

## The Papers of Charles Hamlin (mss24661)

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CHARLES HAMLIN  
PAPERS

Miscellany

Box 356

Folder 18

WRITINGS --

"MEMORANDA CONCERNING THE  
FEDERAL RESERVE BOARD..." DIARY  
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it made little difference as to the condition of Bank presenting it for rediscount. Willis said F.R. Bank ought to help a weak bank provided it had good paper but that Warburg differed & that Warburg also claimed F.R. Banks were not Commercial banks. Willis said if not Commercial banks and not intended to help weak banks with good paper, what were they for.

Nov. 11. Thursday. The other day while Warburg was decrying competition of Reserve Banks with <sup>member</sup> banks to earn expenses, I reminded him that if Banks prevented or fought such reasonable competition, someone would introduce a Bill authorizing Reserve Banks to receive deposits from and deal direct with individuals. Warburg said when any such pawn broking system was established, he would not be on the Board. He seemed to think the <sup>German</sup> German, French & British Central Banks were pawn broking establishments from his reasoning.

The redistricting Comm. announced they would probably report next Monday. A Minnesota paper wired asking if any truth in rumor they were considering abolishing Minnesota Bank. Board voted to give out statement that all redistricting matters were in hands of Comm. which had not reported. Delano & I reported proposed letter to F.R. Agent Rich; I was satisfied Bank directors did not want any publicity--on other hand perhaps Rich through Mosher has gone too far. Delano proposed letter saying any public plans must be approved by Directors: I softened this to "must be mapped out by Rich & Directors" but at same time declared Board desired a campaign for publicity as to Member Banks & public. Warburg fought latter vigorously while Miller thought Directors should have nothing to do with public matters. Finally our letter was adopted, Warburg & Harding voted ~~vs~~ it because gave too much power to F.R. Agent, but their opposition was not recorded. The matter of abolishing Minnesota <sup>abolish</sup> Bank was discussed very vaguely, the Comm. not saying what they were to report. I said if you report to abolish it, everyone will say you are planning to help Gov. Burke in his race for Senate--Harding was very ugly & said--there will be other recommendations too--meaning that banks in Democratic districts would be reported for abolishment.

The Connecticut people wrote again to be set off from Boston district. Comm.

said they would report on this. I raised point that as no hearing had been<sup>31</sup> held, this was not before them--Delano said however, Comm. would report as to what action should be taken.

Williams & I had confidential talk with Glass--he said we had no right to reduce number of districts & Congress would resent any attempt. Was very bitter vs Warburg. Am satisfied Warburg is bitter with Administration because of War munition exports and desires to destroy prestige of Administration for passing Reserve Act by suggesting changes impliedly admitting its failure.

Nov. 12. Friday. Willis said he was satisfied the majority felt that Secy. Mc Adoo would not dare to fight them on redistricting or any other matter: that he had backed down on ~~Foreign~~ agencies of Reserve Banks & would back down on this for fear fact of division in Board being known would injure administration and deprive it of its best political asset--the success of the F.R. Act.

Williams said Harding had had a talk with him which he had reduced to writing & which was duly approved by <sup>H</sup>arding: this memo. said that the majority (or the Comm., am not sure which) had determined to redistrict, that they would report accordingly and desired their report submitted to Pres. Wilson--that they would vote to put it through unless Pres. Wilson personally communicated with Delano and asked him not to do it in which case they would lay it on the table for present. (In other words unless Pres. Wilson begs for mercy from Delano--they will do their best to destroy the F.R. system.)

Williams said they had decided to abolish Dallas also and substitute N. Orleans.

At meeting today, Warburg brought up letter from Jay asking that Regulation R. be amended--or that part of it providing that open market purchase of Acceptances be permitted only where satisfactory statement of conditions made to F.R. Bank on form approved by F.R. Board--i.e. Acceptances other than a Bank. Jay said his Directors were willing to arrange so that such statements of condition should be made only to F.R. Agent & Govr., to remain on their personal files & not be subject to inspection by the Directors. Warburg was very persistent this should be done, also Harding & to somewhat less extent, Delano. Warburg said matter arose particularly with regard to J.P. Morgan & Co. who were not willing to have their

statements of condition under any circumstances subject to inspection by Directors or any of them. I suggested that this rule must apply to all & said let us consider that such an application is asked for as regards "John Smith" & not J.P.M. & Co.,/ Warburg however, declined to consider it in any such way & apparently that one rule should be laid down for Morgan & another for other acceptors. Miller objected to this as did also Williams & myself. Warburg said no banker would like to have a director such as Palmer poring over his statement. I said I would raise no objection to having such statements from all Acceptors in first instance given to Reserve Agent & Gov. with distinct understanding that the directors could see them whenever they deemed such course necessary. Warburg opposed this & said any director could vote to refuse to distribute<sup>2</sup> Acceptances if he was not allowed to see statement of condition. Miller, Williams & I could not agree to this. Finally it was voted to ask opinion of Federal Advisory Council on matter before final vote of Board. Harding & Warburg as usual were very ugly at being thwarted.

In afternoon Executive Comm.--C.S.H., Delano & Miller met to rearrange Comms. of Board. We had little difficulty in simplifying & rearranging them. We left the full Comm. on Operation of F.R. Banks as it was, I being left as chairman. No action was taken as to the sub-Comms. of this committee, it being tacitly understood no changes were to be made.

Nov, 13. Saturday. Willis gave me draft of new Comms. & I noticed that the Sub. Comms. above were radically changed--I was removed from Comm. in charge of Boston & Williams from the Atlanta Comm. while Warburg & Delano took Boston, N.Y. Phila. Chicago, Minn. & Cleveland & Harding & Miller the other six. I at once wrote Willis that I desired to stay upon Boston Comm. & Williams should remain on Richmond. Willis came in & said matter after our meeting had been considered by Warburg et als (Warburg was not on Comm.) & that Warburg said I had quietly "slipped off" the Boston Comm. & that it was determined to drop both Williams & myself. This statement of Warburg was false--fact is Warburg has almost never consulted me about Boston matters arrogating them to himself.

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Congressman Glass called at 1.30--said he had read statement in morning papers as to redistricting and that it said some members favored cutting down number of banks; said this would be absolutely illegal & he should give out an interview in the afternoon stating that such action would be an affront to Congress. I went over whole matter with him & he finally said pubst. that he would write it but not publish it until he saw me again. I then talked with Williams & telephoned McAdoo who said he would telephone Glass.

9.P.M. Glass called me at my house--said McAdoo had talked with him & he would not publish any interview until he had seen me but would write Delano at once. At first he did not seem to object to Comm. asking to see Pres. but when I explained this would give Warburg right to say that Pres. had interfered & Comm. had decided to do nothing because of Pres.'s solicitation--he saw the point & agreed the Pres. should not interfere but we must fight it out in Board. He said the members felt that because of McAdoo's relationship he exercised an undue influence over the Pres. and that facts might not be correctly reported to Pres. by McAdoo. Later called up McAdoo in accordance with message to that effect found at home earlier in evening. He was very indignant at Harding's suggestion--asked me to induce the 4 to put it in writing & said if they did something might happen at the White House. I told him in my opinion, if the Pres. even now would give Board a status just below Congressmen and above Counsellor of State, Sol-Gen. & Asst. Secys. it would go far to restore good feeling--& I believed that this little thing was the real cause of the trouble--that they felt they were not part of Administration & so they established one of their own; that I believed Warburg was deliberately trying to embarrass administration for Pro-German purposes but that other three were very angry because of pique at being slighted. He, of course, said this could have nothing to do with their attitude which he ascribed to same motive as Warburg. He said he told Delano when he dined with him some time ago that he intended soon to take up matter with Pres. & hoped he could please Board. I begged him to do it at once even if Pres. the day after should remove them all. I added that they could show now they were out in cold--could not even address Atty. Gen. & had no status.

I added that I thought they had a right to feel that President should settle this one way or another. Am afraid I made little impression--McAdoo sometimes is strangely blind.

Nov. 14. Sunday. Went to Annapolis with Delano & family; tried to get Delano to ride with me to have good talk about Redistricting; but he would not do it.

Nov. 15. Monday. Went thro one of the most disagreeable days I have ever experienced. Met at 11. The docket was proceeded with and finally Delano reported from Comm. on Redistricting. I then stated that Secy. McAdoo asked that decision be postponed until he could meet with Comm. as he was almost overwhelmed with personal bereavement at death of his son-in-law and preparation of his annual report. Delano asked when Secy. could meet with us--I said certainly not until the last of the week. Delano got very ugly--said the Secy. was in town--knew all about the general question--had found time to talk it over with others not on Board and moved for a special meeting tomorrow to take up matter and vote upon it. Williams & I explained that a copy of the report had been given to us only late Saturday P.M. and that some time should be given us to study it. Delano asked how much time we wanted. I said that I would like one week and that I had read it and was preparing a Resolution asking Comm. to report further stating in detail what the facts and experiences were which were referred to in Report on which these conclusions were based; also what figures had been prepared as to saving in expenses etc. the desired redistricting would accomplish; also whether Comm. had considered Elliott's opinion that we had no power to reduce number of F.R.Banks and whether any other opinion had been secured by Comm. & if Yes that they be given to the Board. I said that this was not yet ready as I had dictated it only this A.M. but would produce it as soon as ready, that if Board voted that this information be supplied, then of course could be no meeting tomorrow or until information was supplied. Suddenly out of a clear sky, Miller blurted out that it was evident that certain members of the Board had shown an evident wish to delay consideration of this matter by obstinately it at every stage & that it made him inclined to vote for Comm. report whether

he agreed with every detail of it or not. Delano then said he suspected 135. that we were endeavoring to delay matters & were not desirous of an honest decision. I then asked Dr. Miller if he did not think Williams & I were entitled at least to as much time to consider this vital question as had already been given to other members--not of the Comm. He said Yes & I then asked him if he had not attended meetings of the Comm. He denied this indignantly & I put him further questions when he finally admitted that he had frequently discussed the subject with the Comm. had helped them materially in framing their report, and in answer to question from Williams, he finally admitted that he had even written a material part of the report. I then asked Delano whether the Comm. had not prepared and agreed upon some specific plan of redistricting, incidentally abolishing certain F.R. Banks, and he said unqualifiedly No. I then asked him whether a map had not been prepared by or under direction of Comm. which was now in hands of Secy. Willis. He hesitated at this & finally said--there have been 8 or 9 maps prepared as well as 9 drafts of the report finally submitted this morning. At that moment Foulke brought in my Resolution which I read--again there was a terrific explosion and Delano & Miller again repeated their charges about delay etc. I said to Delano that I thought it was of doubtful propriety for a Comm. to consult with other members of the Board to the exclusion of some in a matter as vitally important as this & he turned on me savagely almost as if he intended personal violence & asked what I meant. I started to repeat my statement but he yelled out--I heard it! What do you mean by it--in a most threatening manner. I calmly repeated my statement & he said ~~this~~ Comm. has been treated shamefully--you do not want to discuss this question honestly.

I then asked if members of Board had not been consulted--other than Comm.--on any specific plan of redistricting & he yelled out--Never! Later Dr. Miller admitted that he had discussed specific plans & had opposed several suggestions

He added that while he had consulted with Comm. & had helped with their report it was always with an "open mind" & he was absolutely free to vote in any way upon the request of Comm. for instructions or upon any specific plan later presented. Later in the meeting Delano announced that he knew that the Comm.

had a majority of Board in favor of instructions to report a plan! 136.

I forgot to add that Warburg in preliminary decision as to reasonable time within which to close the debate said 2 Or 3 days was ample--that matter must be decided at once and would brook no delay & he favored calling a meeting tomorrow to take up & decide the question. Finally after a long, bitter debate, I was instructed to ask Secy. McAdoo earliest date at which he could attend. Warburg said question was simple--whether or not Board wished Comm. to prepare a definite plan--that report contained nothing except this. I pointed out that Report gave conclusions settling whole matter & even expressed opinion that F.R. System--as at present constituted--was a failure; that we could not instruct the Comm.--in view of conclusions of report--without adopting the report & thus preclude any calm, dispassionate consideration as to whether e.g. the System was a failure--which I vigorously denied; that conclusions as to saving of expense cost of notes etc. were given in report without a single figure to justify them; that before voting upon such a report, we must know the figures & facts upon which it was based. I asked whether Comm. had talked with any outside person, banker etc. & they all including Delano replied No. Later Harding said he had talked with one of his Senators as to the political effect of cutting down number of F.R. Banks. The question then arose, in some way, whether any of the Comm. had talked with Houston. All denied this except Miller who remained silent. Williams, then said, am I right in understanding that no one has talked <sup>of this</sup> with Houston? Miller made no reply. Delano also said Secy. McAdoo had told some one--unnamed--that one of F.R. Banks would be abolished--and he added threateningly--the Secy. wont deny this!

After lunch I went to Secy. McAdoo's house with Williams & told him whole proceedings. He dictated a letter--see copy in files--& appointed next Monday for meeting, stating he hoped my Resolution for further information would be reconsidered. In the morning, the Board 4-2 voted to lay this Resolution on the table. Delano said at the proper time--at meeting Monday, the Comm. would give all details asked for but refused to do it now.

4.30 P.M. Adjourned meeting. Williams moved that in view of vital importance

of this question, that hereafter, beginning now, a stenographer should be present to take down every word; as no one would second, I did. Instantly there was another commotion--Delano said if Board would vote that hereafter all proceedings should be taken down by stenographer, he had no objection but he violently opposed this motion & asked Williams his reasons. Williams said Congress might call for a report & it was desirable to have an accurate report. Warburg said something to effect that Board should refuse such a request--I asked him to repeat it & he said it would establish a bad precedent to give such information to Congress. Thereupon Harding moved to table the motion for stenographer & it was voted 4-2. Williams moved to reconsider vote as to my Resolution. I ruled he could not make this motion as he had voted in favor of Resolution in morning. No one moved and matter was left in abeyance. Later Miller moved reconsideration in order to give copy of our attorney's opinion to us and it was voted to reconsider. Then another row followed & again the Resolution was tabled 4 to 2. Delano said again Comm. would give all information at meeting when matter was discussed but declined to give out advance information "to be shot at". Delano also said we had treated Comm. harshly--were not acting in good faith, were not honest--pettifogging--playing for delay etc. I said I was sorry any members felt that way & reminded them that in the A.M. I had stated that as soon as I obtained the information asked for in my Resolution, I should ask only one week in which to study it and then would be willing to vote upon the proposition--that if the information were not furnished before the meeting I should then ask for 1 week from that date to study the matter--and that if that request was pettifogging or obstinate or parliamentary tactics for delay (Miller's statement) I should nevertheless insist upon it. Miller said our attitude made him want to vote the whole hog--for all the Comm. wanted--whether he personally agreed on merits or not, and he wanted to do this "damned quick". Miller, also--referring to Gov. Burke, said that one member of Board directly inspired Gov. Burke's attack on Minnesota <sup>apolis</sup> Reserve Bank. I asked him to name the member & he said Secy. McAdoo. Delano said he knew this was true and that Secy. McAdoo would not deny it. Question arose again as to whether any member had consulted with Secy. Hous.

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-ton? Miller again remained silent. Harding said he had consulted one of his Senators as to political aspects of proposed redistricting. Harding raised question whether Secy. McAdoo had right to be recorded as in favor of my Resolution-- I ruled No. except by unanimous consent & reminded them that we had hitherto always granted this right and Harding did not press the question.

Delano said copy should be sent to Houston & Williams said as Comm. had sent one to Glass, one should also be sent to Owen. I agreed--another bitter debate followed & no action was taken. Suddenly Miller said he was about ready to move that the whole report be given to the public--I said I would not object except for one reason--I thought the unanimous conclusion of want of confidence in F.R. System as at present constituted would disturb the country & perhaps cause financial trouble. A loud burst of hilarity followed from Delano, Harding, Miller & Warburg. A few minutes later however, Warburg said he should like to read report again--that in fact he had not yet read it completely as he only received it Sunday afternoon or that morning on his return from N.Y.!!! He said he would like to strike out anything which might disturb the public! Delano then attacked Williams saying of course he never would admit <sup>any</sup> errors in Reserve Bank Organization Comm. redistricting--in fact would never admit he was ever in error as to anything. Harding said stenographer at Richmond hearing before Organization Comm. had given a false report of what actually occurred! Delano again said the Comm. had been treated scandalously--that we were trying to prevent honest decision. He said matter could have been discussed in in one of 3 ways, 1 as to legality, 2. as to expediency. 3. By pettifoggging methods which we were following unworthy of gentlemen and of Board. As to 1. Delano said Elliott had change his opinion and agreed with Cotton that we could abolish Reserve Banks. Said I had said no lawyer of repute would give such an opinion. (Sge my letter to him dated Tuesday, Nov. 16 explaining what I said) Said Senator Owen at Oklahoma hearing said we could do this. (This was merely an expression of opinion given off hand). Evidently this reference to expediency meant the ultimatum of Comm. to Pres. Wilson. Finally we voted to take up matter on Monday next. One of the Comm --either Warburg or Delano also said that if so instructed Comm. could report

plan in 2 or 3 days. Williams explained circumstances as to Harding's talk 139.  
with him & that he had had it printed & submitted it to Harding who approved it  
with some minor changes. Harding also said he had reported this conversation  
to his colleagues--none of them ~~d~~isented to this statement.

Nov. 16. Tuesday. Willis said Delano's statement that the Comm. had not agreed  
on any definite plan or map may have been technically true at the moment Del-  
ano made the remark but that at one time the Comm. had agreed & had prepared a  
map accordingly (evidently the map Harding showed Williams) but that he had poin-  
ted out so many objections that the Comm. had become divided on certain phases  
of it (e.g. Miller objected to abolishing Boston Bank).

This P.M. Secy. McAdoo sent me a letter to Delano & Miller asking what their  
authority was for statement that he had incited Gov. Burke in attack upon Min-  
nesota Reserve Bank; said in letter I had told him of this which was true. If  
Delano or Miller had said this privately to me, I would simply have laughed at  
it and probably would not have mentioned it, but their charges were openly made  
to full Board during the meeting & I felt it my duty to mention it to Secy. Mc  
Adoo as I would have done to any other member publicly charged with such a ser-  
ious offence. Dictated a letter for Williams to send Delano, asking that map  
referred to by Harding be produced at next meeting--also opinions of Elliott &  
Cotton. Later 4.30 met Federal Advisory Council--they unanimously reported  
favoring abolishing office of Comptroller of Currency, putting his functions  
under F.R. Board. At end of meeting Delano asked full expression of opinion as  
to anything which ought to be done to strengthen F.R. System against possible  
troubles at close of European War. He evidently hoped some would suggest cut-  
ting down number of Banks but no one suggested such a thing altho the whole sub-  
ject was discussed at some length. Forgan attacked open market powers and said  
the increased competition annoyed & mstated the Banks. 110

Advisory Council voted 6 to 3 favoring returning 2/3 of capital payments to  
Reserve Banks. Wing, Seay & Ardsey opposed vigorously. Wing said would be ex-  
tremely foolish & would weaken the Banks. Delano said he doubted advisability  
of it but felt there were strong arguments in favor of it. (See Warburg's

speech at Minneapolis printed in full in Financial Chronicle favoring returning material part in capital and deprecating any attempt to make expenses by competition with Member Banks,)

Nov. 17. Wednesday. Just before meeting, Secy. McAdoo sent for me and said Delano said I did not quote him quite correctly and Miller also said same and said I should have been more careful. At meeting I stated that I had told Secy. McAdoo what had occurred and of the charges brought against him by Delano & Miller--that it nearly broke my heart to do so but as they were made at a regular meeting of Board, I felt it my duty to do so. Delano said he did not remember saying Secy. had told some one that our Bank would be abolished & Miller said he did not name Secy. McAdoo but said he understood that a Member of the Board had inspired the attack of Gov. Burke and that Delano said at once it was Secy. McAdoo. Miller added something to effect that if my memory were as faulty on all matters as on this, it was not of much good. I replied that I had written down each statement that very day but that I should gladly accept their assurance that I had misquoted them. (I could take my oath that each said exactly what I stated). Delano said he was the guilty person & that he knew he was correct on statement of two people. Later McAdoo told me he had written them both asking on whose authority they made the statement.

The record was read--Delano had insisted on having put in what he said about three possible courses--the 3rd. being pettifogging which he hoped no member would indulge in. Later he said he had lost his temper yesterday or rather Monday at the meeting & doubtless had said much he ought not to have said, but he was made very angry at the imputation that the Comm. was trying to steam roller the matter through; that while he admitted he had said he expected 4 votes on question of voting to instruct yet Dr. Miller had not directly made any promise as to his vote. I said that I intended later to make a personal statement answering every attack which had been made against me but that I preferred to wait awhile that my words might be measured. Then Williams moved to send copies of report to Houston & Owen; Miller moved to refer to Comm. on Redistricting.

Then Delano said Comm. intended to make another report striking out certain

statements in original report and ask to have it substituted;--no occasion to send copies to Houston & Owen. Miller said he was satisfied on reading report that there were statements in it which might give false impression and to certain extent I was justified in my criticism. I then asked Miller if he did not agree with my position taken at meeting that would be impossible to vote for Comm. report without thereby ratifying its arguments & conclusions based on facts & experiences not reported in detail. He said Yes. I ruled that Comm. was not discharged as it had asked for instruction and that it could make another report if it wished & the Board would take such action as it wished as to receiving it when it was offered. Finally it was agreed that matter of giving copy of report to Houston & Owen should be left to Comm.--Delano saying he would write Glass that Comm. might put in another report & ask him to return this.

This A.M. Willis reminded me that some time ago Board passed vote calling on Reserve Banks not making expenses, to report whether any need of Reserve ~~BANK~~ there. This was done because some of Board felt that some member banks were trying to make F.R. Banks appear weak, by refusing to ask for rediscounts. Later this was voted down--Willis said--because I suggested that such action might alarm business people. The N.Y. Times, this morning after praising the Reserve System said a Reserve Bank not making expenses, must prove its right to continue.

Nov. 18. Thursday. Spoke before Phila. Chamber of Commerce.

Nov. 19. Friday. Mr Lyerly of Federal Reserve Council called and said that the Council had considered subject of cutting down F.R. Districts & Banks--that while many believed this could easily be done, the Council was unanimously of opinion that at this present time such action was out of the question & should not be considered. Also said he thought it a great mistake to <sup>114</sup> abolishing Comptroller's office and had so written Mr Morgan who because of illness, did not attend meeting of Council. At meeting this A.M. Harding said that while recently in Chicago, he learned authoritatively that 25 of most powerful National Banks in country, were secretly arranging to leave the National Banking System & take out charters as State Banks. Delano gave me copy of new report of Redistricting

Comm. which Comm. are to ask on Monday to be substituted for original report. In this new report Comm. simply strikes out 5 or 6 pages in which they give reasons for necessity of redistricting whole country. Evidently they do this to avoid giving their reasons & figures etc. on which August report was based. Delano promised to give us all data asked for in my Resolution--on Monday-- Believe he will now decline to give such data. Willis today said Comm. gave him proposed plan & map which they said they had tentatively agreed upon, but that they had taken the plan & map back and now had it in their possession; also said Cotton had discussed matter with Dr. Miller in detail and that Dr. M. seemed weakening. Elliott said today also that Miller had consulted with Cotton on this matter.

Nov. 20. Saturday. Attended meeting of Joint Rural Credits Comm. Later lunched with Senator Owens. He said a copy of redistricting Comm. report had been given him & asked what whole matter meant. I told him briefly but said nothing about Delano's charge against McAdoo. He was furious and said if such redistricting were attempted, Congress would interfere & charges would be brought vs redistricting Comm. I told him Comm. relied on his statement in Oklahoma redistricting hearing, that Reserve Board could abolish Reserve Banks. He said he was now satisfied that they had no such power but if he had at any time stated contrary, he was broad enough to change opinion after study of the matter ---which he has apparently given it. Later Senator Hoke Smith spoke to me--he was terribly stirred up and said he had just had a talk with Harding who was decidedly weakening. He told Harding every abolished Bank would go into Court & seek an injunction and Harding finally said he would not vote for any measure which would surely result in a law suit. Later Willis came in & said Harding had asked him to act as an intermediary between Comm. & Secy. McAdoo & asked him to see Secy. at his house and say H. would like to talk with him in Willis' presence; that he (and I think he said the Comm.) would be willing to put off redistricting if the Secy. would yield to their views on certain other matters-- i.e. open market powers, clearings etc. (Probably these were only Harding's

views as to clearings & Warburg's as to open market powers or perhaps views of<sup>143.</sup> both, but I know Delano wants clearings put through but he is wobbly about open market powers ). Later Willis said Harding said Comm. would compromise if Secy would agree to fire out Starek at N.Y. & force Comptroller to give all reports to F.R. Agents. Willis said he saw McAdoo who agreed to meet Harding tomorrow-- Sunday morning--but said he preferred not to have Willis present. I then called up Secy. & told him of events of day--he spoke of Harding's appointment with him-- I said I will never agree to compromise by changing vote on any other matter & Secy. said he never would either.

10.30 P.M. Returned from dinner--found message from Secy. McAdoo asking me to call him up. I did & he said he wished I would write the Pres. as Gov. & ask him to obtain opinion from the Atty. Gen. as to lawful authority of F.R. Board to consolidate certain districts and dissolve certain F.R. Banks. I wrote this at once--see letter book--and will send it to Secy. M. early in morning. Secy. said he would ask it were it not for fact that he had been a member of Reserve Bank <sup>organization</sup> ~~original~~ Comm. The Atty. Gen. has advised our Board that we could not ask an opinion from him not being an Executive Dept. of Govt. but statute prescribes that Pres. may ask his opinion on any subject. I did not receive Mr Cotton's opinion that the Board had such power until late this P.M.--too late to call any meeting, but I felt that any citizen at any time can address Pres. on any subject & that in view of conflicting opinions of Elliott & Cotton, it was of vital importance to F.R. System's future welfare to have such an opinion to lay before my colleagues at meeting Monday morning.

Nov. 21. Sunday. McAdoo called me--said he got my letter & it was being attended to--I told him I had put together some new ideas on the legal question & he asked me to send it to Atty. Gen. which I did. Said he had had a talk with Harding and he said he would not vote to precipitate a law suit &--would vote to dismiss whole matter. Secy. said he made no promise of any kind--nor did he say Harding had asked any. Said he told Harding, Govt. should be given power to appoint 6 directors out of 9 & that Harding agreed to this.

Nov. 22. President Wilson sent me letter saying he would with much pleasure ask

opinion from Atty. Gen. as to power of Board, and Atty. Gen. gave opinion & it was sent to me early this A.M. Board met 11 A.M. Secy. M. stated that he had intended for some time to ask Atty. Gen. officially for opinion to guide him as Secy. of Treasury in voting as an Ex-Officio member of Board; that he had sent all material documents, dates etc. to him some days ago and that Atty. Gen. had been looking into the matter; that on Saturday he had received Cotton's opinion & felt the Atty. Gen.'s should also be obtained; that on reflection he had felt that it might be somewhat embarrassing for him as a member of Reserve Bank Organization Comm.--to ask for Atty. Gen's opinion--that there was no time to spare as he assumed matter might come to a vote at Board meeting Monday--that he called me up Saturday night, Nov. 20, and asked if I would be willing to write letter to Pres. asking him to ask Atty. Gen. for an opinion, which I said I would do and did and that the opinion was here. I then read to Board my letter to Pres. & his reply and laid Atty. Gen's opinion before Board. I explained that if there had been any meeting of Board I would have been very glad to tell the Board what I intended to do but that I had every reason to believe that the matter would be continuously debated beginning Monday morning & that in view of conflicting opinions of our Counsel, I deemed it most important to have before us the opinion of Atty. Gen. which he had been working on for some days in accordance with Secy. McAdoo's informal request. While giving this explanation gladly, I added that in my letter to Pres., I stated that I wanted the information as a Member as well as Gov. of Board and that I believed that any Member had a right at any time to see or write the Pres. upon any matter; that I had signed the letter, of course, as Gov. of Reserve Board because that was my official title and in addressing the President, it was proper to use this title. Instantly there was an uproar. Miller yelled out--"Then you took orders from the Secy. of the Treasury"! I replied "I have already told you that I acted entirely upon my own volition and assume entire responsibility for my action". Warburg also was very ugly as also Delano & Harding. They all said Gov. is servant of the Board & had no right to address Pres. without a vote of Board. I again explained that the matter was an emergency & that there could not have been a meeting between Saturday night & Monday morn-

ing & I had to act as I deemed best. I added that it never occurred to me <sup>145</sup> that any Member would object to obtaining an opinion from Atty. Gen., especially in view of conflict of opinion of our Counsel. They all said they were delighted to have the opinion but that they were shocked at my writing Pres. without asking for vote of Board. Secy. McAdoo then addressed Miller & informed him that our proceedings were subject to general rules of Parliamentary law & that no Member could insult or impute improper motives to another & this squelched Miller.

I could have reminded DeLano that he had acted in same way last summer when without obtaining any authority from Board, he went to N.Y.--took Gov. Strong & went <sup>/see</sup> to J.P. Morgan at Marblehead & Col. House at Manchester. (See supra p.)

They all said matter should not rest there but my powers must be defined. I then read to Board a letter from Senator Hoke Smith protesting against any reduction in districts & Reserve Banks--I added that he told me Saturday that he had told Harding he should write this. I next read a letter from Senator Owen with same objections--he referred to a suggested plan to abolish Boston, Minneapolis, Cleveland, Dallas, Atlanta & consolidation of St. Louis & Kansas City. I explained to Board that Owen told me a copy of Comm. report had been sent him--Secy. McAdoo had already told Board he had sent him one--& he asked me directly what districts or Reserve Banks were proposed to be abolished. I told him that DeLano had told Board that Comm. had not agreed upon any specific plan but that Williams told me Harding had <sup>120</sup> him a map showing a new scheme & that while he had not examined it (See supra p.) Harding had told him that it abolished Boston, Minneapolis, Cleveland (substituting Cincinnati) consolidating Kansas City with St. Louis--Atlanta & Richmond and made N. Orleans a Federal Reserve Bank & also added Baltimore to Phila

I said this explained Senator Owen's allusion to a proposed scheme. (The Comm. report simply recommended reducing Districts & Reserve Banks to 8 or 9). Warburg was very bitter--said this letter must be answered--that he had never advocated transferring Boston to N.Y. etc. (This is directly contra to Willis' statement that Miller objected at one time to Warburg's plan of consolidating Boston with N.Y.) Williams then moved that the proceedings be taken down by a stenographer--instantly more confusion. They all said they would be delighted if it were

made a rule for the future for all meetings of Board, but they would vote against this. We argued pro & con and finally Harding moved to amend motion so that any 2 members could demand a stenographer. Williams said he would move that a stenographer be appointed for this proceeding & that any 2 could demand one at any time. I seconded this. Finally after long discussion, Secy. McAdoo asked Williams to withdraw this for the present & he did so.

The Board then asked me to ask Atty. Gen. Gregory & President not to publish opinion for the present in which all agreed & we then adjourned until 3 P.M.

I at once telephoned Atty. Gen's office through Foulke & he said he would not publish it & I wrote him & also the President to same effect.

3 P.M. Discussion again resumed, Warburg said Comm. were put in false position--that evidently the speed at which opinion obtained, showed someone was trying to prevent Board from taking such action--I at once asked him if he referred to Pres. of U.S. & somewhat abashed he said NO.

Warburg said; Board placed in position detrimental to its usefulness & dignity; extraordinary for Gov. to address Pres.--Gov. a servant of Board; we would gladly have agreed to postponement of discussion in order to obtain opinion of Atty. Gen. we had no intention of forcing any vote Monday--glad to discuss question fully in every aspect but C.S.H. introduced a Resolution intended for delay.

Delano also said not any intention to crowd debate--Comm. said had no such intention.

C.S.H. then reminded Delano that what he & Warburg called unreasonable delay was C.S.H. request for one week to examine into facts upon which Comm. conclusions were based--none of which were detailed in report; that Delano moved to take up matter next day in spite of Secy.'s request for reasonable <sup>adjournment</sup> ~~adjustment~~ till he could be present; that Miller said no need for debate--we know all about it now; that Warburg said matter must be decided at once--that at outside 2 days would be ample. Williams then reminded Delano that he said if not decided before Friday, Harding would be away & as other members would also be away from time to time, it would be Dec. 6 before we could come together again which was out of the question. None of them denied this.

C.S.H. then reminded them that twice Delano had said he had four votes in favor of ordering a cutting down of Districts & Reserve Banks--Miller at once said this was true but that he had denied that he had pledged his vote. I again stated that I had every reason to believe that the matter would be kept in debate beginning Monday until settled; that while Comm, now said would be glad to discuss the law--their 1st. report said they had given careful consideration to the law and Delano said Elliott had changed his opinion and agreed with Cotton. Delano denied this with some qualifications--but I am positive on this point for Elliott came in Monday morning Nov. 15 & I told him what Delano had said in Williams presence, & he said it was not true. I also pointed out that the 2nd report omitted this statement as to having considered the legal aspects.

Delano then said Board had given its consent to withdraw 1st. report & substitute the 2nd. I denied this & said Board voted to receive 1st. report & I ruled that Comm. not being discharged could report again if it wished & Board would then decide what to do with it; that this A.M. we simply voted to receive the 2nd. report. Willis said this was true.

Delano & Warburg also said Comm. would not have asked any action except by unanimous vote of Board--a statement as to intention so absurd, grotesque and untrue that it fairly made me gasp !

Harding said Comm. had been put in false light with Pres. who had been made to believe snap action was intended--Secy. McAdoo said any Member could write Pres. if he desired.

(On going upstairs after morning adjournment, Delano spoke again of probable remonstrance especially by Warburg as to my letter to Pres., I said if any Member wished, he could write Pres. & I would then send him my written account of everything which had transpired--in which I had fairly but with some strong comments & expressions of opinion, set forth all the facts --a reading of which would show very clearly my reasons for believing Comm. & Miller intended to jam through a redistricting. I said it would give me pleasure to have such a letter written by Warburg or any other Member.)

Warburg also alluded to fact that he had at meeting of Nov. 15 said he would cancel his southern engagement but later he told us the pressure was so great that he would probably have to go. The fact of his statement as to cancellation shows his intention as to forcing a vote. That, later he said he would go, is hardly sufficient evidence for me to doubt intention was to force a vote--he was not to go anyway until tonight (Monday) as he said at the time & this would lead me to believe he hoped to force a vote on Monday before he left.

DeLano in P.M. said there were 5 pending petitions & he thought action should be taken on them at least. I thereupon offered a resolution quoting official statement of Board in May 1915 and letter from Board to Whipple, Conn. bank Pres. later in May to effect that the Board would make no further changes in work of Organization Comm.--that future changes will depend on experience under operation of Act--and Resolving that Comm. on redistricting be instructed to examine petitions & report in detail whether any experience under Act had demonstrated wisdom of changes in District lines; also that Comm. report on Petitions where no hearings had been given by Board which experience had shown necessity for a Hearing. I omitted all reference to petitions for redesignation of Reserve Cities because--as I explained to Board I felt the F.R. Board had no authority to redesignate F.R. Cities. Finally DeLano moved that the whole matter be indefinitely tabled & it was so voted unanimously. Later it was agreed that if Atty. Gen. & Elliott's opinion did not pass upon authority of Board to Redesignate F.R. Cities--apart from changes in District lines--we should ask Atty. Gen's opinion. Warburg then spoke for some minutes, saying that he wished to go on record with firm, unchangeable belief, that the F.R. System could not succeed with 12 Banks and that they ought to be cut down to 8 or 9. He complained bitterly that we had declined to ask Atty. Gen's opinion on questions concerning entrance of State Banks and on Neutrality. Thus this controversy ended. I am satisfied that Miller must have told Comm. that he would vote against them and that this was reason for DeLano's motion to table. I, of course, withdrew my Resolution as to the pending Petitions when DeLano moved to table whole matter.

We had some discussion over Wisconsin petition. Miller & Warburg seemed to think we ought to grant it because the banks wanted it. Delano agreed to this but said that to grant it would greatly weaken Minneapolis Bank. I pointed out that a status had been created based upon districting of Organization Comm. & that any one seeking to overthrow that status had the burden of proof to show injury under it and as the banks in question had in all probability rediscounted little if at all, no such injury could be shown; also that this policy had been officially announced in May by unanimous vote of Board.

We also discussed clearings. The Comm. of Agents & Govrs. favored a mandatory system based upon deferred debit & credit but would not recommend it unless Board would announce that it was mandatory in law. Elliott & Cotton had said we could not put in a mandatory system. I said I thought the opinion was wrong. Warburg was very mad--said if anyone had a plan to present it now--was mad at Senator Owen's remarks in letter about clearings & seemed to think it was aimed at him & I had inspired it. I told him Senator Owen had not mentioned clearings to me & this seemed to mollify him. I also said I had told Glass before Board that altho I ~~was~~ most radical member of Board on clearings, I could not say we had not gone ahead as fast as possible; that we had had to explore many blind alleys & we all wanted to find outlet. Warburg suggested a letter strongly advocating proposed system & favoring making City, containing anyone declining to come in, a Reserve City thus increasing reserves; also putting any banks declining to come in, on a black list etc. Also discussed proposed regulation on open market purchase of State Bank acceptances--I pointed out some obscurities--Warburg was very ugly.

Warburg went south to speak; sent us a letter with above ideas but omitting Black list. Miller said Agents would not accept this but insisted on a square ruling. I suggested obtaining opinion of Atty. Gen. but Delano did not favor this. Secy. McAdoo sent letter to Board that he would remove all deposits from National Banks in F.R. Cities & would place them in F.R. Banks.

Miller moved that a Comm. be appointed to report next Monday a complete draft of Regulation covering all open market regulations--it was suggested & so

voted that Miller & Harding be appointed. Harding said, sarcastically, he would be ready to report. [Evidently Miller is scared because of his action re Redistricting & wants to go on record for some radical leanings.] Willis said Warburg came to him & was very ugly as to any regulation as to purchase of foreign Bill of Exchange--said members knew nothing about it--Willis said some experts know about it & Board can retain them. Willis said Warburg insulted him by intimating he (Willis) knew nothing about it.

Nov. 24 Thursday. Left 6.15 P.M. for Chicago.

Nov. 25. Friday. Spoke at Western Economic Soc. dinner at Hotel LaSalle. Senator Burton also spoke. After meeting, Dr. Laughlin came up to my room. Said up to a certain point, always had ear of Pres. but after that could not even see him. Said Willis had not treated him fairly. Gave a history of F.R. Act--Willis & he drafted measure for Glass who gradually induced his Comm. to accept it as also Demo. caucus to which Pres. sent it with his approval. When Bill was before Senate, he found that D. Miller had a copy of it --and I understood him to say--I may be mistaken--that he was conferring with N.Y. financiers to emasculate it. Said originally he was employed to give whole time to this; the N.Y. men knew their names would kill it & induced Chicago men to undertake it, N.Y. subscribing liberally to expenses which were all absolutely legitimate while he had charge; an enormous amount of work done in west & south to stir up the people--no attempt to influence Congressmen or Senators except in this way; said even Senator Vardaman accepted the Bill. Said the N.Y. leaders were Vanderbilt--Warburg & Busch. They soon found that Chicago was acting in good faith--seeking a Bill in interest of all the people & that N.Y. did not like this --they wanted to pull the strings & felt that as they had contributed so largely to expense, they had right to say what the Bill should be; that finally N.Y. refused to give any more money as they could not dominate & Chicago had to raise enough to carry matter through. Finally, disgusted with N.Y.--he threw matter up. Said that Busch (Irving) told him in strict confidence, they had raised or were raising a "slush" fund. Said that Warburg was absolutely unprincipled--would do

any kind of underhanded dirty work; that Aldrich disliked him & said he had done little or nothing to help. Said he became convinced that Aldrich plan must be thrown over as the people would not swallow it. Said Warburg was crazy to get on Reserve Board and all his talk of sacrifice etc. was pure hypocrisy; that, in his opinion Warburg secured his confirmation by use of money; that the N.Y. people have retained lobbyists & had even put spies in his office. Said Warburg was absolutely unfit for appointment to Reserve Board--that he was simply an investment Bank & Stock broker & knew nothing of Commercial credits. I told him I had suggested his name to McAdoo for a position on Reserve Board--he said he knew Warburg had fought him & would fight him.

Nov. 29. Monday. Delano read long article to Board, deprecating personal disputes and urging harmony. Talked almost as if he were only harmonious person on Board altho he did admit he had with others "done things he ought not to have done," also spoke of open Market powers & clearings & said thought Board were really not far apart. Secy. McAdoo called on each of us & all agreed differences should be united. I pointed out feeling of many banks that F.R.Banks depended on sufferance & good will of member banks & that we should disabuse that impression etc.

Dr. Willis told me, walking home with me, that Delano one day asked him if Warburg had "shown him anything"; he said Yes, a report typewritten & a map cutting down districts and abolishing 4 banks. Delano said he would have spoken of it before but he felt Warburg might not like it. Delano added it is important that this be kept secret & Willis said of course he should not give it out--Delano said I mean secret from other members of the Board. ! Said also Warburg called him into office & asked him to read a typewritten copy of said report--the one offered by Harding to Williams--he would not let it go out of office, however. Said Comm. were undecided in submitting first report whether to put in it definite plan for abolishing Reserve districts & banks--that Miller had talked with him as to advisability of this & had spent at one time over an hour arguing in favor of the general plan of cutting down--which Willis absolutely disagreed with.

On subject of legal question, Warburg said other day, they would have been glad

to postpone matter for Atty. Gen.'s opinion as of course they would not care to do anything which might necessitate Court proceedings. Willis referred to this & said Warburg had previously to first row at meeting, said he did not care if legal proceedings did result with trouble for a few weeks. The more I learn --the more satisfied I am that there was a deliberate conspiracy to jam through this redistricting before Congress could meet. Willis also told me of his trouble with Dr. Laughlin. Said L. was retained by bankers association--Chicago & N.Y.; that he was retained to write the book on Banking & wrote 75% of it-- Dr. L. inserting paragraphs as to National Reserve Association Bill; that Dr. L. made many suggestions to Glass & himself; that he thought unhesitatedly that Dr. L. had given bankers to believe that as an old teacher of Willis, he could dominate his views. That Willis prepared draft of Bill for Glass Comm.; that Dr. L. got Glass to tell him general theory he was working on--of consolidation of reserves-- & asked if he could draw a Bill showing his--Dr. L.'s --views & Glass said Yes, --that Dr. L. then drew a Bill of which Willis has a copy; that the Glass bill was not founded in any way upon Dr. L.'s bill; that they were careful not to base Administration bill upon any bill presented by special banking interests; that Dr. L. wrote Willis asking for copy of Administration bill but Willis replied he could not as he had been forbidden to disclose it to anyone; that this made Dr. L. very angry; that later a Chicago banker (either Hurlburt or Farwell) stated publicly that F.R. Act was based on Dr. L.'s bill; that Willis at once wrote denying this. Also said N.Y. crowd tried to have Glass removed from Comm., also to have Willis removed as expert--that the National City Bank worked on Ailes in Washington but he declined to have anything to do with it; that they induced Congress or Senate Comm. to summon him & he appeared & showed by documents that Administration Bill was not founded on Dr. L.'s or any other Banker's bill. He said N.Y. crowd, especially Warburg, brought every pressure upon him to control the Bill & that once Gov. Strong came very near offering him a bribe. Also said Dr. L. was an honest man but that he wrote him directly as to authorship of Administration Bill & Dr. L. refused to discuss matter; said Dr. L. became convinced the bankers

were working for their own rather than for people's interest; that Forgan<sup>153</sup> & Reynolds of Chicago were more narrow and bigoted than Vanderlip & Busch, & Dr. L. finally gave up in disgust.

Board voted today, that I accept invitation of the Republican Club of N.Y. to address it on F.R. Act in January. Warburg said Club had previously invited him but that as he was a Republican he thought it best to decline. This is the second time he has announced to the Board that he is a Republican. I had thought that he had told Senate Comm. when called before it on subject of his confirmation that he had no politics but would have voted for Wilson had he been qualified to vote. In addition to above, last year when attacked in Senate, he wrote Senator Weeks saying he was a Republican & complaining against Republican attacks & Weeks replied that he was against such attacks.

Dec. 1. Wednesday. Took up question in Board of approving minutes of meeting of Nov. 22 when Atty. Gen.'s opinion was read by me. Willis read a very abbreviated account and an amplified one. Did not exactly please anyone and no action was taken. Miller & Delano wanted a short report & Harding & Warburg a longer one. Much discussion about my act in asking Pres. to get opinion of Atty. Gen.

Harding said he had drawn a draft of Comm. report on this but it had not been passed by Comm. I said would be glad to have any action Comm. desired as to a further report but of course if my Act was criticized, I should submit in full my reasons for believing an emergency existed warranting my action; Miller complained of executive interference referring--as he expressly said--to the Pres.

We discussed the matter the whole morning--I said there was an emergency justifying my action--similar to emergency I presumed must have existed when Delano as Vice-Gov. went with Gov. Strong to Mr Morgan & Col. House. Delano said he did this as an individual & I replied that I wrote letter to Pres. as a Member as well as Gov. Miller made a long statement admitting he had written the whole report of redistricting Comm. & had consulted with the Comm. as to specific plans--absolutely inconsistent with his statements on Nov. 15. Said he was satisfied work of Organization Comm. was done badly--thought Sec. very foolish not to cooperate now & correct errors from within as otherwise they would surely later be

corrected from without & this might mean a redistricting to 3 or 4 districts. I suggested it might mean--without expressing any opinion--an increase to 15 or 20. Finally I asked if I could see the last plan of Comm. & report on which it was based. At first Delano & Warburg objected. Delano asked "For what ulterior purpose do you want it"? Warburg said he might agree to our seeing it if I would agree never to speak of it or show it to anyone. I replied that I had no "ulterior purpose" nor had I up to that time even thought of showing the map to anyone but that I certainly would make no such agreement as a condition of seeing what was property of the F.R. Board. Finally Delano sent up & had brought down maps as follows; 1. marked by him as Hardings; 2. marked by him as his own; 3. marked by him as Willis' criticism of the Comm. plan (sic). Warburg mumbled something about have had plans in the alternative. Willis was very angry at reference to his map & asked 5 minutes in which to explain. He said he was appointed Secy. of the Comm. yet had never been asked to attend a single meeting; that Warburg had brought him a draft of report & asked him to delimit the districts; that this abolished 4 Banks; that secrecy was enjoined upon him by Warburg--that Delano also enjoined secrecy & said he was glad he had not mentioned it to anyone for it would have queered him with Warburg. Willis explained that he had talked with me after Harding's talk with Williams. After luncheon Willis came to my office and said he had delimited districts on a plan given him by Warburg & that the plan abolished Minneapolis & Boston etc. At that moment Warburg came in and gave me 2 plans, neither of which abolished Boston. In the morning session, he said Harding was the only one favoring abolishing Boston & he did this because Atlanta & Dallas were to be abolished. This is in direct conflict with what Dr. Willis said. Before going to lunch, Delano came in & began to talk. I told him frankly that I wanted to talk with him Sunday Nov. 14 on Annapolis trip but I thought he avoided driving with me to avoid discussion. He said this was not so--that his wife asked him to stay with her. I said if we had had a talk we should have avoided much trouble. I spoke also of Harding's ultimatum to the Pres. and at first he rather took the view that Harding was speaking only personally but I reminded him that H. had said Nov. 15 that he had reported his talk with Williams to the

Comm. & he remained silent, and this P.M. Williams said it was stated at one of the meetings that the Comm. asked Harding to see him, Williams. Warburg in favoring a complete statement on minutes kept saying "We must not forge the records". I explained to him that the suggestion of Miller & Delano was not to "forge" the records but to put upon record the reports, resolutions, votes etc. without trying to state in full the bitter remarks, debates etc. This latter Warburg himself said was not necessary to be inserted.

Thursday, Dec. 2. In looking over Redistricting papers, I came across a copy of a letter of Williams to Secy. McAdoo dated Nov. 12, enclosing a printed or rather typewritten mem. of Harding's talk with him. The letter says: "I enclose a mem. of an interview with Mr Harding who has seen & confirms it--he asked if I would tell you that, when he called on you 2 or 3 evenings ago, he carried with him a copy of the Comm.'s report and a map showing the proposed redistricting with permission from the Comm. to leave it with you for your information----- He stated that he now has it in his desk & will be pleased to send it to you should you care to see it before it is submitted to the Board next week. Personally I have not seen the report or the map. Sincerely Yrs. Jno. Skelton Williams.

The mem. referred to--of which I have a copy--as also of above letter--gives their talk in detail. The proposition as to submitting to Pres. etc. is stated by Harding in mem. as from Man to Man. Harding however stated in meeting of Nov. 15, that he reported whole conversation to the Comm. and none of them questioned or denied his authority. Then the Comm. authorized him to present a map & he told Williams the plan abolished Boston, Minneapolis & Atlanta etc.

Willis came in late this P.M. and among other things said that 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 for a copy of the draft of the Bill for Warburg. Willis declined & the man said Mr Warburg has a long memory both for his friends & enemies. Also said "Secy. McAdoo is under heavy obligations to Kuhn, Loeb & Co. and he will certainly give Warburg a copy as soon as he gets one". Willis still declined. Said also that Col. House obtained a copy & gave

one to Warburg & that later they went to Europe together, whence Warburg from Switzerland wrote a letter bitterly attacking the Bill, especially the consolidation of reserves which he said would draw money from the Stock Exchange and he disfavored (sic) any such interference with the Stock Exchange. Willis said also, he discovered that Dr. Miller had a copy--that Glass was very much disturbed & that McAdoo explained that he had asked him to examine it, giving him a copy but that his suggestions were of no value. Willis said he heard from other sources that Miller was bitterly opposed to the Bill. I examined minutes of meeting of Nov. 15 and 22--not yet approved and made some suggestions in writing to Williams. Williams this A.M. came in and said Miller ought to be asked to resign--that he was building a house and that this was the time to act. I deprecated any such action--said it would lead to a political controversy no matter what the merits might be. I then went to Secy. McAdoo & said the same, adding that I feared Delano at least might resign if Miller were asked to. He said he did not care if they all resigned--that the country would recognize that the Administration intended to protect the Bill and conserve to the people the prosperity engendered by the F.R. Act. He then said--suppose we put Glass on the Board in Miller's place? The whole country would applaud this. I said no one respects Glass or admires him and his ability more than I--but in my opinion such an act at this time would be political suicide. It would inject a fierce political fight--disturb the country and rob the Administration of much of the credit now conceded to it even by Republicans for enacting the Act. It would be playing politically into the hands of the Republican party. I begged him to think this over well & he said he would, but I fear I made little impression upon him.

Dec. 3. Friday. Delano presented a 3rd. report from Comm. on Redistricting. It was an attempt to justify action of Comm.--contained errors of fact--spoke of dilatory methods--said would not now criticize propriety of action of Gov. in asking Pres. for opinion etc. I told Delano that I had no objection to report being received provided certain errors were stricken out & reference to propriety

of my action etc. He said as did Harding also--that they would look into this. I agreed that if changes made, report could be filed as of today but that if propriety of my action was referred to, I should have to file a report justifying it. We had a long wrangle all the morning as to minutes of meetings of Nov. 15 & 22 or 29. I suggested certain additions. Delano submitted proposed letter ruling that Chief examiners ought not to serve as Deputy F.R. Agents. Williams asked that it go over to Dec. 13 or at least one week. This was bitterly objected to. Harding said matter was referred to Secy. McAdoo & himself & that they reported that the general policy should be laid down as per above letter: said I also favored this. I said I had favored this policy & believed in it now, but thought we ought to give time for discussion. Williams said Secy. McAdoo should have opportunity to consider it. Harding then got mad--said Williams was misrepresenting Secy. McAdoo who favored this policy--that 6 members were present & matter should not be delayed etc. Finally, as Delano & Harding were going South tomorrow--matter was postponed to Dec. 13. At noon recess I read over proposed letter--found it contained nothing as to removal of Examiners as Directors but was confined to their ceasing to be Deputy F.R. Agents. I said this at meeting in afternoon, Harding & Delano vigorously denied this --I asked Delano to point out where the letter favored removal as Govt. directors. He underscored the last few lines. I said this merely spoke of Examiners being relieved of their direct duties etc. meaning as I read it, duties as Deputy F.R. Agents. They both denied this.

I then said I saw no reason for removing either Gatch or Starek (each of whom have 1 year more); that Furst's term would expire Jan. 1; that question would arise whether Furst should not be made an unattached Govt. director: that this was a question of policy which Board could determine; that however this was determined, there was no reason why Examiners whose terms had not expired should not cease to be Deputy F.R. Agents but continue at Govt. directors at least until their terms expire. The matter was then dropped for present. Walked home with Secy. McAdoo--he said he had read my reply to Warburg's history of Acceptance regulations & thought I certainly should send it to him. (I gave Secy. a copy

two days ago to read & advise me whether to send it). Secy. McAdoo said Pres. would shortly send for me & go over split in Board & then would send for Delano also. Said he had asked Warburg to go on International High Commission on South American affairs. Some days ago, he asked me what I thought of this & I said I thought it might be a good idea. Willis told me a day or so ago, he heard Warburg telephoning Gov. Strong suggesting postponing next meeting of Federal Advisory Council until after our annual report next year. A suggestion had been made in Board that a statement of cost of Council be prepared.

Dec. 4, Saturday. This morning at meeting, I told the Redistricting Comm. that I had looked over their proposed third report & desired merely to say that there were certain statements in it which to my mind made it necessary for me to place upon record my full reasons for writing the President. I had also written Delano to same effect, conceding of course that the Comm. had a right to file any report it pleased until discharged & the Board could receive it & make such disposition of it as it saw fit. I said I merely wanted to say that I was willing to leave the matter as it now stood on the record but if the Comm. preferred to put matter into report which seemed to me should be answered, it was for them to determine. Williams then said he had determined to file an answer to this report as it was then presented. The Comm. asked me to point out what it was to which I referred & I pointed out certain clear errors of statement also references to "dilatatory tactics"; my act in writing Pres. etc. (See letter to Delano.)

Delano thought Comm. ought to look report over & perhaps revise it, -- Harding thought it should all be kept in and I could answer it any way I choose. Warburg appeared to rather lean towards Delano's view but insisted on keeping in reference to my letter to Pres. etc. Finally it was agreed they could look it over & file it in any form they wished later. During the talk, they all insisted on keeping in statement that if Atty. Gen. had known that branches would be opened wherever F.R. banks were abolished, he would not have used language as to Banks rooting in ground etc. I pointed out that no reference to branches was made in either of Comm. reports or in Cotton's opinion & that Cotton's opinion was given to Atty.

Gen. & referred to by him in his opinion. They all replied that if we had discussed the matter on the merits, this would have appeared. I pointed out that a branch would be a different corporation from the dissolved F.R. Bank--both as to capital and perhaps as to territory; that 4 of the 7 Branch directors would be appointed by the main F.R. Bank & their tenure would be at will of latter directors. Warburg said all the directors would be at once reappointed but Williams asked by what authority, he made statement as to what the directors of the parent Bank would do. Furthermore, what I did not mention was that Branch banks are created under the Act not by Reserve Board but by the parent F.R. Bank. Delano then said that while in Minneapolis, this very matter was discussed with Mr. Jaffery of the Minneapolis Bank and that he said it would be better for that District if the F.R. bank could be abolished if a Branch Bank of Chicago F.R. bank were put in its place. Delano quickly, however, added--all I discussed with him was the general matter of abolishing the Bank suggested by Gov. Burke. Later Harding said he had had a talk this A.M. with the Secy. of Treasury about Starek matter and question of Chief Examiners serving as Deputy F.R. agents and that Secy. had said & he--Harding--assured the Board there would be no difficulty in reaching a satisfactory settlement of whole matter. Delano also said that if the Sec. of Treasury had been present at meeting of Nov. 15--there would have been no row or misunderstanding. Warburg said he thought Williams & I should apologize to the Comm. for our conduct! Williams replied that he had been daily expecting an apology from the Comm. Willis told me this P.M. that the statement in his minutes of meeting of Nov. 22 (or perhaps Nov. 24) that Warburg said that anyone who would not agree that the Districts should be cut down to 8 was an enemy of the System was absolutely correct and that Delano told him this was so but that Warburg had lost his temper & the words should not be recorded.

This P.M. Delano sent me a new draft of the 3rd. report. It adopted most of my suggestions but kept in a reference to fact that I had written Pres. without authority of Board--also reference to complaint that Atty. Gen. was not told that branches would be created wherever F.R. Banks were abolished. I prepared draft of

letter to Delano which I may send Monday acknowledging this. Question is <sup>now</sup><sup>160</sup>. whether I should not file answer to this report specifically stating all the facts justifying my letter to President.

Before adjourning, Williams made a motion that Comm. at once file with Board all data, arguments etc. which they said they had in their possession in said preliminary draft of 3rd. report. Delano said they would be willing to prepare these but Williams pointed out report said they already had them. At my suggestion, Williams said this motion would remain unacted upon today with liberty to bring it up at some future meeting, and, no objection being made, this was agreed to.

Delano finally moved that the 3rd. report should be considered as filed this day with such changes as Comm. might decide today to make in it and that any further discussion be postponed until his & Harding's return from Atlanta. All voted for this except Harding who asked to be recorded against it.

Called up Secy. McA<sub>900</sub> this evening & told him what Harding had said as to his talk with him about Starek: McAdoo said he was amazed--that there was not a word of truth in it--that he had simply talked over the matter with Harding and had said he did not see any necessity for removing Starek but that he could remain as Govt. director but be relieved of acting as Deputy Reserve Agent provided the Board voted that such course was desirable for all Examiners who also were Deputy Reserve Agents--that Harding had said that Starek should be dropped as Govt. Director; that he thereupon said he would look into the matter carefully and talk it over with the Board.

Bertie & I dined with British Ambassador to meet Sir Paul & Lady Harvey-- Sir Paul represents British Govt. in loan credit negotiations. After dinner had very pleasant talk all together as to general topics but nothing as to the business on which Sir Paul came over. Returning to ladies, Sir Paul asked me many questions as to F.R. Act and I explained it & said I would send him some of my speeches. On starting home, while in outer hall, I said to Sir Cecil how sorry I was not to have had a longer talk with Sir Paul & that I was to send him some speeches explaining the F.R. Act. Sir Cecil at once said--why cant he drop around to see you tomorrow morning--I, of course, said I should be glad to see him

and said I should be at home whole morning--let him telephone me any time he can come.

Dec. 5. Sunday. At 9.30 British Embassy telephoned to ask if I could see Sir Cecil & Sir Paul at 10 oclock; I sent back message that I should be glad to. Later, I thought matter over, and felt that to have the British Ambassador and Sir Paul call, might lend an appearance of formality which neither of us intended and if matter should ever come up as to whether our Govt. had officially had anything to do with English Bank credits, it might cause some comment if it were known that the Ambassador & Sir Paul had called upon me, even though nothing were said about the credit matter either formally or informally. I felt also that it would be impossible for us to talk together without referring in some way to these negotiations. I accordingly telephoned the Embassy, sending a message that since saying I would be glad to see them, an important matter had come up, which would necessitate my seeing the Secy. of Treasury and as this would take some time, I regretfully would have to ask him to postpone their call, but would explain this fully when next I saw him.

The important matter referred to above, was simply this--that I felt I ought to consult the Secy. before having an interview which, if known, captious critics might claim to be official, altho such a thought never had entered either of our heads. I felt somewhat strongly as to this because of a feeling on my part, that Warburg ought not to have had any talks with Dr. Albert (see supra) involving any matter which directly or indirectly might have to do with matters which might come before Board. I felt also, that some of my colleagues might resent my taking part in any interview which by any human possibility might be even claimed even wrongly, to put the Reserve Board in an equivocal position. Up to the present time, the Board has never been consulted nor taken any part in any matter relating to foreign credits & I believed it was wise to stick to this course. I then called up Secy. McAdoo--at first he saw no objection to their calling but finally he agreed with me, that on the whole it was better not to have any such interview as if ever brought out by investigation in Congress or otherwise, would or might necessitate some explanation.

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He suggested that I call on the Ambassador and explain to him that such an interview might possibly later embarrass him and therefore I thought it better to postpone it. Just as we were leaving last night the Ambassador spoke of the cotton situation and said that Mr----(dont remember name) was still here, in case there should be any further break in cotton; he also spoke of the splendid work Mr Harding had done to relieve the situation--I made no reply. Not a word was said at the dinner about Sir Paul's work except that in a casual way I said--how are your matters progressing and he said "very satisfactorily". During the dinner, Sir Cecil told H.P.H. that he had called up Asst. Secy. Phillips at State Dept. and asked him whether I outranked Asst. Secy. Peters, and that Phillips said I did.

Dec. 6. Monday. After the meeting, Warburg asked how I felt about 3rd. Comm. report which had been somewhat changed in accord with my suggestions. I said I had not yet read it carefully but would do so. Warburg said if Williams should reply to it, the Comm. would change report & put in some "nasty" things--that Comm. had now shown clearly they were right in all they did. Warburg said they felt obliged to keep in report fact Atty. Gen. was not told that Branches would be established wherever F.R. Banks were abolished. I replied that their report said nothing about branches; that branches must be established by F.R. Banks & not by F.R. Board, under the Act; that the parent bank appointed 4 out of the 7 directors and thus absolutely controlled the branch; furthermore I pointed out that I did not believe the Comm. mentioned branches to Elliott & Cotton when asking their opinion & that---no reason to inform Atty. Gen.; that no man could say whether or not branches would be established. Warburg replied--if the parent bank refused to establish branches, we would set off the consolidated District again into a F.R. District & Bank.

Dec. 10. Friday. Today we approved the minutes of meetings of Nov. 15 & 22--my suggestions adding some items were accepted. Williams & Secy. reserved right to file further statement. I also filed memo. as to 3rd. report of Comm. on redistricting filed Dec. 4. During meeting, Harding said "supposing we decide to make a test case, in spite of Atty. Gen's opinion and consolidate 2 Districts, leaving

it for Court ultimately to determine question". Warburg said at once he thought this ought to be done. Delano said nothing. At meeting Wednesday, Dec. 8 we discussed question of permitting Chief Examiners to serve as Deputy Reserve Agents. Delano presented a report against this. I asked him if this meant removal of Starek in N.Y. He said Yes. I said I agreed to policy--and was only one of Board who previously had--but this did not involve removal of Starek but merely discontinuance as Deputy F.R. Agent leaving him as a Govt. Director, at least until expiration of his term--Delano violently disagreed to this. At today's meeting matter brought up again.

Saturday, Dec. 10. Willis went over letter to Pres. asking him to ask opinion of Atty. Gen. as to our Mandatory power to force banks to clear through F.R. Bank or pay balances after clearing on checks of their's deposited in F.R. Bank by other member banks. Criticized it because Elliott who proposed it, put in a question asking if we could force banks to deposit all items with F.R. Bank. Willis said this not necessary for successful clearing system--only question is, can we force drawee banks to clear etc. Willis also said Reserve Board could not remove Starek if he refused to resign as that would not be "cause" under statute.

Monday, Dec. 12. At Board meeting, eliminated question objected to by Willis in letter to Pres. on clearings. Made other changes & referred it back to Comm. Starek matter again brought up. Williams asked for Elliott's opinion as to "cause" under Reserve Act. Others objected, Delano saying we shall not remove him, we shall do it in another way, we have to approve his salary as Examiner!

Tuesday, Dec. 13. Before rural credits Comm. Delano made another draft of clearing letter to which Willis objected. I asked Willis to redraft it & said I would bring it before Board tomorrow.

Wednesday, Dec. 14. I drafted short letter to Pres. on clearings. Met Glass in corridor and asked him to look at it--he said it was all right as did also Willis. Later Delano said all members agreed to it and gave me a fresh copy which I sent to Pres.

Thursday, Dec. 15. Secy. McA<sup>oo</sup> asked Williams & myself to come to his house at 8.30 P.M. We went there. After a long discussion, Secy. M. seemed inclined

to yield on Starek matter and Williams said he could fix it all right with Starek if Secy. wanted him to. Secy. <sup>was</sup> bitterly incensed with Governors of the Banks--said they must be curbed, that their names should be changed to Presidents --I reminded him that I voted against calling them Governors as it would surely tend to magnify their importance at expense of the F.R. Agents. Secy. M. also referred to lack of harmony between F.R. Agent Ingle & Gov. Seay. I told him Ingle had spoken to me about this last summer at White Sulphur Springs, W. Va. He thought it would be a bad policy for Seay to be reelected Gov. & Williams said he feared Ingle would resign--that he had not yet moved his family to Richmond. Secy. M. said he would talk to other members about this.

Friday, Dec. 16. Williams telephoned in evening, that Secy. M. had talked with them but with no very satisfactory results.

Saturday, Dec. 17. Ingle called & said his position was most humiliating; that Seay had nothing to do with him and arrogated to himself all the functions of the Bank and hardly even treated him with courtesy. He said that if the Gov. was absolutely supreme and the F.R. Agent of the importance of a \$12 or \$1800 clerk then conditions were ideal. Also said his position was most humiliating & that no man of self respect could or would stand it. I advised him to talk frankly with Delano and Harding. Glass came in today--said he was very much disturbed as to conditions in Board--that it acted with no virility or strength--that the bankers laughed at it & did not even respect us; that we should have put in a clearing system long ago etc. I said we would have, had it not been for Elliott's & Cotton's opinions--he said they were no lawyers. I told him if the Atty. Gen. had mandatory powers, I felt sure we would go ahead. He said he did not believe it--that Warburg et als would hold us back. I said wait & see --he said he thought Delano was honest but his surroundings had been such that he failed to grasp the interests of the people against the banks. He said the intent of Congress was to give us mandatory power--I said I agreed and felt they had given us such power but our 2 counsel said No. I then said--go to the Atty. Gen. and explain it to him--also asked what he would say if Atty. Gen. said Congress--whatever it intended--had not in fact given us the power. He said then

we would have to go to Congress for relief. I am satisfied that Willis is responsible for his worries. Willis said today, Secy. should attend all meetings --I fear he thinks I am not satisfactorily running things. He has however, repeatedly told me the Secy. was apt to meekly surrender to Warburg et als especially in his back down on branches for F.R. Banks abroad which he said was a cowardly surrender--this was done when I was in Indianapolis. I really believe Warburg et als dislike me because they cant control me & feel they can coerce the Secy.

Monday, Dec. 20. This P.M. Secy. M. Adoo sent for me to discuss Starek case--he seemed inclined to yield in hopes it would have good effect on majority--asked my opinion. I said their whole purpose is to displace Starek to please N.Y. Reserve Bank directors; personally I should prefer to vote against asking him to resign, altho I shall vote that matter of policy, Examiners should not be Deputy F.R. Agents, but see no reason why Starek could not fill out his remaining one year term by remaining as unattached Govt. director. He said this would not make majority more reasonable & I agreed to this. Finally I said, I agreed to policy and if Starek and Gatch (San F.) chose voluntarily to resign, I should make no objection. He spoke very contemptuously of Warburg and added--"he is crazy to have the Governorship rotated so he can be Gov. some time: perhaps if we could hold that out to him as a bait, it would tend to pacify him". I was very indignant but kept cool and said quietly--"I think after what has taken place, the proper way would be to wait until my term expires,--Aug. 10 next". He at once said--Great God! I hope you understand that as long as I am here you will be at my right hand. I should never even consider any such change." I am satisfied however, that he put this out as a "feeler". After the way in which I have fought to protect the F.R. System from a political assault by Warburg and to help him & the Pres. from having the best asset of our Party practically ruined--I am, to speak mildly, amazed at even the suggestion of turning over the citadel to a public enemy! I think, however, he understood clearly how I should look on any such surrender.

Thursday, Dec. 23. Harding introduced resolution setting forth certain 166.

important questions which should be settled by Board, among which were 1. Examiners reports. 2. Whether Govrs. should serve as Class C. directors. 3. Whether Govs. should be appointed Govt. directors or limited to directors whether Govt. or elected etc. Agreed that passage of resolution should not commit any member on merits but merely expression of opinion that questions should be taken up and settled in that order. Secy. M. said ought to be postponed until next meeting but Harding & others vigorously objected. I moved that 2 above, split up a/serve as Deputy F.R. Agents; B/ as Class C. directors. Harding fought this but Miller voted with us & it was carried. Harding then moved Previous question on the Resolution--at first I thought I would object on ground that previous question was not part of general Parliamentary law and that in any event, we ought not to cut off debate in this summary manner. It occurred to me however, that perhaps we might want to pass some clearing proposition in the same way, so I made no objection. Secy. M. also introduced resolution against any director or officer serving also as political or public officer of the U.S.--State, political Comm. etc. Word "henceforth" was used, clearly showing did not apply to present officers etc. Warburg moved to add word "act" as such, which was passed. On way home, Willis pointed out, that this was broad enough to include Starek as he might be held to be an officer of the U.S. I said, thought Secy. did not intend this to apply to any director now in office but that it did apparently settle policy that when Starek's term expired, he could not be elected.

Saturday, Dec. 24. Asked Secy. about this--he said did not intend it to apply to Examiners at any time nor to directors etc. now in office; he admitted it might be construed to apply to Starek when his term expired, if he was an officer U.S.--but that he had said at time it did not apply to any director or officer now in office but only to directors etc. elected or appointed in future. Warburg said this A.M., he voted for it on assumption that word act meant now & that Secy. introduced it as an easy way of getting rid of Starek. I told him such a thought had never occurred to me. If it has any such application, we should also have to call for resignation of Gov. Wells, Gov. Hanna of N. Dakota as well as Starek.

Tuesday, December 27. After long discussion, passed a resolution forbidding holders of public or political office, U.S., State, Municipal etc. from being eligible for election or to act as directors, officers etc. Also resolution that future policy of Board is that examiners should not be eligible or act as Deputy F.R. Agents or Govt. directors. Williams agreed to give reports to F.R. Agents --see letter.

Wednesday, December 28. Modified above political resolution--directors already elected, not required to resign. Passed resolution, Advisory Council should not be taken from directors, officers etc. of F.R. Banks--not to apply to directors until Jan. 1, 1917. Elected several Govt. directors. Secy. McAdoo said political resolution not intended to apply to those now in office--to make this clear, above amendment passed. I pointed out, that resolution passed today or yesterday as to annual elections of officers, would bar out Gov. Wells from serving as Treasurer of Democratic National Comm. At first Secy. M. said No--but later agreed to this. Elected Peabody director & Deputy F.R. Agent at N.Y. revoking Starek's designation as Deputy F.R. Agent. In discussing appointment of Govt. directors at Kansas City, Williams pointed out that Judge Goodrich --recommended by F.R. Agent Miller--was a Republican and said we were proscribing Democrats. This was first time politics introduced directly into deliberations of Board. Secy. M. said we ought to try to have reasonable number of men of all political faiths represented. Delano said 2 out of 3 Govt. directors at Chicago were Democrats--only a minute was given to this discussion--I had no opportunity to say anything--at proper time, however, I shall make my position clear that politics should not enter into our deliberations.

December 29. Thursday. Agreed on notice to be sent out to Kurst, <sup>F</sup>Gatch & Starek that henceforth Examiners not to serve as Deputy F.R. Agents & as rule for future not to serve as Govt. directors & I was directed to write accordingly. I raised point that I must tell Gatch & Starek whether this decision affected their standing as Govt. directors for balance of terms--Gatch 1 year & Starek 2 years. Secy. M. said ~~with~~ this decision write them not to affect their present tenure as Govt.

directors--everyone heard this & no one objected. I accordingly wrote them<sup>168</sup> as above. I trust this ends the Starek dispute, at least until end of his term. Comm. also presented resolution calling upon Comptroller annually to present for approval, list of Examiners with salaries. Williams asked for opinion of Council & it was voted so to ask Elliott.

1916. Jany. 6. Thursday. Delano & Warburg sent letter to Federal Advisory Council, asking recommendation as to taking steps to raise rates to prevent speculation by member banks etc. I objected on ground no necessity for increasing commercial rates as no speculative activity there and we have no power over speculation & investment loans by member banks. Letter had been sent & agreed finally to let it stand on distinct understanding not to bind any member.

Jany. 12. ~~Tuesday~~ Wednesday. Oswald Villard called and said a Congressman told him there was a scandal connected with Judge Ramsey, appointed Deputy F.R. Agent at Dallas--that the Texas Legislature had forced him to admit that he had committed perjury, etc. He said he would see this Congressman tomorrow and verify matter & if I did not hear from him, I could assume nothing to it.

Jany. 13. Dr. Miller & I held up letter to Judge Ramsey as to qualifying, to hear from Villard. He did not notify us and Board decided to send letter recalling it if necessary by wire, if we should hear from Villard. I asked Houston about Ramsey--said he knew him well--a man of highest character--and nothing in these charges. His appointment had been given out some days ago & was well received. No charge ever brought against him. Secy. McAdoo gave dinner this evening to F.R. Board. Present: Gregory--Houston--Senator Swanson, Mr Glass etc. etc. Bertie sat on left of McAdoo and Mrs Swanson on his right--I was next to Mrs Swanson. Secy. McAdoo told me to go in to dinner directly after Cabinet as that was my rank,. This put me ahead of Glass & Asst. Secy. Roosevelt.

At meeting today, I objected to clause in annual report apparently justifying Reserve Banks in not making expenses & dividends especially a clause to effect that Reserve Banks must invest 250 millions at 2% to earn expenses & dividends. Gave notice would introduce resolution that Banks---expected to earn both and to earn gross 5 millions for this purpose would have negligible effect upon the

527 millions gross earned last year by National Banks.

Sunday, Jany. 16. E.A.Krautoff of Kansas City called in evening. Said he wished to protest against having Mr Fleming made Deputy F.R.Agent at Kansas City Bank; that while his present standing was admittedly high, yet an investigation of his early record would show it to be unsavory; that in 1892 he was on a ballot commission which helped to disfranchise negroes and that while Senator Reed was Mayor, he controlled certain public utilities--I think telephones--which he leased and later sold at large profit to the City; that it involved scandals; that he was willing to go before our Board and tell them this in person.

Jany. 17. Told Board every word Krautoff said--much discussion as to whether Fleming had had banking experience. Warburg said whether he had or not, he had had more than Moline & he would vote for him as Moline was clearly not up to the standard. I suggested that we ought to investigate Krautoff's charges, but in view of the numerous indorsements, especially of the leading bankers, in his favor, the Board thought this unnecessary and voted 5 to 2, on DeLano's report, to designate him. Dr. Miller & I voted No, and Dr. M. asked to have his vote recorded.

Jany. 19. Wednesday. At ball given to Pres. by S. American Ambassadors & Ministers, Judge McCoy said to me that he was amazed that the people did not more generally see the great advantages of the F.R.Act; that he was satisfied it was largely owing to Compt. Williams; that this had come to him from all over the country. He also said "I will say to you in strict confidence that--no matter how I may finally decide the Riggs Bank case, I believe that Williams' letters were good illustrations of how not to do a thing; they were most intemperate and unjudicial, and in my opinion he has injured and is fearfully injuring the Administration, altho I admit he is honest and very likely able. He added that something should be done to prevent his utterly wrecking the Administration.

Jany. 18. Tuesday. This morning, Williams brought up matter of his salary from date of qualification as Comptroller to Aug. 10. Elliott and Cotton some time ago gave opinion that he was entitled to it and a few days ago the Comptroller

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of Treasury ruled that it was a valid debt, payable out of the F.R. assessments. Delano, to whose Comm. matter had been referred asked for more time. Williams objected and finally Delano said if Williams insisted he could make preliminary verbal report. Williams did insist and Delano said he was examining matter--could not find how matter was referred to Compt. of Treasury but finally found it was a letter of C.S.H. prepared by Elliott. It seems the matter was docketed when Elliott's opinion was rendered and that this opinion was called for officially by the Board. One morning, Willis told me Compt. Williams objected to its being docketed as it was a claim which required no action by the Board, the question being purely one of law. That same morning, Elliott came to me with the opinion & said no reason for docketing it as it was purely a question for Compt. of Treasury. That day, I think, Williams renewed his objection in the Board and finally the Board struck it from the docket. I explained to Board, that while my recollection was not very fresh, yet I could say that I never had referred any question to Compt. of Treasury without informing the Board. On thinking <sup>the matter</sup> ~~it~~ over, I remember distinctly what Elliott said to me as above and am quite sure that I stated this to the Board and that the Board understood the question was to go to the Comptroller. This is only explanation for Board's action in striking it from our docket for not a word was said against the claim in any way. Delano then went on and said he had written a confidential letter to the Secy. of Treasury which he read. In this he did not deny legality of claim but said he should vote against it, especially in view of vote of Board that it would assume all expenses after Aug. 10 (or whatever the date was.) Delano then asked for more time and no objection was made. I told Secy. M. of this--he was very indignant with Williams for bringing it up at this time and in the afternoon meeting said he wanted matter held up until he could look into it, to which Williams said he had no objection.

Jan. 19. Wednesday. Williams again brought up matter in Board and criticized certain parts of Delano's letter.

Jan. 20. Thursday. Secy. McAdoo read a memorandum agreed to by Board, telling Governors they could no longer maintain a regular organization of Governors acting

collectively, and while no objection to informal conferences, they had no legal right to form any regular organization outside the law; that while Board always glad to consider any question with individual bank, the conference in protesting at Minneapolis against "pressure" by the Board in suggesting rates, clearly went beyond their legal powers etc. Gov. Strong admitted this and said Governors could easily accommodate themselves to the spirit of the memorandum. Gov. Wold says he was sorry Board misunderstood purpose of Gov.'s conferences. Secy. McAdoo handled matters admirably and Gov. Aiken told me in evening, while dining with me, that every word McAdoo said was right & deserved.

Jany. 28. Friday. Board completed draft of annual report for a paged proof. I put in an amendment asking that a specific statement of just what Act has done in reducing rates, be inserted. Warburg objected, as did also Miller & Harding, on ground that some time <sup>the</sup> Board might not want to take <sup>the</sup> responsibility for the prevailing low rates if they should result in over-expansion. Secy. McAdoo said the rates were specifically referred to in the reports of F.R. Agents and it would be better not to go into too much detail & he begged me to withdraw the Amendment, which I reluctantly did. I also introduced an Amendment showing that expenses & dividends could easily be earned by F.R. Banks, except in most abnormal times, without serious competition with Member Banks, and reaffirming our statement in last year's report that the F.R. Banks were not emergency banks. This was referred to Dr. Miller to draft a paragraph for future consideration. Dr. Miller put in an Amendment to Section 14, adding to the open market powers of F.R. Banks the right to buy notes secured by warehouse receipts covering agricultural staples. I moved to amend this by authorizing purchase of notes bearing the signature of two or more responsible persons etc. All agreed that Dr. Miller's motion was too narrow, favoring, as it did, agricultural products, and that, if anything were to be done, it should be broadened. Warburg objected strongly to my motion--said trade acceptances would greatly enlarge scope of Reserve Bank operations and that notes should not be included in open market powers. I insisted upon a vote, & finally someone moved to lay whole matter on the table for the present. The vote was a tie, C.S.H.

Williams, and I think Miller voted No, and Delano, Warburg & Harding Aye. Secy. McAdoo voted Aye and matter was laid upon table. Secy. McAdoo said he favored my amendment but thought it should not be pressed at present time. Delano said if forced to vote now, he would also favor my amendment but thought it should be postponed.

Jany. 29--Saturday. Warburg circulated a proposed addition to the report asking for amendment of law, as Secy. of Treasury could now spoil distinct policy of Board by depositing Govt. funds in the banks without the consent of the Reserve Board; also that Board had no control over Compt.'s rulings nor over appointment of Examiners--nor of reports of conditions, nor of Examiners reports of examinations.

Amendment mildly stated no present trouble as Compt. had in fact practically cooperated with Board, but trouble might arise in future etc. This is a direct and intentional slap at the Secy. & Williams. Warburg told Willis, he had at last got the votes and should insist on putting this through on Monday.

Jany. 31. Monday. Secy. McAdoo could not be present and consultation postponed until Tuesday. Secy. asked me to prepare other amendments to the report which we could demand a vote upon and I did this. I impressed on Secy. that this was a direct attack on him & Williams & he must <sup>so</sup> treat it. He agreed to this.

February 1. Tuesday. Secy. McAdoo could not be present and consultation postponed until tomorrow. Harding told Secy. in my presence, that Delano said he would file a minority report on this amendment even if all the others voted against it; that the members felt indignant at their status and ultimately intended to move their quarters out of the Treasury building as they were looked upon as merely a dept. of the Treasury under control of the Secy. Secy. McAdoo said that fact that a Cabinet member was one of Board, added dignity to it; that the Board with certain members, wanted Secy. & Compt. put off the Board & wanted more power which no Administration would ever give them; that as to status, he had told the Pres. he would not object if Board were put ahead of Asst. Secy.'s but that the Pres. was <sup>very</sup> embarrassed from fact that Asst. Secy.s had a status for a century & it was difficult to overthrow this. Harding said he personally thought

the amendment should be dropped but that if insisted upon, he should have to vote at least for part of it. He also complained bitterly of Compt.'s rulings and lack of tact. I gave drafts of additions to report to Secy. M. to consider. They were 1. Direct appropriations by Congress for our salaries & expenses. 2. Approval of Compt.'s efforts to stop usury. 3. F.R. Board to have power to fix maximum rates for Member Banks. 4. Stamp tax for checks in interstate commerce of banks not joining System. 5. Govt. to subscribe for stock in F.R. Banks when reduced by withdrawals etc. 6. Right to individuals to deposit in F.R. Banks etc. etc. I am satisfied the intent of Warburg is to furnish political ammunition to Republicans & regret that the others, perhaps unconsciously are lending themselves to this movement.

February 2. Wednesday. Long meeting 3-6 P.M. Discussed Warburg's proposed additions. Delano said did not approve original memorandum but did approve this; said would approve anything which clearly revealed his position as to Govt. deposits & Compt.; that he should insist on making his position clear in report. Warburg said memorandum was originally his but now was more Harding's. Harding said he merely had redrafted it. Warburg talked for a long time. Said Secy.'s action in making the 15 million deposit had injured F.R. System & interfered with market for rediscounts which was necessary for other F.R. Banks and gave figures to support it. The Secy. explained reasons--great emergency--cotton contraband--South would not be satisfied on bare assurance that assets of F.R. System were at disposal of Southern banks; had merely announced from Maine that he would deposit if necessary, before depositing consulted with Board; if possible would have consulted with Board before making announcement but was away. Secy. said little of deposits were in fact used & Warburg agreed to this. Harding said how could 15 million affect cotton crop of 800 million except psychologically? Harding said would not be for him to attack Secy. for helping the South. Admitted to Warburg, he had written Secy. no deposits necessary. All agreed effect was largely psychological. Secy. explained fully that present law gave him this right & all agreed to this. Secy. said--checks & balances--Reserve Board could

at any time overcome any action of Secy. a/ By redistricting; b/ By raising discounting rates. Secy. added, no such legislation could possibly be enacted & would injure influence of Board to reveal divisions in Board; would be construed as a political attack on Secy. & Compt. C.S.H. asked that Warburg addition say frankly what it meant--a direct attack because of Govt. deposits. I made Warburg admit that his plan must ask legislation preventing Secy. from depositing even in national bank depositories without consent of Reserve Board. I pointed out that such a law would necessitate continuance of Sub- Treasury system forever. Delano said under present law Secy. must equitably divide deposits among the several states and law should be same for deposits in Reserve banks. Secy. said if any future Secy. should put deposits arbitrarily to injure F.R. system, Pres. would remove him; as much danger of the Reserve Board acting wrongfully as the Secy. C.S.H. pointed out that if Board asked legislation, we should all have to fight & show our differences before the Comms. of Congress. Warburg said bills would be introduced any way. I replied if bills introduced by others, any of us, if summoned, could express our opinion with a minimum of injury to Board but if we ourselves asked for legislation, we must prove before Comm. reasons for it and this would force us to fight with one another. Finally Harding said he would vote vs Warburg suggestion but a/ reserved right to bring matter up later; b/ reserved right if his colleagues insisted on a minority report to signify his concurrence in that part which he approved. Miller then read paragraph to effect that Board had made no recommendation as to certain other questions because of difference of opinions, and more time needed for consideration. Secy. M., C.S.H. & Williams agreed to something like this & matter to be considered again tomorrow. Secy. M. did not read or discuss any of our new suggestions but he showed Harding a copy before meeting. Harding bitterly objected to the one asking for direct appropriations by Congress & evidently these amendments had great influence in changing his mind.

February 5. Saturday. After long discussion, agreed that Report should go in without Warburg or Delano's amendments as to Govt. deposits & changes in Compt-

roller's office. It was agreed, however, that prior to June 30 '16 if any 2 or <sup>175.</sup> more members wished to transmit amendments on any subject to Congress, the Board would send them, having right of course, to file a minority report or a majority one and this to apply to any other amendments of which Secy. said he had a number not yet offered. We then took up Delano's amendments to law as to Comptroller. C.S.H. showed that substituting approval of Reserve Board for approval of Secy. over Compt's office, would not help but would cause more trouble; that if any change were necessary--which he denied, believing that cooperation would work harmony--the whole functions of Comptroller must be changed--he must be made a subordinate of Reserve Board subject to its appointment & removal & his right to report to Congress must be taken away. Secy. M. said he knew cooperation would produce desired result and he directed Comptroller to consult Board on all important proposed action such as new statements in consolidation reports etc. The Board then appointed Harding to deal with Comptroller on all these matters.

February 7. Monday. Williams said he had heard in confidence that Harding had agreed to accept Presidency of the Baltimore Trust Co. into which a large National Bank was to be merged & that Warburg had advised him to do so, but merger had fallen through & finally Ingle was elected Pres. of the Trust Co.

February 9. Wednesday. Warburg had read a memorandum based on the examination of Phila. Reserve Bank, showing how much money it must invest to earn expenses & dividends. Inference drawn-- capital too high & cannot earn dividends without practically using up all its reserves. Warburg said showed conclusively that should not be over 6 banks & ~~that~~ capital paid in should be reduced. Claimed that all investments meant depletion of gold & ~~that~~ St. Louis gold was only 50% & even then was not earning expenses. The other members, like a flock of sheep agreed. Williams not present. Delano & Miller said whole system depended on N.Y. which was thus practically a central Bank. Harding said N.Y. ought to be the central Bank of the U.S. Dr. Willis said Warburg's argument was a gross fallacy.

February 11. Friday. Warburg said, while he was sorry Garrison had resigned, yet he felt under the circumstances he could have done nothing else. ~~That~~ the F.R. Board had precisely the same relations to Congress as did Garrison. Congress was

a mass of ignorant men interfering with matters of which they knew nothing-- that such a condition was intolerable. Secy. McAdoo said he was glad Garrison had resigned--that he was a reactionary and had absolutely no sympathy with the Administration. This A.M. wrote letter to Pres. indorsing his position as against Garrison.

February 14. Monday. Delano made report upon Williams claim for salary up to August 10--1914. Showed evidence of bitter feeling and clearly implied that I had asked opinions of Elliott without authority of Board. He evidently is laying a foundation for future attacks on Williams. I will reply to this. Harding introduced a proposed letter to F.R. Bank of Atlanta, requiring it to keep 100% Reserve vs Govt. deposits. Said McAdoo told him it was a Damned fool letter and he would insist upon a record vote on it. Postponed until a full meeting. Harding was very ugly.

February 15. Tuesday. Federal Advisory Council reversed its attitude as to reduction of Capital of F.R. Banks & voted 7 to 3 against such reduction. Forgan while favoring reduction, said it was absolutely necessary to earn dividends as otherwise system would be looked on as a failure. Said the competition would be absolutely negligible. All the members said a/ Member banks were not disturbed at failure to earn dividends. B/ That even if capital were all paid back, the member banks under present conditions could not earn dividends upon it.

Wing & the others agreed that under present conditions most of the banks could not earn dividends unless they went into open market more largely. Wing said Boston could not get enough rediscounts from Member banks on notes to pay dividends except in a commercial crisis & that in Acceptances lay Boston's future. Warburg was very sour at this.

February 16. Wednesday. Late in afternoon, Compt. Williams came in very indignant at Delano's report and attached chronological statement as to Williams' claim for salary prior to Aug. 10, 1914. He said the statement that he had strenuously objected to Elliott's opinion being put on the docket for Oct. 15, 1915 was false and an attack on his honor; that tomorrow he would ask Delano at Board

meeting what he meant by this reference and if he did not explain satisfactorily he should then and there thrash him soundly and if he told him to put his own interpretation upon it, he should also thrash him/. I told Williams that Delano had reflected on me, more than on him as his statement that he had never seen Elliott's opinion of Oct. 8 until 13 months afterward and also that I had sent a letter to Compt. Warwick asking for an official ruling on Oct. 12--three days before the matter was docketed--was an attack on me as it implied that I had acted without authority of the Board. I told him, I would look into the whole matter and made him promise to take no action until I had done so.

February 17. Wednesday. Saw Delano and Willis about Williams matter. Willis said Compt. did not object to docketing the matter but on contrary, said if Board wished to take it up he had no objection. Finally after talking with Willis, I wrote Delano a letter based on this talk with Willis and on Elliott's letter to me, showing that it was Elliott in his letter of Oct. 8. '15 to me, who pointed out that Board must obtain official ruling from the Compt. of Treasury before it could pass upon the matter. I also told Delano in the letter that the matter was docketed by Willis because of my sending Elliott's opinion of Oct. 8 to him; that altho dated Oct. 12, it was not sent until after the meeting of Oct. 15. The facts were that I received Elliott's opinion on day it was dated-Oct. 8; that I probably (recollection not very distinct) asked him to draft a letter to Compt. of Treasury in accordance with his own suggestion contained in his said letter; that on afternoon of Oct. 8, Friday, I went to Mattapoisett for Sunday; on Monday I went to Newport with Asst. Secy. Roosevelt & from there to Indianapolis not returning to Washington until Thursday, Oct. 14; that on morning of Friday, Oct. 15--Willis told me that the matter had been stricken from the docket for the day; that later in the morning Elliott came in and explained that the matter should not go on docket until Compt.'s ruling was obtained; that he had told this to Delano who fully agreed; that Elliott told me, in his letter to me written a few days ago, that I said I would explain this to the Board; that I went down to the meeting with Elliott's opinion of Oct. 8 '15

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in my hand<sup>g</sup> this latter statement Elliott made to me orally a day or two ago) My recollection is that after Willis had explained why matter was stricken from docket (our records show he explained this) I told the Board of his opinion and Cotton's approval of it, (or rather of the earlier draft of Dec. 9, 14) and said the matter should go to Compt. for official ruling & that I would so send it, to which there was no objection. No formal vote was taken as the matter had been stricken from the docket, and my statements were merely informal. The notation on my letter made by Compt. shows he did not receive letter until Oct. 22. Elliott explained this to me by saying Compt. was out of town & he did not--- deliver the letter until his return. See my letter to Delano dated today. Later Delano came in and said he would recast the chronological history attached to his report to conform with the facts. He also said Williams would be bitterly attacked if he took this money; that if he was his own brother he would beg him not to ask it; also said Congressman Glass had heard of this but not through him and that he had told him he was much disturbed as to the matter. I then told Secy. McAdoo about it and saw Williams & said Delano would strike out the mistaken reference to him & begged him to pay no more attention to it; later, about 6.15 P.M., I met Delano in corridor & explained to him what I had told Williams.

Thursday, February 17. This A.M. held hearing on Conn. bankers petition to be assigned to N.Y. District. During hearing asked <sup>Petitioners</sup> ~~Petitioners~~ how many of the 52 petitioning banks had joined the voluntary system of clearing, established by F.R. Bank of Boston; they said very few but could not answer definitely but would ascertain. Suddenly Harding exploded & said he objected to any questions which would involve further delay--that he wanted to vote at once and settle this matter and would not permit any further delay. His manner was discourteous and insulting. I, of course, maintained my dignity to avoid having a row before the <sup>Petitioners</sup> and before meeting adjourned stated I had written F.R. Agent Curtiss asking this question and had received a letter or telegram from him that morning answering this question, and as it was purely a question of record, I could ascertain the facts from his letter or telegram so they need not pursue it

further; they all agreed to this. [Harding is evidently not a gentleman as he has shown from time to time at Board meetings. He evidently has little sympathy with the F.R. System and he and Warburg are reactionaries to the last degree.]

Monday, Feby. 21. Warburg's memo. amending F.R. Act to permit Mut. <sup>mut.</sup> Savings Banks to join system as associate members without payment of capital was considered; Warburg had also provided that State banks & Trust Co.'s could join as associate members without making any capital payments but could rediscount only through a member bank. I prepared a memo. objecting to part relating to State banks. Quite a bitter debate. Harding got mad and said he was a chump ever to have gone on Board; that the Administration members evidently were determined not to allow any amendments; that we were determined on this <sup>o</sup>urse for fear it would give the Republicans political capital; I said I had paid no attention to considerations--he said Secy. M. had told him as above. I said such an amendment would be taken as a confession that our system was a failure without State banks & if adopted it would break all our efforts at coordination. Warburg & Harding said I was afraid of political opposition. I replied as amendment would be taken by bankers as an admission the system was a failure. Warburg & Harding both at once said it was a failure unless radically amended and within 5 years this would generally be admitted. They both wanted to do away with capital payments by State banks in order later to bring about return of paid in capital to member banks. Finally it was agreed to draw new amendment limited to Mut. Savings banks. Harding brought up his proposed letter to Southern banks as to 100% reserve vs Govt. deposits. On discussion it was shown that these banks were not using this money--i.e. in effect, they were keeping 100% reserves. I suggested merely writing approving the course of these banks in conserving funds which Secy. at any time might remove, and finally Harding agreed to redraft it along these lines. Warburg brought up his comments on Broderick's report on Boston Bank and I gave notice I would file a dissenting memorandum to prove no need for paying back capital. See my draft.

Wednesday, Feby. 23. Spoke at dinner of Union Trust Co. and Safety Deposit and Trust Co. of Springfield.