact had already waived this penalty, - as his affidavit expressly stated, - but he could not see the propriety of it. 16

Williams is absolutely blind and can not see how any of his acts can be criticized. 16

Williams was very bitter against Brandeis. 16

C.S.H. told Williams Brandeis' judgment was good and that he did not fear to take risks. 16

Assistant Secretary Newton tells C.S.H. of a rumor that Brandeis was trying to "queer" Williams in order to rehabilitate himself with the financial interests. 16

C.S.H. feels Brandeis should not have told McAdoo the details of the conference between him and C.S.H. as it was in absolute confidence. 16

McAdoo called on C.S.H. Seemed to be in good spirits over the case which is to be argued tomorrow. 17

C.S.H. asked him if newspaper report of a compromise was true, but McAdoo said all such talk was nonsense. 17

Warren tells C.S.H. there had been efforts on both sides for a compromise. 17

Riggs Bank (Cont.)

Said the Riggs was perfectly willing and offered:-

To comply as to all information demanded and for which the \$5000 fine was imposed if Williams will waive this fine. 17

To dismiss their bill against McAdoo and Williams. 17

Only condition was that no affidavits be filed as there would be nothing left to answer as dismissal of the bill. 17

Warren said he thought this a wise settlement but McAdoo and Williams insisted that their affidavits be filed and therefore the case must go on. 17

Warren said McAdoo made a great mistake in putting into his affidavit his letter to the Attorney General asking for Counsel for Williams, in which he said he did not wish to do any injustice to the Riggs Bank, as it would probably make relevant the advice his lawyer gave him and which he disregarded. 18

Brandeis advised Williams that the charter of the bank could not be forfeited for its alleged offenses for these had all be discontinued. 18

On trial of motion to dismiss and for a permanent injunction, Judge McCoy declined to give any injunction except as to the \$5000 fine, which, he said, was purely a question of law. 18

Judge McCoy found that there was no malice in Williams and no conspiracy on part of McAdoo. 18

Judge McCoy found that McAdoo and Williams were justified in what they did and could not have done otherwise. 18

Judge McCoy said to C.S.H., Jan 19, 1916:-

Amazed that people do not more generally appreciate the great advantages of the Federal Reserve Act. 170

Satisfied it was largely due to Williams. 170

Told this from all over the country. 170

Will say to C.S.H. in strict confidence that, - no matter how I may finally decide the Riggs

Bank case, - he believes Williams letters are a good illustration of how not to do a thing. 170

Said his letters were intemperate and unjudicial. 170

That he was fearfully injuring the administration. 170

Admits he is honest and very likely able. 170

Said something should be done to prevent his utterly wrecking the administration. 170

Judge McCoy issues a permanent injunction against McAdoo and Williams as to the \$5000 penalty. May 31, 1916. 230

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C.S.H. goes to Newport, R. I. with. 73

Leaves C.S.H. on ship and makes an inspection tour without inviting him. 74



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Gov. Strong tells C.S.H. he furnished the material for speech of, as to the inflation possibilities of the Federal Reserve Act. 3

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- Bank of England; Foreign Agent
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- C.S.H. suggests amendment providing for a, in interstate commerce where the bank on which drawn is not a member or a clearing member of Federal Reserve system. 179

Starek

- See - Federal Reserve Agent, Deputy
- McAdoo
- Strong, Gov.

State bank checks

- See - Clearing system



State banks

Warburg amendment permitting, to become associate members, paying no capital and with power to rediscount through member banks. 192

C.S.H. opposes. 192

Harding mad. 192

C.S.H. says would be a confession of failure of Federal Reserve system. 192, 193.

Rejected. 193

State Department

See - Bank of England; Foreign Agent Cotton

Status of Federal Reserve Board

See - Federal Reserve Board; status

Strong, Gov.

Tells C.S.H. he furnished Elisha Root with data for his speech in senate attacking the inflationary possibilities of the Federal Reserve Act. 3

Tells C.S.H. he will give the Federal Reserve Bank of Atlanta a very low (2 1/2%) rediscount rate to demonstrate the harm it will do to southern banks. 4

Delano said Gov. Strong said: - "They want a low rate, I will give it to them to break their necks!" 6

Palmer, director of Federal Reserve Bank of New York and Starek complain of Gov. Strong for not appointing a cashier as authorized by Directors. 22

Gov. Strong says Starek went to Sailer, the proposed Cashier, and advised him to hold out for \$12,000 salary. 22

Harding and Delano appointed a committee to look into matter and report. 22

Gov. Strong explains proposed Brown Brothers acceptance credits. 24, 25

Gov. Strong says he has told New York bankers of opinion of Board that national banks could not contract for renewal acceptances nor give a new acceptance if it brought the limit beyond 6 months. 25

Asks Board to omit from letter the statement that while such acceptances could as a matter of law, be rediscounted, a question of policy was involved. 25, 26.

Gov. Strong said this was an open question to be decided when it arose. 26

Said he had not told the banks that their acceptances were eligible for rediscount. 26

Board sends Gov. Strong on July 28 a letter supplementary to that of July 15. 26

Delano tells C.S.H. that yesterday, July 27, 1915, he went with Gov. Strong to Marblehead to consult J.P.Morgan, who was on his yacht. 27

Strong, Gov. (Cont.)

Gov. Strong suggested to Morgan a plan by which exporters of cotton could draw on American banks under an arrangement under which foreign banks would indorse them. 27

Morgan told Gov. Strong to go ahead and that he would be responsible for from 25 to 50 millions. 27

Neither Delano nor Gov. Strong had any authority from Board nor had ever mentioned the matter to the Board. 27

Tells Board its letter of July 28 forbidding renewals of drafts under revolving credits killed the whole matter. 28

Reads memorandum on necessity of making credit arrangements to care for our exports. 28

Reads legal memorandum to effect that renewals, or rather, new drafts, as between drawer and drawee were not prohibited provided the acceptor paid the draft to the drawer on maturity. 28

C.S.H. received letter from Warburg that Board's letter to Gov. Strong of July 28 was in error in refusing to permit such renewals; that they were merely cash advances as between drawer and acceptor, and if within 6 months limit, were perfectly good. 28

Harrison advises Board that letter to Gov. Strong of July 28 was not warranted by Elliott's opinion of July 9 31

C.S.H. prepares new draft of letter to Gov. Strong. 31

Debate over sending above letter to Gov. Strong. 32

Finally agreed C.S.H. to write Gov. Strong as to exact legal question involved in connection with Harrison's opinion 32

McAdoo approves of proposed letter to Gov. Strong. 33

Gov. Strong says matter can not wait even until Monday. 33

Discussion in N. Y. meeting as to letter to Gov. Strong. 35

Miller and Warburg finally vote for letter to Gov. Strong. 37

Gov. Strong talks to Board about export credits, the Brown Brothers agreement, etc. 37

Gives full particulars as to Brown Brothers agreement. 38, 39.

Denies Warburg's statement that banks agreed that no war munitions should be financed under the agreement. 38

Says Bank of France has agreed to export of gold, if necessary, to pay the drafts. 39

Says contract not made with French Government as a purchaser but with the individuals who had bought American goods. 39

Warburg claims no accepting bank could, under Regulation J, renew or give a new acceptance after delivery of goods to a purchaser. 39

Gov. Strong points out that Regulation J merely relates to eligibility for rediscount with Federal Reserve banks and had nothing to do with the question before the Board, - the power of member banks to accept. 40

Gov. Strong says, however, that Regulation J as defined by Warburg was absurd and should be revoked as it seemed to imply that banks could only draw documentary drafts, which Warburg strenuously denied. 40



Strong, Gov. (Cont.)

Gov. Strong said that under Warburg's interpretation of Regulation J, no draft could ever be renewed for in most cases the documents are stripped from bill by acceptor, who gives them to the purchaser, for a trust receipt or other collateral or sometimes without any collateral. 41

Says that on Warburg's interpretation a bill could not be renewed even if the acceptor took collateral. 41

C.S.H. says Gov. Strong must give answer to Brown Brothers at once and if Board could not settle it today he would call a special meeting in Washington for tomorrow. 41, 42.

Gov. Strong tells Board he has read Board's letter to him and that Brown Brothers are satisfied. 43

Says he told them could give no assurance as to whether the drafts would be eligible for rediscount at Federal Reserve banks. 43

C.S.H. dines with Gov. Strong at Metropolitan Club, N. Y. 43

Gov. Strong proposes modification of Regulation J to remove any doubt that renewals under revolving letters of credit, as between drawer and acceptor are permissible and eligible for rediscount. 45, 46.

C.S.H. tells Gov. Strong to submit a memorandum in writing as to above. 46

Favors letter to Federal Reserve agents on open market purchases but says it should have been issued as a regulation. 78

Willis says that during pendency of Glass Act, Strong came very near offering him a bribe. 134

Gov. strong says Governors will live up to the spirit of McAdoo's statement forbidding an organization of the Governors. 173

Gov. Strong presents to Board a preliminary memorandum as to an agreement with Bank of England as foreign agent. 221

Memorandum:-

Bank of England to purchase foreign bills for Federal Reserve Bank of New York. 221

If a joint stock bank acted as our agent, there would be no assurance that sums to credit of Federal Reserve bank would be payable in gold. 221 This would require a guaranty from Bank of England whth, today, absolutely controls gold supply of Great Britain. 221

Wiser, therefore, to appoint Bank of England directly 221 In fall there will be enormous exports of cotton, oats, and wheat. 221

Throwing these bills on market will depress exchange to injury of our exporters. 221

Federal Reserve bank even by buying a limited amount of these bills, can stabilize exchange. 221

Strong, Gov. (Cont.)

Memorandum (Cont.)

The bills, when bought, can be sent to Bank of England, and, as well, to any other European central bank, to remain there, when paid, to credit of Federal Reserve bank. 221

Bank of England will allow interest a little below the ordinary bank rate. 221

Will also earmark the gold agreeing to hold it as property of Federal Reserve bank. 221

On other hand, Federal Reserve bank can not technically receive deposits from a foreign bank. 221

We could, however, take gold from Bank of England as earmarked gold just as we did from Bank of Netherlands. 222

Section 14, authorizing Federal Reserve banks to deal in gold coin and bullion at home or abroad, clearly authorizes Federal Reserve banks to receive gold deposits repayable in gold, similar to the power of the gold national banks in the civil war. 222

Thinks it wise, however, to have the law amended, although many national banks might oppose. 222

Speculators in exchange would not object to this as it would be for their benefit. 222

Says this agreement is strictly limited to bills of exchange and would not authorize, e.g. - the floating of a British loan in U.S., payment to be made to Federal Reserve banks. 222

Says the Netherlands earmarked gold may enure to advantage of Germany as it was reported that the Netherlands Government would or perhaps had obtained legislative authority to issue notes against these deposits of earmarked gold in Federal Reserve banks, and that thus the Netherlands could buy German securities and pay for them free from any possible interference from Great Britain. 222

Gov. Strong leaves no copy of memorandum with the Board, as he wishes to lay it first before his directors and will send a copy when they have considered it. 222, 223.

Gov. Strong tells Delano and C.S.H. at lunch:- Officers of Bank of England consider Federal Reserve Act as a monumental, marvellous piece of legislation. 223  
Makes possible, for first time, cooperation between England and U.S. 223  
This will tend to stabilize exchange. 223



Strong, Gov. (Cont.)

Says also: -

Bank of England officers think it most important to secure a similar agreement with Bank of France, although the Bank of England could not be a party to it. 223

Gov. Strong says he has also talked with officers of Bank of France and that they would be glad to enter into a similar agreement and that they would be willing to accept Federal Reserve banks as depositors in the Bank of France. 223

Gov. Strong tells Board he had reached an informal understanding, while abroad, with the Bank of England which bound neither party. 225

That Bank of England will act as Agent, if desired, and will open an account with the Federal Reserve Bank of New York for itself and for such other Federal Reserve banks as cared to join 225

The Bank of England will guaranty the payment of all foreign bills bought for Federal Reserve Bank of New York. 225

Will earmark the gold and will agree to ship gold on balances, even though a moratorium be in force. 225

The Federal Reserve bank will guaranty bills bought for Bank of England and will earmark the gold as a special deposit, as it can not open an account at home, under Federal Reserve Act, although it can abroad. 225

When cotton and wheat begins to move there will be a flood of bills which will depress exchange. 225

Federal Reserve banks, by buying these bills will stabilize exchange to great benefit of exporters. 225

The bills, when bought, can be sent to Bank of England and proceeds placed to our credit. 225

This will offset future claims on our gold. 225

England can pay for our munition exports only in 4 ways:-

- 1. By shipping goods. 226
- 2. By shipping us our securities. 226
- 3. By using credit here now nearly exhausted. 226
- 4. By shipping gold. 226

The Bank of England will agree in advance as to the price to be charged for gold shipped, so the Federal Reserve bank will be fully protected. 226

Gov. Strong said the Federal Reserve Board, under the Federal Reserve Act, must approve this agreement and the appointment as Foreign Agent, and that, therefore, we had a direct responsibility. 226

Gov. Strong said the question of neutrality might be raised in view of the position of the Bank of England and the relation of the Federal Reserve banks to our Government. 226

Strong, Gov. (Cont.)

Said Federal Reserve Bank of New York would like to make this arrangement for itself, if other Federal Reserve banks did not care to join. 226

Lord Cunliffe told Gov. Strong that Bank of England had long wanted to make some such arrangement but could not discriminate among individual banks. 226

Gov. Strong said if we had had such an arrangement in 1914, he would have gone to the limit in selling bills to pull down exchange rates and said this was also Warburg's opinion. 226

Gov. Strong said if exchange in the fall should drop, e.g. to 4:25, the purchase even of 40 or 50 millions would have a great stabilizing effect. 227

Warburg tells Gov. Strong such amount would have little effect in times of great stringency. 227

Gov. Strong says we could not lose as no matter how high exchange might go abroad, or how low here, we could always bring gold from Bank of England at prices fixed in advance and unchangeable. 227

Gov. Strong says the other Federal Reserve banks should make a contract with the Federal Reserve banks to share burdens as well as benefits. 227

If there were no contract and exchanges should rise, the other Federal Reserve banks might say they had use for their gold and might force Federal Reserve Bank of New York to give up its gold for export. This would not be equitable. 227

Gov. Strong says Federal Reserve Board could approve such a contract and could enforce it. 227

If it could not enforce it and gold had to be sent abroad the other Federal Reserve banks might demand that New York to get gold from them would have to rediscount with them, - which would be plainly unjust. 227

McAdoo says whole proposition seemed wise to him and suggests that Gov. Strong prepare a contract between the Federal Reserve banks for the approval of the Board. 227, 228.

Gov. Strong said the rates on bills offered us by Bank of England not bound to take any bills except at rates agreed upon at the time. 228

Agreed that this talk with Gov. Strong was purely informal, and not to bind any member. 228

C.C.S.H. points out that Gov. Strong, in his earlier talk on agreement, said that its purpose was to enable the Federal Reserve banks to buy domestic bills drawn against exports in order to stabilize exchange, but that his present memorandum said this should not be done as it involved too much risk, but that the bills to be bought should be foreign bills. 295

Warburg said the individual banks would buy long bills and Federal Reserve bank could buy checks and cable drafts from them to create foreign balances in Bank of England. 295

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Bank of England, Foreign Agent  
Bank of France  
Bills of exchange  
Federal Reserve banks



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McAdoo denies trying to coerce Board. 75

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Harding

Referring to debate on open market regulations, Harding said he was tired of voting to please this man or that man and served notice that henceforth he should vote as his oath of office dictated. 71,72

McAdoo

Board feels that McAdoo considers it subordinate to administration. 67

Cotton tells Committee of Board that the whole country is laughing at its domination by McAdoo. 78

Ogilvie

McAdoo tells Board President Wilson wants Board to give some appointment to a Mr. Ogilvie, a Princeton man. The Board declines to waive the age limit. 28

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Board votes to lay on table C.S.H. resolution asking committee for full particulars.

C.S.H. and Williams voted No.

Harding, Warburg, Delano and Miller voted Aye. Nov. 15, 1915. 104

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Board votes to table indefinitely matter of cutting down districts; unanimous. Nov. 22, 1915. 126

Fleming

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C.S.H. and Miller vote No. Jan. 17, 1916. 170

Governors

Board unanimous in voting for McAdoo's statement to, that they can not form an organization. Jan. 20, 1916. 173

Harding

Says he will not vote to cut down districts as will precipitate a law suit. Nov. 19, 1915. 115

Hardy, Federal Reserve Agent, Richmond

Miller moves to postpone vote on.

Aye. Miller, C.S.H. and Williams

No. Delano, Warburg and Harding

Lost. Mar. 7, 1916. 210

Vote on main question in favor of election

Aye. Delano, Warburg and Harding

Not voting: - Miller, C.S.H. and Williams 210

C.S.H. doubts the election.

Miller changes vote and C.S.H. declares Hardy elected 210, 211

Miller, Gov.

Told directors of Federal Reserve Bank, Kansas City, that if they did not elect him Governor, the Board would abolish the bank. Thralls tells this to C.S.H. June 21, 1916. 237

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Open market purchases

C.S.H. moves amendment to Miller's motion allowing banks to purchase notes secured by warehouse receipts covering agricultural staples: - that Federal Reserve banks be allowed by amending the law to permit Federal Reserve banks to purchase notes having 2 or more responsible indorsers.

Vote was a tie:-

C.S.H., Miller and Williams voted against laying on table  
Delano, Warburg and Harding voted Aye  
McAdoo voted Aye and it was laid on table  
Jan. 28, 1916. 175

Open market regulations

Committee votes to send letter to Federal Reserve agents instead of regulations.

C.S.H. voted no. Oct. 8, 1915. 72

Board voted not to substitute C.S.H. minority report.

Delano, Warburg and Harding - No  
C.S.H. and Williams Aye  
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Redistricting

Connecticut banks petition

Motion to postpone pending development of clearing system

Aye - C.S.H., Miller, Williams

No. - Delano, Harding, Warburg

Lost. Mar. 29, 1916. 196

Motion to transfer Fairfield County and postpone the rest of the petition.

Aye - C.S.H., Miller, Delano, Williams

No -Warburg, Harding.

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Louisiana banks

C.S.H. and Williams vote against transfer of, from Dallas to Atlanta. Feb. 25, 1916. 194

Seay, Gov.

Board votes to increase salary of, from \$10,000 to \$12,000

Williams opposed it but finally vote was unanimous.

March 2, 1916. 200

Williams, John Skelton

Board voted to pay, compensation under Federal Reserve Act for service on Federal Reserve Board from

establishment of Act down to the first meeting of

Board. All voted for it, on advice of counsel,

except Delano who voted against it. March 6, 1916. 202

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C.S.H. says if his suggestion, - that Wisconsin banks

may remit to Federal Reserve Bank of Chicago to

credit of Federal Reserve Bank of Minneapolis -

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the petition. July 19, 1916. 244



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  - Wilson, President. 390, 397, 399, 402, 404, 408, 413, 414
  - Wisconsin banks 224, 365 to 369, 370 to 373
1. Tells Governors that Board has right to fix discount rates of its own volition, but may never have to use it. 1
  2. Rediscount rate between Federal Reserve banks should be  $\frac{1}{2}\%$  below rate of bank for which the rediscount is made. 2
  3. Rediscount rate of  $2\frac{1}{2}\%$  offered by N. Y. to Atlanta not made in good faith. 6
  4. Says Federal Reserve Bank of New York felt McAdoo was so insistent on low rates that they would make one and put it up to him. "They ought not to have done that." 6
  5. C.S.H. tells Warburg that if this is true, he would cheerfully vote to remove every officer participating in the scheme. 6
  6. Warburg has frequently charged "politics", e.g. Wolfe appointment, lower rates for Atlanta and Richmond, etc. yet here we see his own pet bank playing politics. 7
  7. Claims Federal Reserve banks can discount acceptances under Section 13 based on traffic between foreign countries. 7
  8. Warburg, Harding and Delano said yes; C.S.H., Williams and Miller said no. 7
  9. Warburg wished to have his protest recorded against refusal to grant Federal Reserve banks rights given under Federal Reserve Act. 8
  10. says Board's letter to Gov. Strong of July 28, 1915, refusing to permit renewals of drafts under Brown Brothers acceptance credit, was erroneous; that they were merely cash advances as between the drawer and acceptor, and were valid if within 6 months limitation. 28



Warburg, P. M. (Cont.)

11. Miller demands that Warburg be called back to consider new letter to Gov. Strong. 32
12. Refuses to attend meeting at Subtreasury, New York. 34
13. Says new letter to Gov. Strong necessarily implies that new acceptances may be given in substitution for old. 35
14. Agrees to C.S.H. modification, - that new letter to Gov. Strong to be considered as a modification of letter of July 28. 35
15. Tries to repeal whole letter of July 28 but failed. 35
16. Especially objected to our statement that question of rediscount of such acceptances by Federal Reserve banks was primarily for determination by the Federal Reserve banks. 36
17. Finally Warburg and all voted to send the letter with C.S.H.'s modification. 36
18. Warburg objects to the conference held by Delano with J. P. Morgan and Col. House. 36
19. Raises question of neutrality. 36
20. Admits Federal Reserve banks are not Government banks. 36
21. Says they are so nearly Government banks that we ought to intimate to them that they should not discount munitions acceptances. 37
22. Members lunch with Warburg at Midday Club. 37
23. (Warburg discussed the war and expressed deep sympathy with Germany. Almost violent)
24. Warburg claims banks agreed that no munition acceptances were to be financed under Brown Brothers agreement. 38
25. Gov. Strong denies this. 38
26. Gov. Strong tells Warburg the agreement was not made specifically to finance war materials, but general exports from U.S., but that incidentally war munitions also might be financed. 38
27. Warburg claims these acceptances are really loans to French Government. 38
28. Gov. Strong denies this and says that if Bank of France drew checks it would not be as a purchase, but merely to control the situation, as it held the guaranty of the French Government that no moratorium would be applied and that the existing prohibition against export of gold would not be applicable, and, in addition, the Bank of France had agreed to ship gold, if necessary, to pay the acceptances. 39
29. Gov. Strong said the contract was made not for the French Government as a purchaser but for the individuals who bought the American goods. 39
30. Warburg finally agreed that it was not a loan to French Government and that the acceptances were valid if based on exportations. 39

warburg, P. M. (Cont.)

- 31. Warburg opposes Miller's claim that these acceptances would not be liquid; said a draft drawn by a French bank was a first class liquid draft. 39
- 32. Warburg claims no renewals or substitution of other acceptances could be made under Regulation J, after delivery to the purchaser. 39
- 33. Gov. Strong points out that Regulation J has to do only with discounts of acceptances by Federal Reserve banks and that only question before Board was as to the power of member banks. 40
- 34. Gov. Strong said, however, that Regulation J was absurd and should be revoked. 40
- 35. Gov. Strong said Regulation J seemed to imply that only documentary drafts could be renewed. 40
- 36. Warburg strenuously denied this. 40
- 37. C.S.H. said Regulation J plainly referred to drafts drawn by banks in U.S. 40
- 38. Warburg denied this. 40
- 39. Warburg claims that no national bank could renew or substitute a new acceptance after the goods have been delivered to the purchaser. 40
- 40. All agreed that Board's letter of this morning to Gov. Strong settled this question. 40
- 41. Warburg said Comptroller Williams never intended to make any such ruling. 40
- 42. All said our letter to Gov. Strong clearly covered this 40
- 43. Warburg, by incessant talking, is clearly trying to hold up any action on Brown Brothers agreement. 41
- 44. Warburg knew C.S.H. had to catch his boat for New Bedford at 5 p.m. 41
- 45. Gov. Strong said that under Warburg's interpretation of Regulation J, no draft could ever be renewed, for in most cases the acceptor strips the documents from the bill and gives them to the purchaser, taking back a trust receipt or other collateral, or often waiving both. 41
- 46. Gov. Strong says that on Warburg's theory the bill could not be renewed even if acceptor took collateral. 41
- 47. C.S.H. gives up his boat as he is satisfied that Warburg, relying on absence of Williams and on fact that C.S.H. must leave at 5 p.m., is determined to hold up action, although he knew Gov. Strong must give Brown Brothers a final decision today. 41
- 48. C.S.H. says interpretation of letter to Gov. Strong is a vital question to be settled before final answer to Brown Brothers; that if we could not now agree he should call a special meeting in Washington for tomorrow. 41, 42.
- 49. Warburg flared up and said this was a threat; C.S.H. said No, - only a statement of fact. 42



Warburg, P. M. (Cont.)

- 50. Warburg said he would not yield his opinion but would have no objection to the majority fixing the interpretation to be put on the Strong letter by vote. 42
- 51. C.S.H. says no, as no majority is present, Harding and Williams not being there at the time. 42
- 52. Warburg then said he thought the interpretation put upon the letter was a possible one, and later he said he was satisfied that substitutions were legal and withdrew all his objections. 42
- 53. Warburg added, however, that such acceptances could not be rediscounted under Regulation J, after delivery of the goods to the purchaser. 42, 43
- 54. Added that if such acceptances were offered for rediscount they must be refused, at least, until Regulation J was amended, and he intimated the intention of opposing any such amendment. 43
- 55. Gov. Strong told Warburg he had, under Board's permission, read the Board's letter to him to Brown Brothers who were satisfied with it, and that he had specifically told them that he could give no assurance as to whether they would be held eligible for rediscount, or whether, in fact, they would be rediscounted; that that question could not be settled until raised. 43
- 56. Warburg also claimed that this credit agreement violated the principles of neutrality and cited Sec. Bryan's interview of August 15, 1914, in which he disapproved the proposed French loan by American bankers. 44
- 57. McAdoo calls Warburg et als to account for refusing to attend the Subtreasury meeting. 45
- 58. Williams writes Warburg, - apropos of his criticism of Delano for consulting J. P. Morgan, - and of his criticism of C.S.H. for talking with Col. House, - asking whether he had talked with the German Ambassador or with any German agents as to the neutrality of this credit agreement. 46
- 59. Harding hints that Warburg, Delano, Miller and he may resign if authority and status of Board is not fixed. 49
- 60. C.S.H. suggests proposed by-laws as to calls for meeting to which Harding says he and Warburg will agree. 50
- 61. C.S.H. writes McAdoo stating the position of Warburg et als as to N. Y. meeting. 51
- 62. Harding said he would have attended Subtreasury meeting but felt it was expedient to keep in with Warburg and Miller to head off any possible pro German agreement they might make together. 51
- 63. Suggests that Federal Reserve banks and not Board shall impose the condition, as to customers rates, for obtaining the commodity rate. 54, 58

Warburg, P. M. (Cont.)

- 64. C.S.H. prepared draft of vote along lines suggested by Warburg but voted against it on Harding's statement that an emergency existed which would not brook delay. 58
- 65. Board voted to fix the condition, - 6% - itself; Warburg and Miller voted No. 58
- 66. Board voted to amend Regulation J so that either the seller or the purchaser might draw the bill, i.e. even a foreign Government. 59
- 67. Warburg objected vigorously but agreed that a banker could draw even for a foreign Government. 59
- 68. Warburg vigorously objects to motion that Federal Reserve banks which have not put in a commodity rate should be forced to do so, but finally agreed that such banks should be called upon for their reasons. 61
- 69. Warburg vigorously objects to Board issuing regulations for open market purchases of bills. 61
- 70. Says our reserve money should not be used in competition with member banks. 61
- 71. Said it was immaterial whether or not the Federal Reserve banks made their expenses or dividends. 61
- 72. Warburg said the Federal Reserve banks have not asked for this power. 61
- 73. Scoffs at C.S.H. statement that it is duty of Board to grant this power. 61
- 74. Warburg took just the opposite position when he urged that the acceptance regulations should authorize Federal Reserve banks to discount acceptances based on traffic between foreign countries. 62 (See also p. 8)
- 75. C.S.H., Harding and Warburg appointed a committee to draft open market regulations, including domestic bills 62
- 76. C.S.H. drafts regulations and gives Warburg and Harding a copy. 62
- 77. Warburg and Harding give C.S.H. a draft of report against any open market powers, even for domestic bills 62
- 78. Warburg, however, prepared a draft permitting the purchase of trade acceptances, but said he should vote against it. 62
- 79. Warburg objects to having domestic bills put in same draft with other bills. 62
- 80. Warburg says he will openly oppose any open market powers as to domestic bills. 62
- 81. Says Federal Reserve banks are not regular banks and should not be permitted to use reserve money, paid in by member banks, to compete with them. 62
- 82. The Governors insist on a mandatory system of clearings; Warburg says the voluntary plan will work satisfactorily. 62
- 83. Warburg does not tell C.S.H. he has an opinion from Cotton against the mandatory system of clearings. 64



Warburg, P. M. (Cont.)

84. Williams asked if any member had a copy and Warburg did not respond. 64

85. C.S.H. presents draft of minority report on open market powers. 64

86. Warburg insists that Governors be present at discussion of open market powers. 64

87. Warburg much distressed at the statement of Governor Fancher that he favored open market powers for domestic bills. 65

88. Tells C.S.H. we will shortly hear from the banks. 65

89. C.S.H. tells McAdoo that Warburg et als will probably resign if Miller's resignation is called for. 66

90. McAdoo says he does not care. 66

91. Harding gives C.S.H. a copy of his and Warburg's reply to his minority report on open market regulations, favoring trade acceptances and domestic bankers bills. 67

92. Most insulting to C.S.H. 67

93. Said that earnings more important to C.S.H. than welfare of Federal Reserve system. 67

94. Very sarcastic as to C.S.H. expressed desire to keep Federal Reserve banks from languishing. 67

94 1/2. Spoke of danger of low rates. 67

95. Warburg evidently feels that Federal Reserve banks are simply representatives of the member banks, and that the public have no interest in them. 68

96. Warburg has written Federal Reserve Agent Curtiss at Boston opposing open market regulations. He never told Board of this. A treacherous action, as matter is still in hands of committee. 68

97. Warburg shows Willis a letter on acceptance regulations severely attacking C.S.H. and Williams. 69

98. C.S.H. writes Warburg for a copy. 69

99. Delano tells C.S.H. he was shown a copy by Warburg. 69

100. Glass says had interview with Warburg at his house. 69,70.

101. Glass says evidently a serious division in Board. 70

102. Glass warned Warburg that if Board did not publish open market regulations, he would attack it in Congress 70

103. Glass says he could not convince Warburg. 70

104. Glass says no possible doubt of power of Federal Reserve banks as to open market regulations. 70

105. Harding presents report of Warburg and himself favoring a letter to Federal Reserve agents on open market powers in place of a regulation. 70

106. Warburg calls up matter. 71

107. C.S.H. expresses dissatisfaction with committee's action 71

108. Warburg says committee had made no reports, - had merely interchanged views. 71

109. C.S.H. denies this. 71

110. C.S.H. tells Warburg that while the proposed letter gives certain open market powers, it was really a regulation disguised as a letter and that he should vote against it. 71

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 112. Referred back to committee for further report. 71  
 113. Warburg said Glass told him he recognized the danger of a regulation at the present time, and approved a letter instead. 71  
 114. Committee votes to approve a letter instead of a regulation, Warburg and Harding voting Aye and C.S.H. No 72  
 115. At Board meeting C.S.H. moves to substitute his minority report. 72  
 116. Delano, Warburg and Harding voted No; C.S.H. and Williams voted Aye. 72  
 117. On main question C.S.H. voted Aye as this was all he could get. 72  
 118. Warburg wants rotation in Governor, and to be Governor himself. 72  
 119. Warburg prepares a report against foreign agencies of Federal Reserve banks. 73  
 120. Warburg's committee reported in favor of waiving the warrant regulations to permit Federal Reserve Bank of Boston to buy warrants although the population might be under 10,000. 73  
 121. Voted to grant this where the warrants were registered under Mass. law. 73  
 122. McAdoo tells C.S.H. of report of Warburg committee against foreign agencies of Federal Reserve banks in South America. 75  
 123. Said report was very discourteous. 75  
 124. Willis said:-  
 Invited to conference at Warburg's house. 77  
 125. Warburg, Miller, Harding and Cotton were present. 77  
 126. Willis said:-  
 Warburg had report bitterly attacking McAdoo as to Federal Reserve bank agencies. 77  
 127. Willis opposed it and said, if anything were needed, Warburg should put in a resolution bitterly attacking McAdoo. 77  
 128. Warburg drew a series of regulations which Willis opposed although he said they were better than the original report, which made Warburg quite angry. 77  
 129. Cotton rather sided with Willis 77  
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Warburg, P. M. (Cont.)

- 133. Warburg gives C.S.H. a copy of his letter on acceptance regulations in which he attacks Williams and C.S.H. for constant change of views. 79
- 134. It is studiously insulting. 79
- 135. It refrains from attacking Harding, although he has constantly changed his views. 79
- 136. Says, in effect, that Harding knew he knew little or nothing about the acceptance question and was willing to abide by his, Warburg's, judgment. 79
- 137) He lets Miller off very lightly, although he has
- 138) changed his views like a weather vane.
- 139) 79
- 140. Very made with C.S.H. and Williams and faintly implies they are influenced by some improper motive. 79
- 141. Utterly ignores the opinions of our counsel. 79  
(See scrap book for reply of C.S.H.)
- 142. Warburg tells C.S.H. he has given Cotton a copy of C.S.H. article on power of Federal Reserve Board over Williams as to examiners reports, who said he had not gone over it carefully but at first blush was inclined not to agree with it. 80
- 143. Warburg claims that entire reports, including the yellow sheet, of national bank examiners should be given to Federal Reserve Agents. 81
- 144. Warburg seemed disappointed that Williams was willing to concede anything and is evidently spoiling for a fight. 81
- 145. Warburg concealed from Board fact that he already had consulted Cotton as to examiners reports. 82
- 146. Very indignant at being called to account by McAduo as to New York meeting. 83
- 147. Warburg did not hesitate to call C.S.H. to account as to acceptance regulations, and New Orleans Branch bank petition. 83
- 148. C.S.H. replies to Warburg's letter as to petition of New Orleans Branch Bank. 83
- 149. Williams writes Board as to being dropped from committees and Warburg said he would, if retained on the files, file a memorandum of his own. 83
- 150. Warburg and committee show Willis a plan for cutting down districts. 85
- 151. Details of plan. 85
- 152. Willis says Warburg wished to transfer Boston to N.Y. 85
- 153. Willis points out to Warburg et als the faults of the plan. 85
- 154. Bitterly opposes a Board hearing to Federal Reserve Agent Rich on his publicity plan. 87
- 155. Very ugly at Williams motion to grant a hearing. 87

Warburg, P. M. (Cont.)

- 155½. Tries to persuade Elliott to change his opinion as to cutting down of districts. 89.
- 156. Favors return of capital of Federal Reserve banks. 89
- 157. Uses fact of deficits as an imperative argument in favor of paying back the capital. 89
- 158. His argument implied that Federal Reserve system depended on good will of the member banks. 90
- 159. Said if they were irritated they would make no voluntary deposits of gold, which would leave Federal Reserve banks helpless when gold is demanded for export. 90
- 160. He evidently wants to clip the wings of the Federal Reserve banks and prevent any competition with member banks. 90
- 161. Evidently willing to cripple whole Federal Reserve system to please member banks. 90
- 161½. Ingle says Warburg opposed open market purchases for fear of offending member banks and now wants to pay back capital for same reason. 90
- 162. Votes against petition of New Orleans Branch Bank to buy state bank acceptances in open market. 90
- 163. Says if done, should be done under a general regulation. 90
- 164. Board votes to grant it. 90
- 165. Warburg furious with Harding for voting for it. 90
- 166. Warburg is justified for every word in report of Harding and Warburg was inconsistent with this vote. 91
- 167. Warburg votes for regulation covering open market purchases of state bank acceptances secured by commodities. In absolute disregard of his previous views. 91
- 168. C.S.H. thinks Warburg is scared because of stenographic report of his attitude as to paying back capital, and good will of member banks. 91
- 169. Wants to annex northern Alabama to Cleveland and Harding objects. 91
- 170. Cotton says reasons advanced by Warburg et als for cutting down were weak and inconclusive. 92
- 171. C.S.H. feels improper for Warburg et als to consult other Board members, and not all, to secure majority for cutting down. 92
- 172. Warburg does not agree with statement of Willis that Federal Reserve banks should help a weak bank provided it has good paper. 92
- 173. Warburg denies that Federal Reserve banks are commercial banks. 93
- 174. Willis asks Warburg what are Federal Reserve banks for, if not to help weak banks having good paper. 93
- 175. C.S.H. tells Warburg that if the member banks opposed the competition involved in earning of expenses and dividends, an amendment might be introduced to permit Federal Reserve banks to receive deposits from and deal directly with individuals. 93



Warburg, P. M. (Cont.)

- 176. Warburg said when any such pawn broking system was established he would not be on the Board. 93
- 177. He evidently seems to think that the great central banks of Great Britain, Germany, and France are pawn broking establishments. 93
- 178. Warburg opposes Federal Reserve Agent Rich's campaign for publicity. 93
- 179. Votes against Rich plan. 93, 94.
- 180. Glass very bitter against Warburg for cutting down plan 94
- 181. C.S.H. is satisfied Warburg is bitter against the administration because of war munitions exports and is trying to destroy prestige of administration for passage of Federal Reserve Act by bringing about changes impliedly admitting its failure. 94
- 182. Strongly favors amendment to Regulation R so that accepting bankers can give statement of condition to Federal Reserve Agent and Governor to remain on their personal files and not subject to inspection by directors. 96
- 183. Says no banker would like to have a director like Palmer poring over his statement. 96
- 184. Opposes C.S.H. suggestion that this rule be applied all acceptors in first instance, the directors to have right to see the reports whenever deemed necessary. 96
- 185. Says any director, of course, could vote to decline to discount acceptances if he were not permitted to see the statements. 96
- 186. Very ugly because Board voted to consult Federal Advisory Council on this matter. 96
- 187. C.S.H. attends meeting of committee on Board's committees. No change. 97
- 188. C.S.H. later dropped from Boston Committee while Warburg and Delano took the Chairmanship of 6 banks and Harding and Miller the other 6. 97
- 189. Warburg, who was not on the committee, consulted the committee after its meeting, at which no changes were made, and together they reported above changes. 97
- 190. Warburg said C.S.H. had quietly "slipped off" the Boston Committee and that it was determined to drop C.S.H. and Williams. 97
- 191. Warburg's statement is false; as a fact, however, he has been arrogating Boston matters to himself, ignoring C.S.H. 97
- 192. C.S.H. believes Warburg is trying to embarrass the administration for pro-German purposes. 99
- 193. McAdoo ascribes same motive to other members. 99
- 194. Says 3 or 4 days ample for cutting down question; that matter must be decided at once and will brook no delay. 103

Warburg, P. M. (Cont.)

- 195. Favors calling a meeting tomorrow to settle the question. 103
- 196. Says committee report merely asks Board if it wishes a definite plan prepared. 103
- 197. Votes to lay on table C.S.H. resolution. 104
- 198. Votes to table Williams motion for a stenographer. 105
- 199. Says if Congress asks Board for report on cutting down the Board should decline to give it, that it would establish a bad precedent. 105
- 200. Says he should like to read the committee report again; that he had not yet read it completely as he only received it Sunday p.m. or that morning. 107
- 201. Said he would like to strike out anything which might disturb the public. 107
- 202. Said committee, if so instructed, could report a plan for cutting down in 2 or 3 days. 108
- 203. Harding said he had reported to Warburg et als his talk giving an ultimatum to Williams for McAdoo. 108,109
- 204. Warburg speaks at Minneapolis, strongly favoring paying back of capital of Federal Reserve banks. 110
- 205. Warburg says Governor is a servant of Federal Reserve Board and should not have written President without Board's consent. 119
- 206. Very bitter at letter from Senator Owen protesting against cutting down; says it must be answered. 121
- 207. Denies he ever advocated transferring Boston to New York 121
- 208. Says committee put in false position by the opinion of Attorney General. 122
- 209. Said the speed with which it was obtained shows that "some one" was trying to give impression that the Board was contemplating such action. 122
- 210. C.S.H. asks if Warburg is referring to President Wilson and, somewhat abashed, he said No. 122
- 211. Warburg said:-  
Board placed in a position detrimental to its usefulness and dignity. 122
- 212. Extraordinary for C.S.H. to write to the President. 122
- 213. Would gladly have agreed to postpone action to obtain opinion of Attorney General. 122
- 214. Had no intention of facing a vote at Monday meeting. 122
- 215. Glad to discuss question in every aspect. 122
- 216. C.S.H. introduced resolution for delay. 122
- 217. C.S.H. reminds Warburg that he said at outside 2 days ample for discussion, and that matter must be decided at once. 123
- 218. Says committee would not have asked any action save by unanimous consent of Board, - grotesquely untrue. 124
- 219. Delano tells C.S.H. that Warburg will make a remonstrance as to C.S.H. letter to President. 124
- 220. Warburg reminded C.S.H. that at meeting of Nov. 15 he said he would cancel his southern trip, thus showing he did not expect a vote on that day. 125

Warburg, P. M. (Cont.)

- 176. Warburg said when my such bank breaking system was established he would not be on the Board. 93
- 177. He evidently seems to think that the great central bank of Great Britain, Germany, and France are bank breaking establishments. 93
- 178. Warburg opposes Federal Reserve Agent Nixon's campaign for publicity. 93
- 179. Votes against Nixon plan. 93, 94
- 180. Glass very bitter against Warburg for cutting down plan 94
- 181. C.S.H. is satisfied Warburg is bitter against the administration because of war munitions exports and is trying to destroy prestige of administration for passage of Federal Reserve Act by striking about changes impliedly attaching to Federal 94
- 182. Strongly favors amendment to Regulation H so that accepting banks can give statement of condition to Federal Reserve Agent and Governor to remain on their personal files and not subject to inspection by directors. 95
- 183. Says no banker would like to have a director like Palmer going over his statement. 95
- 184. Opposes C.S.H. suggestion that this rule be applied all acceptors in first instance, the directors to have right to see the reports whenever desired necessary. 95
- 185. Says any director, of course, would vote to decline to discuss statements if he were not permitted to see the statements. 95
- 186. Very shy because Board voted to commit Federal Advisory Council on this matter. 95
- 187. C.S.H. attends meeting of committee on Board's committee. He says. 97
- 188. C.S.H. later dropped from Boston Committee while Warburg and Delano took the Chairmanship of 8 banks and Harding and Miller the other 8. 97
- 189. Warburg was not on the committee, nominated the committee after the meeting, at which no changes were made, and together they reported above changes. 97
- 190. Warburg said C.S.H. had politely "slipped off" the Boston Committee and that it was determined to drop C.S.H. and Williams. 97
- 191. Warburg's statement is false; as a fact, however, as has been ascertained Boston experts do himself ignoring C.S.H. 97
- 192. C.S.H. believes Warburg is trying to withdraw the administration for pro-German purposes. 99
- 193. C.S.H. wishes Warburg and other members. 99
- 194. Says 3 or 4 days ample for cutting down question; that matter must be decided at once and all must no delay. 101



Warburg, P. M. (Cont.)

- 221. Later, however, he said the pressure was so great he should have to go. 125
- 222. Says he wishes to go on record with firm, unchangeable belief, that the Federal Reserve system could not succeed with 12 banks, and that they should be cut down to 8 or 9. 126
- 223. Complained bitterly because Board had not consulted Attorney General as to state banks and on neutrality. 126
- 224. Thinks Board should grant the Wisconsin banks petition because the banks wanted it. 126
- 225. Very mad when C.S.H. said opinion of Elliott and Cotton against the mandatory plan of clearings was wrong. 127
- 226. Said if any one had a plan to present it now. 127
- 227. Very mad at remarks of Senator Owen in his letter, on clearings; seemed to think it was aimed at him, and that C.S.H. had inspired it. 127
- 228. C.S.H. tells Warburg that Owen has never mentioned clearings to him, and this seemed to mollify him. 127
- 229. Warburg favors a letter strongly advocating the proposed clearing plan. 127
- 230. Said he would favor making any city containing banks declining to enter the clearing system a reserve city, thus increasing its required reserves. 127
- 231. Also said he would favor putting any banks declining to enter, on a black list. 127
- 232. Very ugly at C.S.H. when he pointed out some obscurities in regulation covering purchase of state bank acceptances. 127
- 233. Goes south to speak. 127
- 234. Warburg sends Board a letter covering clearing system but omitting reference to a black list. 127
- 235. Very ugly as to any regulation permitting purchase of foreign bills; said the members knew nothing about it. 128
- 236. Intimates to Willis that he knew nothing about it. 128
- 237. Laughlin says:-  
Warburg was one of leaders of National Reserve Association. 129
- 238. Warburg is absolutely unprincipled. 130
- 239. Warburg would do any kind of dirty work. 130
- 240. Aldrich disliked him and said he had done little or nothing to help. 130
- 241. Warburg was crazy to get on Federal Reserve Board. 130
- 242. His talk of sacrifice was humbug and hypocrisy. 130
- 243. Believed Warburg secured his confirmation by use of money. 130
- 244. Absolutely unfit for Federal Reserve Board. 130

Warburg, P. M. (Cont.)

- 245. Simply an investment bond and stock broker, and knew nothing of commercial credit. 130
- 246. Warburg fought Laughlin to prevent his appointment to Federal Reserve Board. 130
- 247. Delano asks Willis if Warburg had shown him anything and Willis said yes, a report and map on cutting down districts. 131
- 248. Delano said would have spoken before of this but he felt Warburg might not like it. 131
- 249. Warburg showed Willis a report and map on cutting down but would not let it go out of his office. 131
- 250. Warburg told Willis he did not care if legal proceedings resulted from cutting down, which would result in trouble for a few weeks. 132
- 251. C.S.H. satisfied Warburg et als were in a deliberate conspiracy to jam through cutting down of districts. 132
- 252. Warburg exerted every pressure on Willis to control Glass-Owen bill. 133
- 253. Warburg said had better not speak before Republican Club of N. Y. as he was a Republican. 134
- 254. This is the 2nd announcement of this fact. 134
- 255. C.S.H. thinks he told Senate Committee at its hearing on confirmation that he had no politics but would have voted for Wilson had he had a vote. 134
- 256. Also last year, when attacked in Senate, he wrote Senator Weeks he was a Republican. 135
- 257. Insists on a complete report in Board minutes as to quarrel over cutting down. 135
- 258. Objects to giving C.S.H. the report of committee on cutting down and the map accompanying it. 136
- 259. Said he might agree if C.S.H. promised never to speak of it or show it to any one. 136
- 260. Willis said Warburg gave him a plan of cutting down and asked him to delimit it on a map; that this plan abolished Boston, among other changes. 137
- 261. Warburg gives C.S.H. 2 plans neither of which abolished Boston. 137
- 262. Warburg said Harding alone wanted to abolish Boston, because Atlanta and Dallas were to be consolidated. 137
- 263. Warburg, in insisting on a complete statement in minutes as to cutting down dispute, kept saying - we must not forge the records. Did not insist, however, upon having anything except reports, resolutions, votes, etc. inserted. 138
- 264. Willis says: -  
Man called at his office and asked for a copy of Glass Act for Warburg. 140



Warburg, P. M. (Cont.)

Willis says (Cont.)

- 265. Would not give his name. 140
- 266. Willis declined and man said:-  
Warburg has a long memory for his friends and his enemies. 140
- 267. Secretary McAdoo is under heavy obligations to Kuhn, Loeb & Co., and he will certainly give Warburg a copy as soon as he gets one. 140
- 268. Willis also said:  
Col. House got a copy and gave it to Warburg. 140
- 269. Warburg wrote a letter from Switzerland attacking the bill, especially the consolidation of reserves. 140
- 270. Said this would draw money from the stock exchange and that disfavored any such interference with the stock exchange. 140
- 271. McAdoo says he has read C.S.H. reply to Warburg's article on acceptance regulations and advises C.S.H. to send it to Warburg. 144
- 272. McAdoo says will ask Warburg to go on International High Commission. 144
- 273. Willis says he heard Warburg telephone to Gov. Strong to postpone next meeting of Federal Advisory Council until after Board published its annual report, as it was suggested that a statement of Council's expenses be inserted in it. 144
- 274. Warburg insists on keeping in the reference to C.S.H. writing the President as to cutting down, in final draft of committee report. 145, 146.
- 275. Discussion about committees intent to establish a branch bank at every place cut down. 146
- 276. Says C.S.H. and Williams should apologize to committee. 147
- 277. Williams said he had been expecting an apology from Warburg et als. 147
- 278. Warburg said anyone not agreeing to cut down to 8 districts was an enemy of the Federal Reserve system. 148
- 279. Delano confirmed this but said Warburg had lost his temper and that his words should not be recorded. 148
- 280. Warburg's talks with Dr. Albert. 152
- 281. Warburg says if Williams replies to the final draft of committee report on cutting down, the committee will change it and put in some "nasty" things. 154
- 282. Warburg says:  
Committee has shown it was right in all it did. 154  
Felt obliged to keep in report fact that Attorney General was not advised that Branches would be established in districts cut down. 154
- 283. C.S.H. points out that the committee report did not mention branches. 154
- 284. Further discussion between C.S.H. and Warburg on this point 154
- 285. Warburg said if Federal Reserve bank refused to establish such branches, the Board would again create a Federal Reserve bank there. 154

Warburg, P. M. (Cont.)

- 286. Different cutting down plans of Warburg et als. Six different plans. 154 A.
- 287. Favors Harding's suggestion that as a test case, two districts be consolidated in spite of opinion of Attorney General. 155
- 288. Glass says Warburg would have thwarted the clearing system even if Attorney General held we had mandatory powers. 159
- 289. C.S.H. thinks Warburg dislikes him because he can not control him, and thinks he can control McAdoo 160
- 290. McAdoo says Warburg is crazy to be Governor. 161
- 291. McAdoo suggests holding out to Warburg this as a bait. 161
- 292. Warburg suggests slight modification of McAdoo's resolution as to holding political offices. 163
- 293. Warburg denies that above resolution is merely prospective and says Secretary introduced it as an easy way of getting rid of Starek. 164
- 294. Sends, with Delano, letter to Federal Advisory Council asking recommendation as to raising discount rates to prevent speculation by member banks, etc. 167
- 295. Votes in favor of designating Fleming as Deputy Federal Reserve Agent, Kansas City; says he has had more banking experience than Malone. 169,170.
- 296. Objects to statement in annual report showing what Board has done by way of lowering discount rates; said in future Board might not want to take this responsibility if expansion should result. 174
- 297. Strongly objects to C.S.H. proposed amendment to Federal Reserve Act permitting Federal Reserve banks to buy in open market notes bearing names of two or more responsible indorsers. 175
- 298. Said that purchase of trade acceptances would greatly enlarge the scope of the open market powers and that notes should not be added. 175
- 299. Votes to lay C.S.H. motion on table. 175
- 300. Warburg prepares an addition to annual report by way of suggestion of an amendment to Federal Reserve Act limiting power of secretary of Treasury to deposit Government funds in Federal Reserve banks, without consent of Federal Reserve Board; also as to Comptroller's examiners reports, relation of Comptroller to Federal Reserve Board, etc. 177
- 301. The amendment stated that there was no present trouble with Comptroller but trouble might arise in future. 177
- 302. Warburg tells Willis he has got the votes and shall insist on putting this through on Monday. 177
- 303. C.S.H. prepares list of amendments for himself and McAdoo. 179



Warburg, P. M. (Cont.)

- 304. C.S.H. satisfied Warburg's intent is to furnish political ammunition for Republican Party and that the others, perhaps unconsciously, are lending themselves to this movement. 179
- 305. Discussion of Warburg's amendment. 180
- 306. Warburg says Harding redrafted his amendment. 180
- 307. Warburg claimed that the 15 million deposits of McAdoo in Federal Reserve banks had injured the Federal Reserve system, and had interfered with the market for rediscounts which was necessary for other Federal Reserve banks. Gave figures to support this. 180
- 308. C.S.H. says Warburg amendment should state specifically, - what is really meant, - a direct attack on McAdoo because of Government deposits. 181
- 309. C.S.H. forces Warburg to admit that his plan would necessitate legislation preventing McAdoo from making Government deposits even in national banks, without consent of Federal Reserve Board. 181
- 310. Agreed to quit Warburg's amendments from annual report, with right to any 2 members to send proposed amendments to Congress on or before June 30, 1916. 183
- 311. Warburg reads memorandum on the examination of Federal Reserve Bank of Philadelphia as to amount necessary to be invested to earn expenses and dividends. 184
- 312. Says its capital is too large and should be paid back 184
- 313. Says it shows conclusively there should not be over six Federal Reserve banks, and that capital should be reduced. 184
- 314. Claims that all investments mean depletion of gold and that the gold reserve of St. Louis bank was only 50% and even then it was not earning its expenses. 184
- 315. Willis says Warburg's argument is a gross fallacy. 185
- 316. Says Sec. Garrison could have done nothing else than resign. 185
- 317. Federal Reserve Board has precisely the same relation to Congress as did Garrison. 185
- 318. Said Congress was a mass of ignorant men, interfering with matters of which they knew nothing, - that such a condition was intolerable. 185
- 319. Very sore at Forgan's statement in Federal Advisory Council that it was absolutely necessary for Federal Reserve banks to earn expenses and dividends and that the competition with member banks would be negligible. 186
- 320. C.S.H. believes Warburg to be a reactionary to the last degree. 191
- 321. Consideration of Warburg's amendment for admission of mutual savings banks to Federal Reserve system as associate members without payment of capital. 192

Warburg, P. M. (Cont.)

- 322. Warburg proposes amendment permitting state banks and trust companies to join Federal Reserve system, without payment of capital, as associate members, but with right to rediscount only through member banks. 192
- 323. C.S.H. opposes the state bank amendment in written memorandum. 192
- 324. Bitter debate. Warburg says C.S.H. is afraid of political opposition. 192
- 325. C.S.H. tells Warburg such an amendment would be taken by bankers as an admission that the Federal Reserve system was a failure. 193
- 326. Warburg said Federal Reserve system was a failure, unless radically amended, and in 5 years this would be generally admitted. 193
- 327. Warburg evidently wants to do away with capital payments by state banks in order later to secure payment back of capital to national banks. 193
- 328. Warburg claims that Broderick report on Boston bank shows necessity for paying back part of its capital. 193
- 329. C.S.H. files memorandum disputing this. 193
- 330. Warburg wants to grant entire petition of Conn. banks 194
- 331. Claims that words "due regard" means along lines of present business. An absurdity. 194
- 332. Tells Willis he will vote against Bolling. 195
- 333. Votes against postponing Conn. petition until clearing system established. 196
- 334. Votes against transferring Fairfield County and postponing rest of petition. 197
- 335. Warburg whispers something to Harding which leads him to drop his threat to publish his report on Conn. banks petition. 197
- 336. Warburg says he will never vote to transfer any part of eastern Conn. or Mass. to N. Y. 205
- 337. Said he would never vote to put the N.Y. line farther east than Conn. River. 205
- 338. Warburg bitterly attacks Smith bid giving power to Federal Reserve banks to buy commercial paper in open market. 208
- 339. C.S.H. tells Warburg he favors it and will vote for it. 208
- 340. Referred to law committee. 208
- 341. C.S.H. tells Warburg he shall press for a speedy report. 208
- 342. Very indignant with Miller because he asked for more time to consider Hardy appointment. 210
- 343. Votes against postponement. 210
- 344. Votes for Hardy. 210, 211.



Warburg, P. M. (Cont.)

- 345. Votes for payment of Williams salary claim. 213
- 346. McAdoo says will ask President to redesignate C.S.H. as Governor, but it will break Warburg's heart. 224
- 347. Gov. Strong said Warburg agreed with him that if Federal Reserve banks could have bought bills in 1914 it would have stabilized exchange. 226
- 348. Gov. Strong explains to Warburg how the rate would be fixed on bills taken from Bank of England. 228
- 349. Warburg refers to plan for an international gold fund. 228
- 350. Miller tells Warburg he will not agree to amendment for issue of Federal Reserve notes against gold, even as an emergency proposition. 230
- 351. Warburg controverts Williams statement that Federal Reserve banks should not combine to depress price of Government bonds when they were buying them and to increase price when they were selling them. 230, 231
- 352. McAdoo says if Harding is made Governor, Warburg should be Vice Governor. 232
- 353. McAdoo says Warburg can not be Governor, if for no other reason, because of his German affiliations. 232
- 354. Warburg was so pleasant at meeting that C.S.H. thinks McAdoo must have promised rotation of Governors. 238
- 355. McAdoo says if any change in Governor, it will be Harding and Warburg. 239
- 356. C.S.H. tells McAdoo, Warburg expects to be Governor. 239
- 357. C.S.H. thinks Schiff came out for Wilson merely to help Warburg get the Governorship. 239
- 358. C.S.H. says Warburg will be furious if Harding is made Governor and will feel that Harding has double crossed him. 240
- 359. McAdoo said Wilson would be injured if he put Warburg, a pro German, at head of Federal Reserve system. 240
- 360. C.S.H. says Warburg et als have "atruck" and not to yield will injure the administration. 240
- 361. C.S.H. tells McAdoo plans of Warburg et als. 241
- 362. Warburg files memorandum in reply to that of C.S.H. on Congressman Hill's bill for savings banks as members of Federal Reserve system. 242
- 363. States in memorandum that he is aware he has used some expressions loosely and does not wish the memorandum to be used as basis of a 20 page rejoinder by C.S.H. 242
- 364. Warburg tells Allen to send, during his absence, all reports on Boston Bank to Delano, and Allen says Delano put a circulating tag on one report which did not include C.S.H.'s name. 242
- 365. Warburg objects to granting Wisconsin banks petition although Harding has repeatedly told me that he wanted it granted. 249
- 366. Objects to reopening Wisconsin banks petition; says it would be undignified and would stultify Board. 250

Warburg, P. M. (Cont.)

- 367. Says new petition and new briefs should be filed and argument not earlier than September 1. 250
- 368. Said it was out of question to transfer Milwaukee banks back to Minneapolis. 251
- 369. Votes against reopening of petition of Wisconsin banks. 252
- 370. Says he may be recorded in favor of a hearing on Wisconsin banks on August 15, no further briefs to be filed and Michigan banks to be allowed to intervene. 253
- 371. McAdoo said he agreed to vote for the petition on Harding's statement that Warburg et als favored it. 253
- 372. C.S.H. amazed at Warburg who said only yesterday at the meeting that he was prepared to vote for the Wisconsin petition. 255
- 373. C.S.H. thinks Warburg thought there might be politics in it from fact that Senator Husted wanted it and McAdoo and C.S.H. were willing to vote for it. 255
- 374. McAdoo says Warburg et als are threatening dire and awful things if Governorship does not rotate. 256
- 375. Brings Harrison back from his vacation while he goes away on his. 264
- 376. Tells Allen Harrison is only man who knows anything about the Board amendments. 264
- 377. Warburg does not congratulate C.S.H. on his reappointment 265
- 378. Says better to drop amendment making Federal Reserve notes lawful reserve; that he never expected it would pass anyway. 265
- 379. Seemed perfectly cheerful about it although he told Board when it voted for it, it was vital. 265
- 380. C.S.H. reminds him that he made Harrison come back from his vacation and asks how Harrison came to overlook it. 265
- 381. Said he made Harrison come back for purpose of drawing regulations - a deliberate misstatement. 265
- 382. Said C.S.H. was responsible for its not being reported! 265
- 383. Says no one could have known of it until it appeared in the Congressional Record on Tuesday. 265
- 384. C.S.H. will never trust his statements, as to vitality of any matter, again. 265
- 385. McAdoo says Warburg and Delano had written friends of the administration they should resign if Governor not rotated. 269
- 386. McAdoo says President said it was impossible to make Warburg Governor, and that to make Delano Governor would emphasize the passing over of Warburg. 269, 270.
- 387. McAdoo said Warburg's resignation would be of more injury than that of Delano, for it would injure the administration with the bankers. 270



Warburg, P. M. (Cont.)

- 388. McAdoo said he had no doubt Warburg would accept Vice Governor. 271
- 389. C.S.H. says if Harding is made Governor Warburg et als will feel that Harding has double crossed them, and that this will prevent any future combinations. 271
- 390. McAdoo says he fully appreciates the reactionary feelings of Warburg et als; that they "struck" at a critical time and that the President and he very regretfully felt it was expedient to yield, but as little as possible. 271, 272.
- 391. McAdoo sends C.S.H. the designations of Harding and Warburg and asks him to deliver them. 277
- 392. C.S.H. writes a letter to each, enclosing the designations and congratulating each. 278
- 393. Harding fears trouble from Warburg and Delano over his designation. 279
- 394. Harding wires warburg for a conference in New York 279
- 395. C.S.H. believes, from his manner, that Harding entered into some agreement with Warburg et als which they will charge him with violating. 279, 280.
- 396. Warburg furious at not being designated as Governor. 280
- 397. Warburg prepared a letter to the President accepting his designation as Vice Governor but reading the President a lecture for not designating him as Governor. 280
- 398. With great difficulty he was persuaded not to send it but to send a simple acceptance as Vice Governor. 280
- 399. Harding tells Warburg the President would justly resent such a letter and would take drastic action. 280
- 400. Warburg made all sorts of wild suggestions and threats. 280
- 401. Wanted to insist on his being designated for Governor and Delano for Vice Governor, but Delano would not agree to this. 280
- 402. Harding tells Warburg that if harmony is not restored he will write President that he accepted in hope of harmony, but as he could not succeed, he would ask President to designate another. 280, 281.
- 403. Harding says it was plainly impossible for the President to designate Warburg, a German, only recently naturalized, and having a brother holding a high position in the German Emperor's council. 281
- 404. Harding says:  
 Warburg almost wild. 282  
 Has drawn a memorandum which he insists must be printed in next Bulletin. 282  
 Memorandum recites fact of the designations and states that at least a majority of the Board favored rotation making the short term member Governor. 282

Warburg, P. M. (Cont.)

Harding says (Cont.)

That they were opposed to exercise of any choice by the President. 282

That the Board would shortly bring the matter to the attention of Congress. 282

- 405. Harding told Warburg no such statement should be made. 282
- 406. Warburg said he would publish it himself but Harding told him it would make him ridiculous. 282
- 407. Harding said Warburg had written Col. House that if the Governor did not rotate he and 3 other members would resign and come out in a public statement. 282
- 408. Harding said he told Warburg that he had said long ago he would abide by decision of President, and that he had no authority to quote him as intending to resign. 282
- 409. Harding told Warburg that if he did such a thing it would merely give comfort to the enemies of the administration and deprive it of its deserved credit for the passage of the Federal Reserve Act. 282, 283
- 410. Warburg said, - that is just what I want! 283
- 411. Delano goes to train with warburg and told Harding he wanted to get him out of town. 283
- 412. Harding thinks Warburg is really out of his head. 283
- 413. McAdoo says the President is ready for Warburg whatever he may do. 283
- 414. McAdoo says he and President are satisfied that Warburg et als were determined to rule or ruin; that Warburg could resign if he wished and if he did they could make him ridiculous. 283
- 415. Warburg insists Board should ask State Department whether the Bank of England agreement was consistent with neutrality. 294.
- 416. Said if State Department said yes he would vote for the agreement, although in many ways, he did not believe Bank of England was the proper agency. 294
- 417. Warburg says Federal Reserve bank can lawfully guarantee payment of bills sent to it by Bank of England or bought by it for the Bank of England as, under the Federal Reserve Act, it could indorse these bills. 295
- 418. Warburg says Board's counsel has informally ruled that earmarked gold in Bank of England could not be counted as reserve by Federal Reserve banks. 295
- 419. C.S.H. says Gov. Strong originally favored buying only domestic bills against exports, but in new memorandum takes position that that should not be done as involving too much risk and that only foreign bills should be bought. 295



Warburg, P. M. (Cont.)

- 420. Warburg says the individual banks could buy long domestic bills obtaining credits on other side and the Federal Reserve banks could buy from them checks and cable drafts and thus create balances abroad in Bank of England which would accomplish same purpose as if the Federal Reserve banks had bought e.g. cotton or grain bills directly. 295
- 421. Warburg says the relatively small amount Federal Reserve banks could invest in this way, - say 25 millions, - would not stabilize exchange, and that it would be folly to tie up our reserves in foreign investments which would not count as reserves 296
- 422. C.S.H. has no doubt but that Warburg is bitterly opposed to Bank of England agreement and said he would vote for it if State Department said it did not violate neutrality, in hope that the State Department would turn it down. 296
- 423. Warburg agreed that, if the agreement were not entered into now, we might not be able to get as favorable terms in the future. 298
- 424. Warburg says the Brown Brothers agreement was guaranteed by the French Government, although Board was told at the time that the French Government merely agreed that gold could be exported if necessary; he said this latter statement was not true. 298
- 425. Extract from resolution of Board approving the Bank of England agreement which was introduced by Warburg. 299  
See also - Acceptance credits  
Bills of exchange  
Votes

Warrants.

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  - Yellow sheet. 69
    - See - Examiners reports
1. Says McAdoo has decided to issue new Aldrich-Vreeland notes to a Texas bank. Thinks it a great mistake! 1
  2. Votes against discount of acceptances based on traffic between foreign countries. 7
  3. C.S.H. thinks McAdoo would like to cut away from Williams in Riggs Bank controversy but his loyalty to Williams prevents. 9
  4. Brandeis says Williams is absolutely in the wrong in Riggs Bank case. 9
  5. Brandeis believes that Wilson should suggest that Government counsel write Williams that he should remit all penalties in Riggs Bank case. 9

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- 6. C.S.H. tells Brandeis he opposed the tax discrimination against Riggs Bank. 10  
See - Riggs Bank.
- 7. C.S.H. interview with Wilson as to Riggs Bank. 10
- 8. Wilson thinks it a local fight between Williams and Riggs Bank which should go to a finish. 10
- 9. Wilson says if Williams is beaten he should not hesitate to take proper action. 10
- 10. Wilson says he can not turn Williams down without a hearing. 11
- 11. Says Williams' letters were clearly improper. 11
- 12. Agrees with C.S.H. that on this subject Williams was not in his right mind. 11
- 13. McAdoo displeased because C.S.H. told Brandeis that if summoned he would have to testify against Williams in tax deposit matter. 12, 13.
- 14. C.S.H. tells McAdoo that Brandeis said Williams conduct not justified either in morals or equity. 13
- 15. C.S.H. advises McAdoo to compromise and says Riggs bank would be willing in view of allegations of McAdoo and Williams in affidavit. 13
- 16. McAdoo's affidavit gave certain reasons which McAdoo and Williams did not know until later. 14
- 17. McAdoo says Williams told him these before May 6. Record shows examiners discovered them only on May 18 and officially reported them May 28. 14
- 18. Williams could not have known these facts on May 6. 14
- 19. C.S.H. tells Williams it was wise for counsel to waive all penalties except that for \$5000 for refusing to give list of all loans back to 1896, and that this latter penalty was purely a question of law. 15
- 20. C.S.H. tells Williams he is sure he would have lost on the other penalties. 15
- 21. C.S.H. urges Williams to settle the case. 15
- 22. Williams would not agree. Especially opposed C.S.H. suggestion that he could not lawfully impose a fine for failure to produce list of securities available for Aldrich-Vreeland notes. 16
- 23. Williams, in affidavit, had waived this latter penalty, but he did not seem to know it and bitterly opposed it. 16
- 24. Williams seemed absolutely blind and thought none of his acts could be criticized. 16
- 25. Very bitter against Brandeis, but C.S.H. says Brandeis' judgment was good and he did not fear to take risks. 16
- 26. Assistant Secretary Newton speaks of a rumor that Brandeis was trying to queer Williams to rehabilitate himself with the financial interests. 16



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- 27. Warren says Riggs Bank will give all the information for which the \$5000 fine was imposed if Williams will waive the fine, and will dismiss the bill on condition that neither McAdoo nor Williams should file their affidavits. 16
- 28. Warren said this was a good settlement but that neither McAdoo nor Williams could agree, and insisted on filing their affidavits and that, therefore, the case must go on. 17
- 29. Warren said Brandeis advised Williams that he could not forfeit the charter as the things complained of had all been discontinued. 18
- 30. At trial of motion for injunction and of petition to dismiss, Judge McCoy gave an injunction against the \$5000 fine but said it was purely a question of law. 18
- 31. The judges found that Williams had not acted in malice, and had not conspired with McAdoo; that they were justified in what they did and could not have done otherwise. 18
- 32. Williams present at Subtreasury for meeting, New York. 34
- 33. Williams and C.S.H. go to Federal Reserve bank to the meeting. 35  
See - Acceptance credits
- 34. Harding and Williams had left meeting when Warburg made his fight against Brown Brothers credit in the afternoon. 40
- 35. C.S.H. calls Williams back to meeting and Williams says he clearly intended to rule that new acceptances could be substituted after delivery of the goods to the purchaser. 42
- 36. Williams tells C.S.H. that some one, C.S.H. thinks he said Mr. Price, was taking up with British Embassy the matter of buying cotton to maintain its price after embargo. This was sometime in July, 1915. 44
- 37. Williams invites C.S.H. to lunch with Sir Richard Crawford and Harding to talk over the cotton plan. 44
- 38. C.S.H. declined saying these conferences as to cotton were purely personal and not official. 44
- 39. Williams writes Warburg asking if he has not talked with the German Ambassador and German agents as to neutrality of the Brown Brothers acceptance credits 46
- 40. Objects to such short notice for meetings. 48
- 41. C.S.H. believes Comptroller of Currency should not have been made a member of Board; merely a bureau chief under Board as to Federal Reserve notes and under Secretary of Treasury otherwise. 57

Williams, John Skelton (Cont.)

- 42. C.S.H. believes Comptroller should be put directly under Federal Reserve Board, ceasing to be a member of the Board. Would never have been put on Board but for his friendship with McAdoo. 58
- 43. C.S.H. advises McAdoo to overrule Williams as to examiners reports. 63
- 44. Williams asks C.S.H. and Harding if they saw any impropriety in his buying some cotton. Both said yes, it would not be proper as Williams had information as to the action of the British Government, which the public did not have. Sept. 24, 1915. (Embargo proclamation Aug. 23, 1915)
- 45. Williams then asked if it would not be all right for Mrs. Williams to buy some cotton. C.S.H. and Harding gave the same answer. 68
- 46. Glass tells C.S.H. there will be a strong movement in Congress to remove Williams as a member of the Federal Reserve Board. 70
- 47. Glass feels the office should be on Board, but that the trouble was with the personality of Williams. 70
- 48. Glass says it was intent of Congress that Williams should give to Federal Reserve banks copies of all of his examiners reports. 70
- 49. Williams motion, matter of open market powers referred back to committee. 71
- 50. Votes to substitute C.S.H. minority report on open market powers for majority report. 72
- 51. Williams says Warburg wants rotation in Governorship and wants to be Governor himself. 72
- 52. C.S.H. tells Williams that Federal Reserve Agent Bosworth, in speech at Indianapolis, strongly advocated abolishing the Comptroller and giving his functions to the Federal Reserve Board. 76
- 53. C.S.H. tells Williams of Bosworth speech. 76
- 54. C.S.H. tells Williams:-  
Strong movement will arise in Congress to remove him from Federal Reserve Board. 76
- 55. Advises him to meet the attack by showing that under existing law he was under general control of Board. 76
- 56. Begs him to yield on matter of examiners reports. 76
- 57. Advises him to say that if Federal Reserve Board will pass a resolution that Federal Reserve banks shall report to Board on condition of their member banks and should ask him to give copies of all examiners reports to Federal Reserve Agents, - that he would do so, leaving to the Federal Reserve Board the responsibility as to the use of the reports. 77
- 58. Williams said he would think this over. 77



Williams, John Skelton (Cont.)

- 59. Elliott gives opinion:-  
Board has no jurisdiction over Comptroller except as to Federal Reserve notes. 80
- 60. Comptroller, however, is bound to furnish to Board the examiners reports to aid it in fixing salaries of examiners. 80
- 61. Comptroller may, legally, give copies of examiners reports to Federal Reserve Board to assist it in determining the condition of member banks. 80
- 62. That the Federal Reserve Act contemplated such action but did specifically require it. 80
- 62½. Members angry at opinion of Elliott. 80
- 63. Williams asked Elliott to give this opinion, as Chairman of the Committee; Delano said should have been given to the committee. 80
- 64. Elliott said he did not read C.S.H. opinion as he did not wish to put into position of overruling it. 80
- 65. Cotton said at first blush he did not agree with C.S.H. opinion. 80
- 66. Delano reported that committee had made no progress with Williams as to examiners reports. 80
- 67. Williams, on Oct. 21, 1915, said that, in accordance with a suggestion of the Board, made long since, he had decided that examiners reports should hereafter be shown to the banks examined. 80, 81.
- 68. That he should divide the reports into 2 parts:-  
1. To be given to the banks examined and to the Federal Reserve Agent. 81
- 69. 2. Yellow sheet:  
To be shown Federal Reserve agents only upon request of Federal Reserve Agent or Governor in cases where the bank in question had rediscounted with the Federal Reserve bank, or where for any other reason, such information were desired. 81
- 70. Committee voted to ask Federal Reserve Agents what Part I should contain. 81
- 71. C.S.H. thinks this indicates a willingness on part of Williams to come over to position of Board; it all depended however, on what Part I was to contain. 81
- 72. Warburg insisted that the entire report should be given to Federal Reserve Agents. 81
- 73. C.S.H. suggested waiting until Board knows what Part I is to contain. 81
- 74. Williams willingness secured to annoy Warburg and Delano. 81
- 75. Miller moves that Cotton be asked for an opinion. 81
- 76. C.S.H. says committee has already power to ask for this. 82

Williams, John Skelton (Cont.)

- 77. Warburg concealed fact that he already had consulted cotton. 82
- 78. C.S.H. tells Williams of this. 82
- 79. Board votes to drop Williams from Chairmanship of a committee on ground that he never called meetings and did not attend to his work. 83
- 80. C.S.H. advises Board to consult with Williams before voting, but Board would not do this. 83
- 81. Williams enters meeting and Miller tells him nothing had been done not on docket. A mistake but not intentional. 83
- 82. Williams writes 2 hot letters to Board on above. 83
- 83. At next meeting Board voted to drop all reference to Williams' removal as he had written resigning from the Chairmanship. 83
- 84. Williams also wrote resigning from two committees; said nothing about state bank committee of which he is still a member. 83
- 85. Warburg and Harding said if Williams insisted on keeping these letters on the files, they should file memoranda of their own. 83
- 86. Williams insisted on retaining them on the files; later wrote C.S.H. an equivocal letter and C.S.H. wrote asking just what his wishes were. 84
- 87. Williams moves for hearing for Federal Reserve Agent Rich as to publicity campaign. 87
- 88. Williams reads to C.S.H. a letter from Harding stating that he would oppose putting Comptroller under Federal Reserve Board, also intimating that committee may postpone cutting down districts for a year. 88
- 89. Federal Reserve Agents vote unanimously that all of the examiners reports should be given to Federal Reserve Agents and Governors. 89
- 90. Harding tells Williams committee can not agree on cutting down of districts; that Warburg wanted to transfer northern Alabama to Cleveland, which he (Harding) opposed. 91
- 91. Williams, - after agreeing with Board as to advisability of changing the quarters of Federal Reserve Bank of N. Y., - tells C.S.H. that McAdoo, other things being equal, hopes no change will be made, because of his cordial relations with Pliny Fish. 91
- 92. Williams dropped from Atlanta Committee.
- 92 A. Williams, on Nov. 12, 1915, says Harding presented to him verbally an ultimatum on cutting down of districts which Williams reduced to writing and showed to Harding, who approved it. 95, 107
- 92 B. Contents of ultimatum. 95
- 93. Williams asks if any member has talked of cutting down of districts with Secretary Houston, but no one replied. 104, 106.



Williams, John Skelton (Cont.)

- 94. Votes against laying C.S.H. resolution on table. 104, 105
- 95. Williams moves for a stenographer. 105
- 96. Delano attacks Williams saying he would never admit any errors in Reserve Bank Organization Committee nor in anything. 107
- 97. Williams tells again of Harding's ultimatum on cutting down. 108
- 98. Harding said he reported this to the committee and <sup>none</sup> some of them dissented to this statement. 108
- 99. Federal Advisory Council unanimously recommends abolishing office of Comptroller. Nov. 16, 1915. 109, 110
- 100. Captain Lyerly said Federal Advisory Council were wrong in above recommendation and he had so written J. P. Morgan who was not at meeting. 114
- 101. Williams told C.S.H., Harding at his ultimatum talk had shown him a map stating that it abolished Boston, Minneapolis, Cleveland (substituting Cincinnati), consolidated Kansas City with St. Louis, Atlanta and Richmond, and made New Orleans a Federal Reserve Bank, and added Baltimore to Philadelphia. 120, 121
- 102. Williams says Harding said at one meeting that the committee asked him to speak to him as to the ultimatum. 138
- 103. Copy of Williams letter to McAdoo as to Harding's ultimatum talk. Refers to report and map. Nov. 12, 1915. 139
- 104. Letter says Harding said the committee had given him permission to leave the report and map with him. 139
- 105. Says Miller's resignation should be called for. C.S.H. objects. 141
- 106. Williams asks that the Delano report, - against examiners serving as Deputy Federal Reserve Agents, - go over for a week. 142
- 107. Harding said matter had been referred to McAdoo and himself and that they agreed on the general policy. C.S.H. also favored this, but thought Board should have time for discussion. 142
- 108. Williams said McAdoo should have an opportunity to consider it. 142
- 109. Harding said Williams was misrepresenting McAdoo who favored this policy. 143
- 110. Williams says will file answer to 3rd draft of committee report on cutting down. 145
- 111. Warburg says Williams and C.S.H. should apologize to committee; Williams said he had been daily expecting an apology from the committee. 147
- 112. Moves that committee file all data, maps, etc. with regard to cutting down of districts. 148
- 113. Delano said committee will prepare these but Williams pointed out that the committee in its report stated it had already had all this data, etc. 148
- 114. Williams agreed to leave motion pending. 149

Williams, John Skelton (Cont.)

101. Williams said C.S.H. Harding at his resignation talk had shown him a map stating that it abolished Boston, Minneapolis, Cleveland (including Cincinnati), consolidated Kansas City with St. Louis, Atlanta and Richmond, and made New Orleans a Federal Reserve Bank, and added Baltimore to Philadelphia. 101, 102

102. Williams says Harding said at one meeting that the committee asked him to speak to him to the committee. 102

103. Copy of Williams letter to McAdoo as to Harding's resignation talk. Before to report and map. Nov. 12, 1915. 103

104. Letter says Harding said the committee had given him permission to leave the report and map with him. 104

105. Says Miller's resignation should be called for. C.S.H. objects. 105

106. Williams asks about the Delano report - against examiners arriving as Deputy Federal Reserve Agents - go over for a week. 106

107. Harding said matter had been referred to McAdoo and himself and that they agreed on the general policy. C.S.H. also favored this, but thought Board should have time for discussion. 107

108. Williams said McAdoo should have an opportunity to consider it. 108

109. Harding said Williams was representing McAdoo who favored this policy. 109

110. Williams says will file answer to 3rd draft of committee report on outside cover. 110

111. Harding says Williams and C.S.H. should apologize to committee; Williams said he had been daily expecting an apology from the committee. 111

112. Moves that committee file minutes, maps, etc. with regard to outside cover of districts. 112

113. Harding said committee will prepare these and Williams pointed out that the committee in the report stated it had already had all the data, etc. 113

114. Williams agreed to leave motion pending. 114

Williams, John Skelton (Cont.)

- 115. Warburg says if Williams replies to the 3rd draft of committee report as to cutting down districts, the committee will change its report and put in some nasty things. 154
- 116. Williams, on approval of minutes of meetings of Nov. 15 and 22, 1915, reserves right to file a further statement. 155
- 117. Delano presents report against examiners as Deputy Federal Reserve agents. He said this meant the removal of Starek. C.S.H. said he agreed with the policy of the report but believed it merely called for his discontinuance as Deputy Federal Reserve Agent, leaving him as Government director. Delano opposed this. 155, 156
- 118. Willis said Starek could not be removed as Government Director, as there was no "cause" under the Act, and Williams moved that Elliott define the word "cause." 156.
- 119. Delano objected, - said we shall not remove him, we shall do it in another way, we have to approve his salary as examiner! 156, 157
- 120. Interview between C.S.H., Williams, and McAdoo. McAdoo disposed to yield on Starek. 157
- 121. Williams says he fears Ingle will resign, if Seay is elected Governor; that he has not yet moved his family to Richmond. 158
- 122. Williams says McAdoo has talked with other members of Board about Seay and Ingle with no very satisfactory results. 158
- 123. McAdoo disposed to yield on Starek. C.S.H. says purpose of members is to displace Starek to please New York directors; that he preferred to vote against asking him to resign; that he will vote, as a matter of policy, that examiners should not be Deputy Federal Reserve Agents. 161
- 124. C.S.H. says sees no reason why Starek should not serve out his term as Government director. 161
- 125. McAdoo says this would not make the other members more reasonable and C.S.H. agrees to this. 161
- 126. C.S.H. says he agrees to the policy and if Gatch (S.F.) and Starek should voluntarily resign, he would make no objection. 161
- 127. Harding offers resolution:
  - 1. Examiners reports
  - 2. Examiners as Class C Directors
  - 3. Governors as Class C Directors 162
- 128. C.S.H. moves that 2 be split up: -
  - (a) Service as Deputy Federal Reserve Agents
  - (b) " " Class C Directors. 162
- 129. Agreed that passage of resolution should not commit any member on merits but that questions should be taken up and settled in that order. 162



Williams, John Skelton (Cont.)

- 130. McAdoo wanted postponement; Harding objected; Miller voted aye and it was passed. 162
- 131. Willis points out that McAdoo's resolution as to holding political offices was broad enough to include Starek as he might be considered an officer of U. S. 163
- 132. C.S.H. said McAdoo did not intend this to apply to any director now in office, but that when Starek's term expired he could not be reelected. 163
- 133. McAdoo says did not intend that resolution should apply to examiners at all, nor to directors now in office; admits it might apply to Starek when his term expired. Said it was prospective only. 163, 164
- 134. Warburg said it applied now. 164
- 135. Board passed resolution that future policy is that examiners should not be eligible for Deputy Federal Reserve Agent or Government Directors. 164
- 136. Williams agrees, Dec. 27, 1915, to give examiners reports to Federal Reserve Agents. Letter. 164
- 137. Board revoked Starek's designation as Deputy Federal Reserve Agent at New York, and elected George Peabody. Dec. 28, 1915. 165
- 138. Williams, Dec. 28, 1915, opposed appointment of Judge Goodrich, recommended by Miller of Kansas City for Govt. Director, on the ground that he was a Republican; said Board was proscribing Democrats. 165
- 139. First time politics injected into Board meeting. 165
- 140. McAdoo said we ought to have a reasonable number of men of all political faiths represented. 165
- 141. Delano said that two out of the three Govt. directors at Chicago were democrats. 165
- 142. C.S.H., at proper time, will make his position clear that politics shall not enter into the Board's deliberations. 165
- 143. Agreed that C.S.H. shall notify Gatch and Starek that, henceforth, examiners are not to serve as Deputy Federal Reserve Agents nor, as a rule for the future, as Govt. directors. 166
- 144. Agreed that C.S.H. should say that this decision should not affect their standing as Govt. directors for the balance of their terms, - Gatch, 1 year, and Starek, 2 years. 166
- 145. Committee presents resolution that Comptroller shall annually present for approval of Board a list of his examiners with their salaries. 166
- 146. Williams asked for opinion of Elliott and it was so voted. 166
- 147. Williams, Jan. 18, 1916, brings up his claim for \$7000 compensation as ex-officio member of the Board from the date of his qualification as Comptroller to August 10, when Board organized. 170

Williams, John Skelton (Cont.)

- 148. Judge McCoy tells C.S.H., on Jan. 19, 1916:-  
"Amazed people did not more generally see advantages of Federal Reserve Act." 170
- 149. Satisfied it was largely due to Williams. 170
- 150. This had come to him from all over the country. 170
- 151. Said to C.S.H., in strict confidence, that - no matter how he might decide the Riggs Bank case,- Williams letters were good illustration of how not to do a thing; they were most intemperate and unjudicial; that Williams has injured and is fearfully injuring the administration; admits he is honest and very likely able; something should be done to prevent his utterly wrecking the administration. 170
- 152. Williams, Jan. 18, 1916, brings before Board his claim for \$7000 annual extra salary for service as Ex-officio member of Board from the date of his confirmation as Comptroller to Aug. 10, 1914. 170
- 153. Elliott and Cotton had ruled this was a valid claim and the Comptroller of Treasury ruled the same and that it was chargeable to the Federal Reserve Board assessments. 170, 171.
- 154. Delano asked for more time; Williams objected, and Delano said if Williams insisted he could make a verbal, preliminary report. 171
- 155. Williams insisted and Delano said he could not find how the matter came to be referred to the Comptroller of the Treasury, but finally had found it was on a letter proposed by Elliott and sent by C.S.H. 171
- 156. The matter was docketed when Elliott's opinion was rendered and the opinion was called for officially by the Board. 171
- 157. Willis told C.S.H. the Comptroller objected to its being docketed as it was a claim which required no action by the Board, the question being a purely legal one. 171
- 158. That same morning Elliott came to C.S.H. with the opinion and said there was no reason for docketing it was it was purely a question for the Comptroller of Treasury. 171
- 159. Williams, that day, renewed his objection and the Board struck it from the docket. 171
- 160. C.S.H. tells Board, that while his recollection was not very fresh, he was confident he never had referred any question to the Comptroller of the Treasury without informing the Board. 172
- 161. C.S.H. remembers distinctly what Elliott said as above, and is quite sure he stated this to the Board and that the Board understood the question was to go to Comptroller of the Treasury. 172



Williams, John Skelton (Cont.)

- 162. This is the only possible explanation of action of Board in striking it from the docket, for not a word was said against the claim at that time, in any way. 172
- 163. Delano reads a confidential letter he sent to McAdoo, saying in the letter that he did not deny the legality of the claim, but should vote against it, especially in view of the vote of the Board that it would assume all expenses after August 10. 172
- 164. Delano asks for more time and no objection was made. 172
- 165. C.S.H. tells McAdoo of Williams' action and he was very indignant with Williams for bringing it up at this time, and in the afternoon meeting said he wanted the matter held up until he could look into it, and Williams raised no objection to this. 172, 173
- 166. Williams, on Jan. 19, 1916, again brings up his salary claim at the Board meeting and criticized parts of Delano's letter to McAdoo. 173
- 167. Votes, with C.S.H., not to lay on table the matter of purchase of notes in open market. 175
- 168. Warburg introduces amendments to annual report as to Government deposits, Comptroller, etc. 177
- 169. Warburg says Board has no control over Comptroller's rulings, over the appointment of examiners, of reports of condition, nor over examiners reports. Mildly stated no present trouble with Comptroller as he was practically cooperating with the Board but trouble may arise in future. 177
- 170. McAdoo says proposed amendments of Warburg as to Government deposits, Comptroller, etc., is a direct attack on Williams and himself. 177
- 171. Harding tells McAdoo that Delano will vote for Warburg's amendments even if every other member votes against them. 178
- 172. Harding complains bitterly at Comptroller's rulings and lack of tact. 178, 179.
- 173. Delano says same in Board meeting. 180
- 174. Harding says will vote against Warburg's amendments reserving right to bring them up later. 181
- 175. C.S.H. and Williams agree to a statement in annual report that Board would make no recommendations as to certain amendments because of difference of opinion and necessity for more time for consideration. 182
- 176. Board takes up Delano amendment as to Comptroller. 183
- 177. C.S.H. says that substituting the Board for the Secretary of Treasury would not help but would cause more trouble. 183
- 178. C.S.H. thinks no change necessary, as cooperation will bring harmony, but if any change is made the whole functions of the Comptroller must be changed and he should be made a subordinate of the Federal Reserve Board, subject to its appointment and removal, and his right to report to Congress should be taken away. 183

Williams, John Skelton (Cont.)

- 179. McAdoo, Feb. 5, 1916, said he knew that cooperation would produce the desired result and he directed Williams to consult the Board on all important proposed action, - such as new statements in condition reports, etc. 183, 184.
- 180. The Board appointed Harding to deal with Williams on all of these matters. 184
- 181. Williams tells C.S.H. he has heard that Harding agreed to accept Presidency of the Baltimore Trust Company which was to be merged in a large national bank, but that the merger had fallen through and Ingle was finally elected President. 184
- 182. Delano reports on Williams salary claim. 185
- 183. Showed evidence of bitter feeling. 185
- 184. Clearly implied that C.S.H. had asked opinion from Elliott without authority of Board. 185
- 185. Evidently laying ground for future attack on Williams on this matter. 185
- 186. Williams said to C.S.H., Feb. 16, 1916:-  
Very indignant at Delano's report. 187
- 187. Criticizes Delano's chronological statement, and facts contained therein as to his salary claim. 187
- 188. Said Delano's statement that he had objected strenuously to docketing Elliott's opinion for Board meeting of Oct. 15, 1915, was false and an attack on his honor. 187
- 189. Said that tomorrow, at Board meeting, he should ask Delano what he meant by this reference. 187
- 190. Said that if he did not explain satisfactorily, he should then and there thrash him soundly. 187
- 191. Said that if Delano told him to put his own interpretation on it, he should also thrash him. 187
- 192. C.S.H. tells Williams that Delano had reflected on him, - C.S.H. - more than on Williams, from his statements:
  1. That he had never seen Elliott's opinion until 13 months after it was rendered. 187
  2. That C.S.H. had sent a letter to the Comptroller of the Treasury on Oct. 12, 1915, asking for an official ruling, - 3 days before the matter was docketed. 187
  3. That he implied that C.S.H. had acted without authority from the Board. 187
- 193. C.S.H. makes Williams promise to do nothing until he, - C.S.H. - could look into the whole matter. 187
- 194. Willis tells C.S.H. that Williams did not object to docketing his salary claim but, on the contrary, said that if Board wished to docket it he had no objection. 188
- 195. C.S.H. writes Delano:-  
Elliott, in letter to C.S.H. dated Oct. 8, 1915, said Board must obtain an official ruling from Comptroller of Treasury before it could pass on the matter. 188



Williams, John Skelton (Cont.)

- 196. C.S.H. also said in letter to Delano:-  
Willis docketed the matter because C.S.H. sent him Elliott's opinion of Oct. 8, 1915. 188
- 197. That although docketed on Oct. 12, 1915, the letter to Comptroller of the Treasury was not sent until after the Board meeting of Oct. 15, 1915. 188
- 198. C.S.H. best recollection is that he received Elliott's opinion on the day it was dated, - Oct. 8, 1915; that he probably (recollection not very distinct) asked Elliott to draft a letter to the Comptroller of the Treasury, in accordance with his (Elliott's) own suggestion as contained in his letter. 188
- 199. C.S.H. says he went to Mattapoisett on afternoon of Friday, October 8, 1915; that on Monday he was at Newport, R.I. with Assistant Secretary Roosevelt, and from there went to Indianapolis, not returning to Washington until Thursday, Oct. 14 188
- 200. C.S.H. said that on Friday Oct. 15, Willis told him the matter had been stricken from the docket for the day. 188
- 201. C.S.H. said:  
Later in morning Elliott came in and said the matter should not be docketed until the Comptroller's ruling was obtained. 189
- 202. Willis said he told this to Delano who fully agreed. 189
- 203. Elliott told C.S.H. in a letter written a few days ago that C.S.H. said he would explain this to the Board, and that C.S.H. went down to the Board meeting with Elliott's opinion of Oct. 8, 1915, in his hand (this latter statement made to C.S.H. orally by Elliott a day or two ago) 189
- 204. C.S.H. recollection:-  
Willis explained why the matter was stricken from the docket. 189
- 205. Board's records show Willis explained this. 189
- 206. C.S.H. told Board of Elliott's opinion and Cotton's approval of the earlier draft of Elliott's opinion dated Dec. 9, 1914. 189
- 207. C.S.H. told Board Comptroller of Treasury should be asked for an official ruling and that he would send the letter asking for it, to which there was no objection. 189
- 208. C.S.H. says no formal vote taken as the matter had been stricken from the docket and his statements were merely informal. 189
- 209. The notation made by the Comptroller of Treasury showed he did not receive C.S.H. letter until Oct. 22, 1915. 189

Williams, John Skelton (Cont.)

- 210. Elliott explains this by saying that the Comptroller of Treasury was out of town and he did not, therefore, deliver it until his return. 189, 190.
- 211. C.S.H. writes Delano. 190
- 212. Delano tells C.S.H.;-  
Will recast chronological statement to conform with the facts. 190
- 213. Williams will be bitterly attacked if he takes this money. 190
- 214. If he were his own brother, he would beg him not to take it. 190
- 215. Said Glass had heard of this, not through him, - and was much disturbed over it. 190
- 216. C.S. H. sees McAdoo and Williams and said Delano would strike out the mistaken reference to him and begged him to pay no more attention to the matter. 190
- 217. C.S.H. tells Delano of above talk with Williams. 190
- 218. Williams and C.S.H. vote against transfer of Louisiana banks. 194
- 219. Williams told C.S.H. that President Wilson wants his brother-in-law, Bolling, appointed Federal Reserve Agent at Richmond. 195
- 220. Williams tells C.S.H. that Miller, Warburg and Harding said they would vote against Bolling. 195
- 221. Votes with C.S.H. to postpone Conn. banks petition until clearing system established. 196
- 222. Votes to transfer Fairfield County and postpone rest of petition. 197
- 223. Opposes increase of Gov. Seay's salary from \$10,000 to \$12,000; directors recommended \$15,000. 200
- 224. C.S.H. prepares a statement as to Williams salary claim and advised Board to pay it. Mar. 6, 1916. 202
- 225. All agreed it was a valid legal claim, except Delano, who thought it was a legal sophistry. 202
- 226. Miller moves a resolution stating that Board would vote to pay it because Elliott, Cotton, and Comptroller of Treasury said it was a legal claim which should be paid. 202
- 227. All voted for this except Delano who voted against it; he said memorandum of C.S.H. stated the case fairly and was very convincing but that he had "got in so deep" he felt he must vote against it. 203
- 228. Williams asks Miller what he meant by referring to the proposed increase of Elliott's salary as "Fudge" 203
- 229. Elliott's salary increased to \$10,000 without specific mention of his work for the Comptroller. 204
- 230. Harding tells of talk he and Williams had with Hardy as to Federal Reserve Agent, Richmond. Williams said it was clearly explained to Hardy that committee had no authority to offer him the place but later he admitted Hardy had the right to assume the committee would report his name favorably to Board. 206



Williams, John Skelton (Cont.)

- 231. Williams admitted that Hardy was a proper man for the place. 206
- 232. Board approved minutes as to vote to pay Williams salary claim. As originally drawn by Willis the draft spoke of fact that Williams had put in a claim for salary. C.S.H. said vote should read, - whereas the Comptroller has raised the question of the effective date of his salary, etc. Willis corrected this and C.S.H. explained the correction to the Board. 209
- 233. Later Willis came in with another draft restoring the statement as to the claim of the Comptroller. 209
- 234. C.S.H. told Willis this reference was not in the vote as passed. 209
- 235. Willis said Delano said the vote must have this in before payment could be made and that he would bring it before Board at next meeting. 209
- 236. Votes to postpone Hardy appointment. 210
- 237. Joins C.S.H. and Miller in not voting on main question as to Hardy. 210, 211
- 238. Williams asked postponement until McAdoo could vote, but C.S.H. said McAdoo wanted Board to proceed. 212
- 239. C.S.H. brings before Board resolution as to payment of Williams salary claim, which had been put into a new shape following exact language of the vote. 213
- 240. C.S.H. says no further action required and that he should sign the voucher if no objection offered. None was offered and C.S.H. then signed the voucher and gave it to Willis. Delano, Harding, Miller, C.S.H. and Williams were present. 213
- 241. Opposes petition of Kansas City to increase discount rates, as also does C.S.H. April 4, 1916. 214
- 241½. C.S.H. says will not oppose a tentative increase for 2 or 3 weeks test if Williams will agree but Williams declined. 215
- 242. Allen shows C.S.H. a draft for new form for circulating reports omitting the names of McAdoo, Williams, and C.S.H. 217
- 243. Judge McCoy issues permanent injunction in favor of Riggs Bank. May 31, 1916. 230
- 244. Says Federal Reserve banks should not combine to depress price of U.S. Government 2½ bonds when they wished to buy them, and to increase the price of the converted 3½'s when they wished to sell them. Warburg disagreed. 231
- 245. Williams says it would be preposterous to designate any one except C.S.H. for Governor. 236
- 246. Williams advises C.S.H. not to press the matter of dropping his, - C.S.H.'s - name from the circulating tag for bank reports for the present. 242
- 247. Williams tells C.S.H., McAdoo says the President will reappoint him. 243
- 248. McAdoo says if Harding and C.S.H. approve of Wisconsin banks petition he will favor it and will speak to Williams about it. 247

Williams, John Skelton (Cont.)

- 249. Says McAdoo told him the reason why C.S.H. name not sent to Senate was that President was very busy and forgot all about it; that if nomination had been made out by Treasury he would have sent it to President long ago. 248
- 250. Williams suggests to McAdoo, that if President does not want to settle rotation of Governor now, he might designate C.S.H. until Jan. 1, 1917, McAdoo favored this. 256
- 251. Williams said at dinner last evening with several men, Delano joined them, that he, Williams, spoke of C.S.H. appointment and all were much pleased, but that Delano lifted his eyebrows with a sort of half grunt, a mixture of surprise and displeasure 257
- 252. Williams said it was astonishing that Delano was so boyish that he could not conceal his displeasure. 257
- 253. C.S.H. visits Williams at Blue Ridge Summit. July 28, 1916 261, 262
- 254. Says he has seen Senator Swanson who will press confirmation of C.S.H. 266
- 255. Says later on executive session was held but Farm Loan Board was taken up first and Senate adjourned before C.S.H. name reached. Said C.S.H. name, however, had been formally laid before Senate. 266
- 256. Says McAdoo tried to get him to accept position of Farm Loan Committee. 281, 282.
- 257. Said he appreciated the honor but that the hostile press would say he had been turned down by the Administration and that he had declined. 282
- 258. Moves postponement of matter of Bank of England agreement as to Foreign Agency. Voted down, Williams and Miller alone voting aye. 297
- 259. Williams says McAdoo wants a copy of vote of Board before the Board Committee consults the State Department as to neutrality of Bank of England agreement. 297
- 260. Says Bank of England agreement would be of great political injury to the administration, if it became known during the campaign. 298
- 261. Says C.S.H. should not see Secretary Lansing on the Bank of England agreement before the committee saw him as suggested by Harding. 299

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- 1. Warburg has shown him a draft on acceptance regulations,  
bitterly attacking Williams and C.S.H. 69
- 2. Committee on Redistricting showed him a plan:-  
Atlanta merged in Richmond  
Kansas City " " St. Louis  
Minneapolis " " Chicago. 85
- 3. Warburg wants to transfer Boston to New York, but Miller  
objects. 85
- 4. Willis furious about this plan; says Reserve Bank  
Organization Committee plan was faulty but that this  
plan was worse. 85
- 5. Willis said:  
Committee said reason was:-
  - 1. To help clearance system.  
Answer:  
We have not established a clearing system 85
  - 2. Saving of expense.  
Answer:  
Destruction of Federal Reserve notes will  
cause a much greater expense, as  
committee would retain branches wherever  
a Federal Reserve bank was discontinued. 85
- 6. Intimated that committee had consulted with bankers  
in Chicago and Minneapolis, e.g. Decker. 85
- 7. Federal Reserve system has worked perfectly. 86
- 8. Delano's statement that committee has not agreed on any  
specific plan may have been technically correct at  
the moment; at one time, however, the committee had  
agreed and had prepared a map (evidently the one  
Harding showed to Williams). 109
- 9. Willis pointed out so many objections that committee had  
become divided, e.g. Miller objected to transferring  
Boston to New York. 109
- 10. Warburg said he never favored transferring Boston to N. Y.,  
thus contradicting Willis's statement. 121
- 11. Warburg intimates to Willis that he knows nothing about  
purchase of foreign bids and Willis feels insulted. 129
- 12. Delano asks Willis if Warburg has shown him anything.  
Willis said yes, a report and map, abolishing 4  
banks. 131
- 13. Delano said he would have spoken of it before but feared  
Warburg might not like it; that it was important  
that this be kept secret. 131

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Willis, H. P. (Cont.)

- 14. Willis said of course he would not give it out and Delano said, "I mean, secret from other Board members." 131
- 15. Warburg asks Willis to read a typewritten copy of the committee report, - the one showed by Harding to Williams, - but he would not let it go out of his office. 131
- 16. Said committee was undecided as to submitting a definite plan in first report; Miller had talked with him as to advisability of this, spending at one time more than an hour with him, arguing in favor of the general plan for cutting down districts; that he, Willis, absolutely disagreed. 131, 132.
- 17. Warburg said, previous to meeting of Nov. 15, 1915, that he did not care if legal proceedings should result, with trouble for a few weeks. 132
- 18. Willis tells C.S.H. of his trouble with Dr. Laughlin. 132
- 19. Willis said:-  
Laughlin was retained by bankers associations in Chicago and New York. 132
- 20. Willis was retained to write a book on banking and did write 75% of it. 132
- 21. Dr. Laughlin inserted pages on the National Reserve Association. 132
- 22. Laughlin made many suggestions as to draft of an act to Glass and himself. 132
- 23. Laughlin, he thought unwittingly, had given the bankers to believe that, as an old teacher of Willis, he could dominate his views. 132, 133.
- 23 1/2. Willis prepared a bill for the Glass committee. 133
- 24. Laughlin got Glass to tell him the general theory, - of consolidated reserves. 133
- 25. Glass commented to Laughlin drawing a bill to show his views. 133
- 26. Laughlin drew a bill, of which Willis has a copy. 133
- 27. The Glass Act was not founded on Laughlin's bill. 133
- 28. Glass was careful not to base the administration bill on any bill presented by special banking interests. 133
- 29. Laughlin asked Willis for copy of Glass bill. 133
- 30. Willis refused saying he had been forbidden to disclose it to anyone. 133
- 31. Laughlin very angry at this. 133
- 32. A Chicago banker, either Farwell or Hulburt, stated publicly that the Federal Reserve Act was based on Laughlin's bill. 133
- 33. Willis at once wrote denying this. 133
- 34. New Yorker tried to have Glass removed from Banking and Currency Committee. 133
- 35. Also tried to have Willis removed as expert adviser. 133

Willis, H. P. (Cont.)

- 36. The National City Bank of New York worked on Ailes in Washington, but he declined to have anything to do with it. 133
- 37. The New York crowd induced a Congressional Committee to summon Willis and he went before the committee and proved by documents that the Glass Bill was not founded on Laughlin's bill or on any other banker's bill. 133
- 38. The New York crowd, especially Warburg, brought every pressure to bear upon him to control the bill. 133, 135.
- 39. Benjamin Strong (later Governor) at one time came very near offering him a bribe. 134
- 40. Laughlin is honest. 134
- 41. Willis wrote Laughlin as to authorship of Glass Act, but Laughlin refused to discuss the matter. 134
- 42. Laughlin became convinced that the bankers were working for their own selfish interest. 134
- 43. Forgan and Reynolds were more narrow and bigoted than Vanderlip and Bush and Laughlin finally gave up in disgust. 134
- 44. Warburg produces several plans, one marked "Willis's criticism of the committee plan." 137
- 45. Willis very angry at reference to the map Warburg asked him to prepare and asks Board to give him five minutes to explain. 137
- 46. Willis said:-  
Appointed Secretary of redistricting committee, but had not been asked to attend a single meeting. 137
- 47. Warburg brought him a draft of report and asked him to delimit the districts on a map. 137
- 48. This plan abolished 4 banks. 137
- 49. Secrecy was enjoined on him by Warburg. 137
- 50. Delano also enjoined secrecy and said he was glad Willis had not mentioned it to any one as it would have "queered" him (Delano) with Warburg. 137
- 51. Willis explained that he had talked with C.S.H. after Harding's talk with Williams. 137
- 52. Said later, in C.S.H. office, that he had delimited the districts on a map, and that the plan abolished Boston, Minneapolis, etc. 137
- 53. Warburg, while Willis was speaking to C.S.H., came in and gave C.S.H. 2 plans, neither of which abolished Boston. 137
- 54. At morning session, Warburg had said Harding only favored abolishing of Boston, and that because Atlanta and Dallas were to be abolished. This is in direct conflict with Willis's statement. 137



Willis, H. P. (Cont.)

54. Willis says:-  
 While acting as expert for Glass, - just after McAdoo took office, - and before he had met him, a man, whose name he would not give, called on him in New York. 140

55. The man asked for a copy of Glass Act for Warburg. 140

56. Willis declined and the man said Warburg has a long memory both for his friends and enemies. 140

57. The man also said that McAdoo was under heavy obligations to Kuhn, Loeb & Co. and that McAdoo would certainly give Warburg a copy as soon as he gets one. 140

58. Col. House obtained a copy and gave one to Warburg; they went to Europe together and Warburg wrote a letter from Switzerland bitterly attacking the bill, especially that part relating to the consolidation of reserves, which, he said, would draw money from the stock exchange, and that he disfavored any such interference. (See scrap book for letter) 140

59. Discovered that Dr. Miller had a copy. Glass much disturbed at this. McAdoo said he had asked Miller to examine the bill and gave him a copy, but that his suggestions were of no value. 140

60. Willis said he heard from other sources that Miller was bitterly opposed to Glass Act. 140

61. Willis says he heard Warburg telephone Gov. Strong suggesting postponement of next meeting of Federal Advisory Council until annual report of Board came out as it might contain a statement of cost of council meetings. 144

62. Says statement in minutes of meeting of Nov. 22, 1915 (or possibly Nov. 22, 1915) - that Warburg said anyone not agreeing that 4 banks should be abolished was an enemy of the Federal Reserve system, - was absolutely correct. 148

63. Delano admitted to him that Warburg said this, but said he had lost his temper and that his words should not be recorded. 148

64. C.S.H. feels Willis is responsible for Glass's worries about the clearing system. 160

65. Complains because McAdoo does not attend more meetings. C.S.H. fears he is not satisfied with his work as Governor. 160

66. Says McAdoo meekly surrenders to Warburg et als, especially his back down in Federal Reserve agencies in South America. 160

67. Said this was a cowardly surrender. 160

67 1/2. Says Williams objected to his salary claim being docketed, as it required no action by Board, it being purely a question of law. 171

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Willis, H. P. (Cont.)

- 68. Warburg tells Willis he has at last got the votes for his proposed addition to annual report as to Government deposits, etc. and that he should insist on putting this through on Monday. 177
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- 22. Wilson says to C.S.H. after dinner:-  
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- 25. C.S.H. tells him he believes Mexican situation will clear up and that his policy will be successful. 216
- 26. Wilson seemed to be in much doubt about the whole matter. 216
- 27. Said the torpedoing of the Sussex gave him much concern. 216
- 28. C.S.H. says the masses of the people want peace and will recognize - whatever happens in future - that he had done everything possible to maintain peace. 216
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