

The Papers of Charles Hamlin (mss24661)

357_02_001-

Hamlin, Charles S., Miscellany, Writings, "Memoranda Concerning The Federal Research Board...", Diary Vol. 4, 19 Nov. 1916 – 22 Mar. 1919 (PP. 224-289) (6 of 19)

CHARLES HAMLIN

Miscellany

PAPERS

Box 357

Folder 2

WRITINGS --

"MEMORANDA CONCERNING THE
FEDERAL RESERVE BOARD...", "DIARY
VOL. 4, 19 NOV. 1916 - 22 MAR. 1919
(PP. 224 - 289) (6 OF 19)

VOLUME 4

1916, November

Since August away on vacation and nothing special to note.

Prior to election Warburg told Harding who told me that he was tempted to vote for Wilson because of Roosevelt's speeches attacking German Americans.

Harding said Warburg told him that Delano told him that he should vote for Hughes. Harding said Delano was very piqued because Wilson did not consult him as to 8 hour law trouble. Mrs. Grant, Delano's daughter, told Mrs. Hamlin at Mattapoisett that she had no use for Wilson--this was just after her father had returned from Bar Harbor, and she had evidently been talking with him.

Mrs. Bayard told Bertie Mrs. Delano had told her that Mr. Delano intended to resign if Wilson were elected. Since election Delano has said nothing. Warburg showed no pleasure at result of election--has never said how he voted. Secretary McAdoo told me he was satisfied Warburg had voted for Hughes, no matter what he might say. Warburg one day said Seligman telephoned him from New York just after the election to wire Hughes his congratulations but that he replied that he was not yet satisfied that Hughes was elected.

A few days ago Willis said Warburg had just told him he had written Governor Steacy that it was inevitable that we should have a central bank--that the directors of the Federal reserve banks were not fit to manage them.

Last week, Nov. 13-20, Delano and Harding reported on purchase of a site for Atlanta bank. They said it was done in order to anticipate the election and to prevent any future redistricting; that the site was not a proper one, but was chosen because the directors were over influenced by Government director Colonel Broun, who owned property next to proposed site and who used his relationship to the President to over awe the directors, etc. I suggested postponing action for a full meeting of our Board, which was agreed to.

Nov. 19, Saturday

Arrived at office 10:30. Harding sent in word that Davidson of J. P. Morgan & Co. was in his room and he wanted me to come in. Went in and found a meeting in full progress--evidently had been in progress for some time. Later I learned Davidson had telephoned Warburg two days before but no notice had been given me. Williams was not present.

Davidson said he asked no ruling or decision from Reserve Board, merely wished to let them know facts as to proposed issue by British Government of 100 million exchange notes unsecured. Said he believed them a safe investment for our banks and that they would certainly be paid at maturity.

Long discussion--Davidson said British Government was spending 10 million dollars per day in U.S. Arranged to have only 10 million maturities each month. Government had 500 millions in gold in Canada. Said our Banks must take their notes or trade would stop. Seemed greatly shocked when intimation was given that perhaps better to have a recession of trade than to load up our banks with securities which though liquid in form, might have to be refunded into 30 or 40 year bonds. Said our banks must see Great Britain through the war, as if Great Britain went down financially, U.S. would also. Harding said if he meant that our banks to secure what they had taken must invest more and more and should say this publicly the country would be thrown in a panic. Davidson said meant only that in long run every war reacts on all nations, said thought war would not last much longer. Said Ketchener told him originally Great Britain wanted only 50 millions loan from U. S. and Morgan firm agreed to take this at 2% and further loans at 1%. Said he thought perhaps 500 millions more needed--admitted limit might come when no longer prudent for our banks to invest--if war lasted longer than he expected, but we were far from any such limit now.

We adjourned for lunch and Harding finally was instructed to say to him that the Board had no intention of doing or saying anything as to these notes for investments purposes by individuals as very likely they were good, but it could not favor such investments to any material extent by our member banks and might have to issue a word of caution in this respect. Harding later reported he had seen Davison who said no present action was contemplated by him and said he should like to confer with Board again. Warburg wanted Harding to warn him as to any prospectus which might be issued as to investors but this was dropped.

Harding early in week had a conference with Secretary Lansing who said he wished Board would withdraw request for opinion as to purchase of exchange through Bank of England but Board should feel free to take any action it pleased in the matter: also said he felt banks should go very slow in investing in unsecured exchange notes which may prove unliquid.

Nov. 20, Monday

Federal Advisory Council meeting.

Harding told me before meeting he had seen Lansing who fully approved all he had to say to Federal Advisory Council. He then opened meeting and put whole question to counsel as to further investments of banks in foreign securities,-- also as to any changes from gold importations, etc., etc.

Evening

Federal Advisory Council and Reserve Board dined with Warburg.

Nov. 21

Tuesday Advisory Council reported on our questions.

P.M. Dr. Willis made draft of proceedings for the President. It was so startling as to special activity, etc., it might have almost precipitated a panic. Board went over it and Harding & Williams appointed a correspondent with power to make a new statement and give it out.

Nov. 24, Friday

Meeting Board. Decided to send each Federal Reserve Agent a letter as to proceedings at meeting with Federal Advisory Council especially as to feeling of Board as to bank investments in unliquid loans especially proposed British exchange notes--although latter not specifically mentioned.

Governor Harding referred to article in this A.M.

*New York Tribune announcing probable offer of such exchange notes.

Governor Harding called up Davison--New York. He was out but Lamont answered. Governor Harding said had read Tribune--that Board supposed, when Davison last Saturday asked us for a further interview, that no action would be taken before said interviews. Lamont said Tribune article went too far. Governor Harding said Board might deem it its duty to write public statement as to danger of banks investing in such securities. Lamont said if Board were to come out they might have to change their plan. He said nothing would be offered before December 1 and then only 10 or 15 million dollars for from 60 to 90 days as British Government objected to 30 days. Governor Harding said, inasmuch as Davison did the Board the courtesy to call upon them and tell them the situation, he felt it only proper to tell Lamont that the Board might take action.

Lamont asked that no action be taken without letting them know and Harding said he would report this request to his colleagues. It was then voted that Governor Harding tell the President the situation. Mr. Glass called during meeting and said we owed it a duty to the banks to warn them vs such investments as they really amounted to almost taking part in the war.

P.M. Board put letter to Federal Reserve Agents into shape. Governor Harding said had talk with Tumulty and said very important to have 5 minutes talk with President over foreign credit situation. Tumulty did not seem sanguine that he could arrange this. No word was received from him during the day and late in

* It said banks would take 1 billion dollars.

afternoon Board voted to send the letter.

After this Lamont telegraphed that his firm would announce tomorrow morning that the exchange note issue would be a limited one and not unlimited as stated by N. Y. Tribune.

Yesterday I asked Comptroller for list of foreign securities held by New England Banks--with a view to taking this up with the Federal Reserve Bank.

Nov. 25, Saturday

Met early in morning and went over letter or rather a statement for insertion in the Bulletin along lines of Agent's letter. Warburg furnished a draft which to my mind was offensive to Allies--it even complained of the prospectus^{es} of prior loans (presumably the Russian loans) as false and misleading and laid down rules as to what facts the offering bankers should state in the prospectus. It also admitted that conservatism in purchasing the British exchange notes would cause our exports to fall off, but said that as to certain exports (munitions, I suppose) it would be a good thing for the country. I insisted on striking out all about prospectuses as unnecessary and also as to the notes as investments from point of view of individual investors, and pointed out that at the interview with Davison, many of the Board, especially Dr. Miller, said they were a first class investment say up to 500 millions.

Delano pointed out that the reference to falling exports being beneficial would give the embargo advocates a great weapon.

The President sent word he would see Harding at 2:30 and finally we put the proposed draft in rough shape for the President to see.

3 P.M. Governor Harding said had seen President who said he agreed with the Board that great caution should be exercised by the Banks in investing in these notes; that he had hoped the Board would make a public statement but he

had not felt like suggesting it; that he would read the proposed announcement and return it with suggestions Monday.

Warburg is in 7th Heaven of delight; while he talks fairly I cannot but feel he is so prejudiced against the Allies that he will go to almost any extreme to injure them and this feeling has made me very cautious as to what we should say and insistent on confining our remarks to the Banks and not to the investing public. If we were to issue the statement as originally drawn by Warburg, I am confident it would have precipitated great confusion and trouble financially.

Nov. 27, Monday

Board met 11 A.M. Governor Harding read confidential letter from President stating that he had read our proposed statement as to the British Exchange Notes and fully approved it. The only suggestion he would make was that it was not strong enough and could be made more positive; that he believed it most dangerous for banks to invest in this kind of security as it was no liquid and would prove very embarrassing if there should be any change in our foreign policy.

Board then amended the statement to make it stronger.

Governor Harding suggested an addition as to clear statement of facts and conditions in prospectus and advice to private investors to obtain all data, etc. Question raised whether advice to private investors was responsive to President's criticisms. Governor Harding said yes it clearly was: that President's remarks pertained to private investors as well as to Banks: that he specifically mentioned that Kuhn, Loeb & Co. had brought a loan for French cities and soon would bring out another for German cities and that prospectus failed to show the people in these cities were subject to heavy nat'l taxation; that he--the President--had obtained figures through our Ambassador in London showing National strength of

allied countries or Great Britain today as compared to period following Napoleonic Wars and that the figures showed a stronger condition today, but that he was not satisfied with them as they failed to distinguish between liquid and unliquid resources.

Governor Harding also said President said if he personally advised investors against taking these securities, it would be claimed he was unneutral and that he was glad and hoped the Board would so advise. Governor Harding said our reference to private investors were more moderate than President would like to see adopted.

To my mind the President is contemplating trying to secure peace and this would explain his reference to a changed foreign policy in his letter. I feel that the reference in our statement to private investors was unwise--however, my colleagues could not see this, and Governor Harding strongly impressed on us that the President wanted such a statement made.

We voted that Governor Harding should send J. P. Morgan & Co. a telegram late in the afternoon merely stating that we had issued a statement for tomorrow mornings papers. This was done for reason that Lamont asked Harding to let him know if such a statement were to be issued. While we felt we were under no obligation to communicate with him, yet we felt we should be scrupulously careful--in view of the statement to give them no cause to feel we had not treated them fairly, especially considering that Davison come to us voluntarily and told us his plans.

Nov. 29, Wed., 6 p.m.

Sir Cecil Spring Rice called me up and asked if he could come right over to see me. I, of course, said yes and he came over. He was very much excited and said he might as well make a clean breast of it--that there was tremendous excitement in England and France over the Reserve Board's statement, that it was reported then that it originated out of a German plot to induce

the President to mediate for peace--that Warburg and Kuhn, Loeb & Co. were at the bottom of it--that it was even said over there that this was a German alliance with the U. S. and the submarine activity was being carried on with the collusion of the U. S.--that, of course, he did not believe this but merely was telling me what was being said over there.

I at once said to him that the Reserve Board had agreed to say nothing on this subject except through Governor Harding but that I felt I could say to him as a very old friend that the Reserve Board--as it stated in its published statement--was not referring or even thinking of any foreign government but that it was purely a banking, internal question--that it was just as if an engineer of a train saw mist some distance ahead on the tract and consequently slowed down the engine. I advised him to speak to Secretary Lansing and ask him if he could have a talk with Governor Harding and that I felt sure if Secretary Lansing asked him he would gladly talk with him. He said Secretary Lansing was to dine with him and he would tell him of these rumors and ask if he could talk with Governor Harding. I said if Secretary Lansing gave this permission I would gladly speak to Governor Harding and ask him to see him. I said that the matter of liquidity for our banks was first pressed to our attention by the statements in connection with the French credits in which Kent and others invited Banks to purchase, pointing out that ultimately the money could be procured from the Federal Reserve banks and that we had to take notice of this--I did not tell him in what manner we took notice. He said undoubtedly such talk was the result of German influence. I told him Davison could tell him probably all about this. He then spoke disparagingly of Davison--said he had all the aggressiveness of the older Morgan without his genius and that he was always inclined to slap over.

I also said that the New York Tribune stated that probably a billion dollars of these exchequer notes would be placed in the U.S. and the Board felt it was

incumbent upon it to warn the Banks to remain liquid.

He said that he knew Warburg and Kuhn, Loeb & Co. were plotting as above because of letters his government had intercepted. He also spoke of a prominent Frenchman--Caelloux--I do not remember his name, who was working for Germany--that he had almost succeeded in getting a treaty by which France was to cede colors in return for Alsace Loraine; that this man was sent to South America but had returned.

He said he should cable his government that the Reserve Board issued its warning purely as an internal banking matter. I at once said to cable nothing as a result of my talk as I had no right to speak with him and had only said what our statement said. He said "I had already reached this conclusion before seeing you and it is my own opinion which I shall cable."

I said go to Lansing and he will, I am sure, talk with you freely. He said Lansing knew nothing--he only spoke as President Wilson ordered--that since appointment he had never told him anything, that he merely took orders, etc. I said he must see Lansing; that he would be offended and justly so if he talked with others and not with him. I asked if he had any objection to my speaking to Governor Harding about this and he said he had no objection. Finally as above stated he left saying he would see Lansing that very evening when he dined with him and would let me know as to seeing Governor Harding.

Nov. 30, Thursday

Telephoned Harding and met him at Metropolitan Club--told him whole story. He spoke of several papers, especially Philadelphia Ledger, which said Warburg was responsible for our circular. This irritated him very much. He said the President told him at his interviews that our relations with Great Britain were more strained than with Germany.

We agreed that Delano should be told and I called up his house and found he went to New York last night not to return until Sunday. We agreed that he is

in all probability had gone on to confer with Morgan & Co. He never told Harding or myself that he was going. Governor Harding said he gave (Delano) much information to a New York Times correspondent over this matter last week. I think, however, he said he was going to talk with him.

12 Noon Sir Cecil called me on telephone--said had talked with Lansing--he had read papers' items and was indignant--said would be very glad for him to talk with Harding and he would at once call him up.

Dec. 1, Friday

Governor Harding received letter from President saying he was much pleased with the Reserve Board statement. Governor Harding told me Sir Richard Crawford called on him yesterday and they had a very satisfactory talk.

P.M. Word received that Morgan had given up Exchange loan--telegram to this effect from Lamont. Earlier in day also wired that report in New York Sun that his firm defied the Reserve Board was utterly unfounded. Later Governor Harding said Polk, Counsellor of State Department, told him Sir Cecil and Crawford had called and asked that Reserve Board make some further statement to remove the injury to British credit from our statement and that he had seen representatives from the New York Sun and other papers with whom he went over the situation in a guarded way and he thought this would be sufficient without any formal statement.

Evening Dined with Justice McReynolds --

December 2, Saturday

Conference with Glass. Lunched with Dr. Miller. Glass said our Amendment did not require Agent to hold 40% gold vs Reserve Notes and also paper up to 100%. We assured him we so intended and he said if this were clear he would not oppose the Amendment as it really merely reduced the security (reserve and collateral) from 140% to 100%.

Secretary of State told Governor Harding that Sir Cecil and Sir Richard Crawford had called and were still very sore over injury to their credit because of our statement and wanted Board to issue another statement. Agreed Crawford should see Governor Harding and state what he wanted us to do and Board would consider it Monday.

Dec. 3, Sunday

Conference at Dr. Miller's house. Present Glass, Warburg, Dr. Miller and C.S.H. Long discussion as to Federal Reserve Notes as reserve money. Finally Miller said he would support this if law were fixed so as to authorize Board to require higher reserve than 40%. Glass is still doubtful. Glass on principle said he would agree to having all reserves carried in Federal Reserve Banks and then ? money could be in any form Banks wanted, but impossible to secure this in short session of Congress. Warburg said he would accept this. Glass said he did not fear giving Federal Reserve Board greater powers,--that as far as Board was concerned the System was a central bank. Miller was astonished at this.

Dec. 4, Monday

Meeting Federal Reserve Agents. At lunch--Perrin, Curtiss, Wells.

P.M. Governor Harding said British Ambassador and Sir Richard Crawford were entirely content to have no further statement from Reserve Board. Said the proposed loan on consideration did not meet their approval as if few notes were taken would do not good and if many taken would put British and French governments at mercy of American banks.

6 P.M. Governor Harding came in and said Comptroller had just told him he was about to issue another circular on condition of banks which repeated all statements as to enormous excess reserves, etc. of other statements. Warburg and I agreed that such an optimistic ^{statement} at present time would only do harm and asked Governor Harding to say so to Comptroller. He came back and said Comptroller insisted

on putting it out. Governor Harding and I went to him and begged him not to do it. Comptroller said he had wired McAdoo who said he saw no objection to issuing it.

Comptroller then called up Secretary of State and read it to him. Lansing said he did not object and then Harding told him we were against it, that it would simply enrage Great Britain--they would say if condition of banks so sound, only purpose of Board in issuing statement must have been to injure British and French credit. Lansing then said it had better not go out. Comptroller argued with him and even asked if he (Comptroller) could not show it to British Ambassador! Finally I told him in my opinion it would only do harm and would put Board in a ridiculous position--to issue a note of warning one day and almost the next day to have Comptroller issue such an optimistic circular. Finally Comptroller agreed not to put it out at present.

Among other things Comptroller said in circular in view of extravagant statements as to holdings of foreign securities, it was gratifying to note that only 300 millions in foreign bonds and acceptances were held!

We do not agree with statements in circular--the great development is simply a very extraordinary expansion based on imports of gold. Furthermore, we had warning from Wing of 1st National Boston that many banks had even invested in foreign bonds, including speculative purchases of Russian roubles. 300 millions total may not appear large but undoubtedly many individual banks have over-subscribed, not to mention State Banks and trust companies.

Dec. 5, Tuesday

With Federal Reserve Agents all day. Lunch: Walked home with Governor Harding. He said Warburg and Delano continually urged him last summer to go to President to demand rotation, and that finally he agreed to go

on express condition that they should tell the President that in their opinion I should be reappointed to the Board. He said that when conference finished he was not quite satisfied with the way they spoke of me to President, so he said he hoped President would clearly understand they believed it to be for best interest of the System that I should be reappointed.

Speaking of interest of Delano and himself with me after their talk with President I asked Governor Harding if my memory was correct that Delano said he was a candidate for Governor--he said he thought Delano said he was not a candidate, for he had previously said to them that Warburg, having next shortest term, should be made Governor. He said, however, he thought that Delano felt that Warburg being a German would not get it and that he Delano would.

Dec. 11, Monday

Governor Harding said Williams sent his proposed announcement to the President saying McAdoo had wired his approval and asking if he had any objections to his publishing it and that the President wrote Williams not to publish it as he wanted first to consult McAdoo about it.

Dec. 14, Thursday

The other day, in discussing Delano's proposition of having State banks associate members of Federal Reserve System, Mr. Warburg, in answer to a question from me, reiterated the statement that he would not object to all the National banks leaving System and again entering as State banks.

In A.M. Governor reported conclusions as to questions we put to them. In Hardings absence Warburg presided and made bad impression by cross examining and objecting to recommendations he did not like.

When Governor Aiken reported against the associate member matter, Warburg heckled him and 3 times insisted that "we" (meaning Board) approved of the plan, utterly ignoring fact that I had vigorously opposed it. Finally I broke in and

stated my views on opposition. I said time had nearly come to tax checks in Interstate Commerce and thus make them come in. Governors Aiken, Wold, Miller et als expressed unqualified assent. Aiken said the National banks in New England would support us--they all felt Board would be stronger if he lead the way in this matter.

Dec. 19, Tuesday

Board voted to authorize Federal Reserve Bank of New York to appoint Bank of England as its correspondent and Agent and to open account with it and for it. Warburg fought vigorously to prevent every action under the Agreement until the war ended but Board voted otherwise. The final vote was unanimous except that Warburg did not vote at all.

Dec. 20, Wednesday

Conference with Secretary over Amendments--he refused to agree to redemption of Greenbacks--said he hoped later to reform our currency in a systematic way.

December 26, Tuesday

Morning papers had account of our permission to New York Reserve Bank to appoint Bank of England as Agent and foreign correspondent. Did not know how this got out. At noon McAdoo came to my office and said some members were indignant at its publication but did not say how it got to be published. Secretary McAdoo told me the President knew nothing of the publication before it was issued by Harding. I believe, however, it will help to allay the feeling against him because of his Peace letter to the Allies.

Walked home with Harding who said McAdoo called him up Saturday night and said it ought to be published as secrecy in such a matter would injure the Board; McAdoo then asked him if he had general authority to publish it. Harding said yes under resolution of Board of last year (when C.S.H. was Governor) giving the Governor general authority over publicity in default of explicit instructions

from the Board. Harding said he sent for Willis Sunday A.M. and they prepared and gave out the statement. Harding said Miller was very angry and was in his office most of the day: that Delano at first was not pleased but later took it very well; that Miller said Harding should have declined and Harding said suppose the Secretary published it on his own account? Miller said--then we could have objected and settled it with the Secretary. Harding said he did not want to bother the Board on Christmas Day and asked Miller where he was at noon that day. Miller said he was entertaining the German Ambassador at lunch. The Sunday before he entertained at lunch the French Ambassador and Secretary Lane. Mrs. Miller told Bertie they stayed until 5 P.M. Harding said Miller said he was the only member of the Board who was in a position where he could afford to be Neutral! Harding said also Warburg called him up from South Carolina very angry and asked by what authority the statement was made, and was somewhat abashed when Harding replied--I gave it out myself!

Harding said Deputy Governor Tremain of New York also called him up and was very much disturbed--said it was agreed the Agreement with the Bank of England was to be secret and asked if Harding had consulted Steacy .

Harding said No! That the Board had not mentioned any agreement but had merely stated to Public that it had permitted the Bank to appoint Bank of England as its Agent; that it would have had to state this in its coming report to Congress and felt it better to state it now.

Harding also said the New York American had an interview with Vanderlip who said he had known of this contemplated action and approved of it but could say no more now.

Harding said he believed all the favored New York bankers knew this from Steacy and that the Board was bound to let the public know it. (See page)

In the morning while riding to Department passed British Ambassador. The sun was in my face and I did not recognize him until he had passed although he looked at me closely. Later I telephoned from my office and told him I was really more polite than I seemed--he said he had passed me. He then said he wanted very much to have an evening with me and I suggested a family dinner. He asked me to ask Bertie to telephone Lady Spring Rice and any date that they would agree on would be most pleasing to him. Later Bertie and Lady Spring Rice agreed on Saturday of this week.

This P.M. Delano came in to talk about Fleming. He said he ought not to be reappointed but that he had no one to offer in his place. Said his past political career was unsavory and he should not have been originally appointed. I told him when appointed I did not even know his politics--he said this was true and none of us know it: that Warburg was really responsible as he gave Board a number of telegrams from bankers strongly endorsing him; that he did not even know that Senator Reed was his friend until after his appointment. Reed called on behalf of Thralls. I reminded him that I heard of the attack on Fleming only after his appointment and that Miller and I voted against his designation as Deputy Federal Reserve Agent. First as I had told Mr. Flower (whom Delano got to come on from Kansas City two or three weeks ago) the question before us now was a different one from the original appointment; that Flower told me he had no charge to make against Fleming's performance of his duties as Director; that so far as he knew they had been faithfully performed; that Fleming was by all odds the ablest man on the Board; that his objection was as to his past political record; that Flower was as bitter towards Miller as towards Fleming; said Miller caused trouble every time he opened his mouth; that the bankers had no confidence in him; that he absolutely dominated the Bank. I said I believed we should carefully consider whether there should not be a change in future in all the chief officers of the banks; that to refuse to appoint Fleming would be a great victory for Miller and no one could be found

who would not be dominated by Miller; that the status quo should be maintained until a clean sweep should be decided upon. I said, to my mind, the question was as follows:

1. Fleming has done faithful work as director;
2. He is the ablest man in the Board;
3. He is the only man not dominated by Miller;
4. While the attacks on him might well have been considered as to propriety of his original appointment, a very different issue was now presented.

Railroad speech

I added that Delano in his / under these circumstances would see the new light in which the matter was presented.

Delano said if Billie Barnes in New York had been the Director, he would not want to reappoint him even if he had done faithful work and that Fleming was the Barnes of Kansas City. I said that to me the issue was as outlined; that if we were ready to remove Sawyer and ask Directors to remove Miller-- then the whole question could fairly be considered. He said this could not be done now although he agreed it ought to be seriously considered in the future-- that we had no authority to remove Miller. I said a word to the Directors would probably settle the matter and we could then ask Fleming to resign also if we believed it desirable. He was bitter at Dr. Miller who had given up Kansas City / ^{Committee} and exchanged for Minneapolis when he found matters not working well. He also sent for the files concerning the circular of Fleming's Insurance Co. advertising fact that Fleming was Deputy Agent and was making a trip over Oklahoma. I agreed this was improper and in bad taste but pointed out that Delano in his letter to Fleming about it merely questioned the good taste of the circular. Delano also read Flemings reply which admitted that the circular should not have been sent--also a private letter from Fleming pointing out that a corporation in which Miller was a director was also advertising Miller as Deputy Federal Reserve Agent or Governor of Reserve Bank.

Delano then said--what about Senator Owen? I said presumably would do anything possible for him but in this matter must do what is best for System-- that Owen would ask nothing more; that in any event I believed Miller had persuaded Owen to protest to which Delano agreed. Finally I said I suspected that banking politics were at the bottom of this.

Dec. 27, Wednesday

Dr. Willis told me Deputy Governor Tremain was very impertinent to Harding-- said he knew nothing of Bank of England matter until he read it in the papers; that Harding wrote him showing he knew about it. Willis said he sent an official copy of the vote of the Board to Jay; that Curtis kept it secret from Tremain and sent it to Jay who was in South Carolina; that he suggested to Governor Harding that he (Willis) prepare a letter to Tremain but that Governor Harding replied he would do it himself but that he forgot to do it.

Allen told me today--as to Vanderlip interview (see supra) that some time ago Vanderlip gave a talk in Washington to Com. Club at which Allen was present and that he spoke to him (Allen) about the Bank of England Agency but that Allen avoided giving him any direct answer.

Voted today to elect Fleming a Governor director of Kansas Bank. Went over matter in great detail. Secretary McAdoo felt not to appoint him would be a great victory for Governor Miller and for Kemper who had said his trust company would enter System only when Fleming left it.

Harding said Governor Miller told him that if Fleming were dropped he would arrange to have Cross of our Division, temporarily assigned to the Kansas Bank, made a Deputy Governor. Harding was very indignant at this and told Miller he was not an office broker. Finally McAdoo said he would be glad to have Kansas Committee report on while situation and if satisfied of the necessity, he would vote to remove the Governor Federal Reserve Agent and Fleming as well. Delano and Miller voted No; MdAdoo, Wms. Harding and C.S.H. voted Aye; Warburg was away.

Dec. 28, Thursday

Governor Harding told me today that last year when we had the redistricting fight and the committee proposed the merging of Boston in New York in one of their tentative plans, they had no real intention of wiping out Boston but put it in the plans merely for the sake of "jolting" me. Harding said Senate Committee heard of plan to consolidate Atlanta and make New Orleans the site of the Federal Reserve Bank and bitterly protested; that Harding told him he should insist in cutting down to the minimum of 8 and that there would be a combination of interested Congressmen who would defeat any cutting down. Harding said this was his only reason for including Boston but that the other members were glad to include Boston in order to get a hit at me.

If Boston were annexed to New York the question would arise whether I was not ipso facto put out of the Reserve Board, as there would be two members from one district. I had always suspected this was their motive and this remark of Governor Harding's proves it.

Governor Harding received a very bitter, nasty letter from Warburg this A.M. In it he attacked McAdoo bitterly assuming that he had ordered Harding to issue the notice as to the Bank of England; said that last year he had "instructed" C.S.H. to ask opinion of Attorney General as to redistricting; that it was an insult to the Board; that the matter must now be settled or that he should resign, or words to that effect; that such announcement would embarrass "our English friends", etc. etc. He also enclosed a telegram from Jay, who was in the South, asking Warburg to procure an explanation from Governor Harding of his action as Harding had told him the matter would be kept secret. Governor Harding showed me his reply to Warburg which was very emphatic as Harding was very angry. In it he said if Jay asks him to explain his official act he would get into trouble. I suggested that he should say that he assumed that Jay would not undertake to demand an explanation from him as to his official acts, and he agreed to make this

change. I also spoke to McAdoo--he was very indignant and said he should take the matter up at the proper time. Governor Harding said he never gave any announcement to Jay as to secrecy. Governor Harding also said that before giving out the report he saw Sir Richard Crawford who was delighted at the suggestion and fully approved it and further said the Ambassador would at once cable it to Great Britain. Governor Harding said he was satisfied that the President wanted this announcement made in order to head off the British hostility to William's peace suggestion.

Dec. 29, Friday

Governor Harding told me McAdoo wanted Board to reconsider election of Jay as Federal Reserve Agent but he had he thought satisfied him that this was not wise. I saw Secretary and we took lunch together. I explained to him that Warburg was really responsible for conditions in New York Bank and that Harding suggested a new rule that no member of Board should serve on a committee for the Reserve Bank of City in which he lived. He favored this enthusiastically. Secretary McAdoo also said he should inform the Board that he should exercise his right to give out interviews at any time in any matter concerning Reserve Board of which he was an ex officio member. I finally suggested that it was not necessary for him to tell Board he had read Warburg's letter as it might embarrass Governor Harding who had just discovered that this letter was marked "private". He told Governor Harding this and he came in and thanked me for what I had done. I advised him to tell Warburg tomorrow--he is to be in town for two hours on way to New York--that he was considering whether it was not his duty to spread this letter on the files of the Board and this would put Warburg on the defensive. He said he would tell Warburg, of course, that he had stated to the Board that he bitterly objected to the newspaper announcement.

Secretary McAdoo said he had almost made up his mind that the Board should be reconstituted and disloyal members removed. He said that Miller's position remained for him to decide and had for a year. I told him that British Ambassador was to dine with me and asked him to join us; he said he could not but asked me diplomatically to let him know that he--McAdoo-- was not pro German and to tell him how he had helped in the Brown Bros. securing credit; also to speak of the unfair position of the British press. He said young Spring Rice (nephew of Ambassador) had been quoted as saying many bitter things about the Administration. He told me to assume a very friendly attitude towards Great Britzin, which he, in fact, felt, although he could not understand the bitter feeling of the British people. I said I would take care of this. I spoke of the change in feeling towards him of Bankers and said I hoped he would avoid any more clashes with New York especially--that I wanted him to get on a pedestal--especially in view of the many suggestions of his name as a presidential candidate. He said he had no such ambitions--that such a thought would distress his wife. He said confidentially he had made up his mind not to remain in the cabinet but I told him to go slow on this. He said his position would be misunderstood and everything he did would be charged to Presidential aspirations. I told him he was a picturesque character and that he would certainly be prominent among those to be considered for President. I told him what Governor Harding said--that last year Boston was suggested for merging in New York merely to embarrass me--that under the Act if this were done, either Warburg or I would have to leave the Board. He quickly replied that under such circumstances, Warburg would be dropped and I retained. He spoke very feelingly of a charge about that he had made millions out of his knowledge of President's peace note and said he was trying to find who was responsible for it and he would put him in jail.

Sat., Dec. 30

Warburg got back but did not appear at the reception held by Secretary and Mrs. McAdoo in the Department at 11 a.m. and Governor Harding said he had not seen him.

Evening British Ambassador and Lady Spring Rice dined with us. I made clear to him that Secretary McAdoo was not a Pro German--he seemed however to have no doubt as to this. He spoke at some length upon our gold exports to Argentine; he said merchants there insisted upon cash for sales to United States and thought we should try to stop this; he said he had a report on this which he would show me. He expressed hope that United States would get all the trade which formerly went to Germany.

He seemed very piqued at Davison whom he thought had botched the matter of the British Exchange loans; said he had no judgment; that neither he nor Sir Richard Crawford were in any way consulted; if they had been, they would at once have held up all negotiations until Federal Reserve Board was satisfied. He said he knew the whole story of our announcement (evidently from Harding) and felt we had done the right thing and that we could not have done otherwise. Spoke with almost contempt of Davison's talk at Chicago where he said Davison said 2 billions would be subscribed by American banks and bankers. Also said Morgan came down to explain situation to him. Said Morgan was more tactful but that his firm should not have had charge of these negotiations as it was too identified with Republican politics. I assured him this had not influenced us in slightest degree. Spoke of Bank of England agency with enthusiasm--said it was considered a most friendly act on our part; reason British papers had not said more about it was that they were controlled by Jewish bankers who held control of exchange operations in Europe; that the arrangement would cut out

the middleman and would be of great benefit to both countries; said I need have no fear but that Bank of England would accept agency.

Spoke of the war: said danger was that Germany might suggest peace terms for express purpose of splitting France off from Allies and give France what she wanted to make the people insist on peace that France was weakened and had already just shortened his lines and Great Britain had extended hers.

I spoke of bitterness of English feeling and he deprecated this; said English Government was most friendly and appreciated that we could help her more than if we entered the war. Said that Lord Bryce had unconsciously made British people think that his personal friends in America were perfectly representative of whole American people; he fully appreciated the American people as a body wanted to keep out of war. At dinner he said Cardinal O'Connell had made bitter speeches against Wilson and that these were fully distributed among the Lutherans in the West and had done much towards election of Wilson.

I spoke of Great Britain's attitude towards us in Civil War; he said Great Britain was then in danger of a Democratic revolution and that Seward and Sumner knew this: that Seward instructed our Minister to withdraw if Great Britain offered mediation and told Great Britain that if a clash arose between United States and her, there would be a British revolution which the British ministry knew to be true.

Said that when Garibaldi visited England in 1862 he aroused great enthusiasm and that British Ministry arranged for his entertainment at country houses and by the Queen to keep him away from the large cities especially in the North where it was feared a revolution might break out. He gave me the whole history of the Russian Japan Peace Treaty. Said that Japan wanted peace and that Russia feared an Agrarian revolution; that Japan asked Roosevelt to intervene; he declined unless Emperor should write him directly and that such a letter was in existence.

Roosevelt then approached Russian Emperor and said as originator of Hague Conference he could not decline to consider Peace: that Emperor was sure Russia would ultimately win (which he said was certain) but said would never agree to Peace if any territory were to be annexed or indemnity paid,--but on this understanding would take up Peace negotiations; that he was helped in this view by cables sent by Japan to the officers in Europe saying they would never consent to peace except on condition of (a) annexation of territory; (b) indemnity; that Japan knew Russia had its code and would thus think no harm in talking peace as nothing would come of it; that Emperor of Russia accordingly agreed to peace conference; that suddenly Japan abandoned indemnity and territorial annexation--as she had intended to all along--and peace was secured. Said that Emperor of Germany thought he had secured it but that he had nothing to do with it.

Speaking of France, he said Cailloux had tremendous power over many individuals in France--knowing their scandals and he feared if Germany made criticisms to France, Cailloux would have power enough to split off France from the Allies. He did not seem at all sure that Germany was exhausted--he thought it was a deep political move.

Speaking of Belgium, he said no one could justly claim that U. S. should have intervened--but he thought Wilson made a mistake in not using some "high falutin" expressions by message or otherwise, indicating United States sympathy; that if he had done that we should have been saved much trouble.

He asked me whether Dr. Miller was Pro German; I said we never discussed these matters in the Board; that at outset he was supposed to be very Pro German but that lately I had heard he was Pro French.

He said Bank of England had an arrangement with Egypt very similar to that proposed by Reserve Board for Bank of England.

1917January 2, Tuesday

Board voted to permit Schwab and Harriman to be interlocking directors of Guaranty Trust Co., Harriman National Bank, Empire Trust Co. and Chase National. Miller and C.S.H. voted No; Harding, Warburg, Delano voted Aye, on Harriman's petition. On Schwab petition--C.S.H., only, voted No.

January 3, Wed.

Discussed New York Federal Reserve Bank condition. Governor Harding read Vice Governor Tremain's questioning of authority of Reserve Board to announce decision as to Bank of England. Warburg said wise to make announcement but if he had been in town would not have been pleased if he had not been consulted. Delano pointed out that Bank first had notice by reporters coming to office. (They must have read this in morning papers, however.); that we had made error in marking our letter to Jay confidential; said he believed, however, Board must turn Tremain down for disputing our authority.

Secretary McAdoo said never would consent to secrecy in such a matter--would have injured Board.

Warburg said he did not tell Vanderlip of this. (He, however, went to Denver to see Steacy with Vanderlip.)

All admitted that New York Bank was not running well and Secretary McAdoo said he felt Governor Strong should resign as it was evident he could not return for a long time; that he was a wealthy man and could afford to resign; that he would be glad to vote to increase salary so as to fit the best man for the place. All agreed--except Warburg--that the Bank rather despised authority of Reserve Board. Governor Harding said Tremain told him that he had been apologizing for Board for last 30 days--that he also objected to our notice as

to Acceptances. It was felt that it would be wise for the Bank to see more of the members of the Board.

Warburg said that although he was on the New York Committee many other members had "butted in" and written letters to New York bank,--that Delano had written more of such letters than all of the other members. Inasmuch as Delano was on the New York Committee, I felt this was a gratuitous insult.

Returning from lunch picked up Delano, he was angry at Warburg's remarks and said he believed that Harding's proposed resolution against any member serving on Committee of Bank in his home town, was a wise one and ought to be adopted.

Riding home with me at night Harding said Secretary had written Miller and Warburg that henceforth his private elevator could not be used by them; that Miller took it all right but that Warburg at first blew up in the air.

Governor Harding after talk with McAdoo and myself wired Peabody to come down tomorrow. Peabody replied that he could not but that Bank had appointed a committee to come down next week.

Jan. 4, Thursday

Delano said Lamont of Morgan & Co. called up Governor Harding and asked if rumor was true that Board was to issue a new warning as to Exchange Notes or liquidation and that Harding said No. Lamont who said rumor that Morgan said American manufacturers had lost 100 millions of contracts because of Board's warning was not true; that that amount had been lost but for a variety of causes viz: preference to Canadians, work done at home, etc., etc.

W. E. Curtis called--said represented Committee of Munitions Manufacturers--that they were losing valuable contracts--must soon discharge vast body of laborers--that trouble was that Government was supposed to be inimical to a general British loan in U.S. I said that was a matter for State Department--we had nothing to do with it--that I did not see why manufacturers could not

take obligations of British Government at least in part payment--he said they had never been asked to do this. I said investors could do as they pleased--we merely felt Banks should not invest in securities which might later be funded into long time obligations. He said he would see Lansing and I called Lansing up who said he would tell him what Curtis had to say but would make no reply.

Jan. 5, Friday

Board voted to permit Armour, Shedd and Mitchell of Chicago to serve as interlocking directors with certain Chicago and New York Banks. Miller and C.S.H. voted No. Warburg, Harding and Delano voted yes. The directors were informed that Board gave decision pending further inquiry as to competition of these banks in loans, open market purchases of paper, etc, in other parts of country.

P.M. W.E. Curtis of New York had conference with Governor Harding, Delano and C.S.H. Repeated what he said to us yesterday. Governor Harding and Delano showed danger of banks investing in funds, etc., whether domestic or foreign. Delano said we had bought two billions of our securities held abroad and that our banks and trust companies, national and State, still held 1.2 billions of those. Governor Harding said inadvisable even for investors to load up with such securities at a time when peace seemed somewhat near which would bring about a change in our foreign trade--especially in Munitions. Governor Harding very inadvisedly told Curtis what Davison said as to our being tied up with Great Britain. We finally told him these questions of neutrality were for the State Department to settle. He said he had seen Lansing who told him the original statement of the State Department, issued by Bryan, as modified by him, still stood and would stand until changed by President when special cause shown.

Evening--Dined with Ass't Sec. and Mrs. Roosevelt.

Jan. 6, Saturday

I am satisfied that President Wilson wants to put obstacles in way of new British loans in U. S. in order to make Great Britain more inclined to consider Peace terms, and, I believe in the whole, this is not an unwise step. Foreign nations have lost their heads and Wilson is right in doing everything he can to induce Allies to consider whether, after all, they cannot achieve practically all they are fighting for now without years more of exhausting and devastating war.

Jan. 9, Tuesday

In evening Geo. Peabody called--said the Bank of England cabled at once to New York Reserve Bank on hearing of Board's announcement, but did not say what the cable contained. Also said Tredure Goudert told him that Davison said that Reserve Board agreed to let him know before putting out any warning as to Exchange Notes, and I think he said--agreed to show him in advance anything before it was put out. I told him to see Secretary McAdoo early in the morning.

Jan. 10, Wednesday

Peabody, Woodward and Towne representing New York Reserve Bank directors met Board. Secretary McAdoo asked for a stenographer to take proceedings which was done. Town spoke for committee in 2 matters--1. Bank of England; 2. Method of sending letters to Federal Reserve Agent instead of to Governor.

At first Towne was quite vigorous in his statements and intimated almost in so many words that some of the directors might resign. Secretary McAdoo became angry and said he thought we could secure others to take their places; also that while the Board would listen to any suggestions it would not discuss with the committee the propriety of its official acts.

As record will show, Woodward said the directors cabled the Governor of Bank of England expressing their regrets at announcement of Board and later received a very courteous and reassuring reply from them. Peabody then asked if the Bank of England did not first cable asking what the announcement meant-- which cable crossed the New York directors' cable. I think Towne said Yes.

None of them mentioned any cables until Harding asked the question as to whether any had been received. Towne in response to request of Secretary said the directors would send us copies of all cables. (See stenographic record for complete account.)

Peabody dined with us. I cannot understand why he did not tell me the whole truth about the cables. He said I could use the statement made to him by Coudert who said Davison told him the Reserve Board had promised to call him on the telephone before any announcement was made and that he had told this to Comptroller Williams this A.M.

Jan. 11, Thursday

In discussing minutes of yesterday's meeting, Delano asked to postpone approving minutes until Secretary McAdoo was present; said stenographic report should be wiped out--that most important part of McAdoo's remarks, he, McAdoo, had asked stenographer not to take down; that this particular statement was made after McAdoo "cooled off" and was a very fair temperate presentation of the matter. Dr. Miller said the report would leave Board in a very unfortunate position to which Delano and Warburg emphatically agreed. Finally approval was suspended until Secretary would be present.

Warburg criticized McAdoo for ordering a stenographic report and Delano and Warburg said it was not a very courteous way of receiving the committee;

Warburg said if a vote had been taken he would have voted against having a stenographer.

Board also, after long discussion, authorized Willis to comply with Mr. Glass' request to help him in drawing amendments which Glass intended to introduce. Warburg demurred for a long time--saying it was not fair to Board as Willis was opposed to Federal Reserve Note amendment which a majority of Board favored. Miller and C.S.H. took opposite view very strongly.

It was evident that Warburg felt Glass put more reliance in Willis' opinions than in Warburgs--which is doubtless true. In afternoon Frank Hackett, former Postmaster General called and said Governor Harding asked him to call on me and I would introduce him to Williams, Comptroller, He said he was opposing some appropriation for Comptroller's office for destroying notes which, in fact, were destroyed by the Treasurer. He said he supposed he ought to frankly to go to the Comptroller and talk it over with him as the national banks should not be forced to bear this expense and should have a refund of amounts already paid. He asked if I would introduce him, that he hesitated to go alone as he had heard so much of Williams' eccentricities and general demeanor. I told him I was sure the Comptroller would receive him courteously, whatever his decision in the merits might be and I said I would go in and introduce him. I stepped into the Comptroller's inner office before him and told the Comptroller who he was, saying I had known him slightly for many years. The Comptroller said his son had married a daughter of an old friend of his. He asked his clerk as to Hackett's claim and he said the Auditor had turned it down and it was now, I think, before the Comptroller of Treasury. I said to Comptroller--just hear what he has to say--I know nothing about it and brought him in only at Harding's request. The Comptroller seemed in fairly good humor and said he would do so

and I brought Hackett in and introduced him and left them. In about 15 minutes Hackett came back and said that while he was very grateful to me for my trouble, he felt he ought to say that never before had he had such an interview or met such a man; that he was offensive, overbearing and almost insulting. I expressed my regret that he felt this way and he left. I remember that when talking with Williams before Hackett came in, he turned to his clerk and said--is not he the man who took the paper in the Riggs bank case and never returned it? The clerk said Yes. Evidently the Comptroller thought he saw in Hackett a friend of Glover and treated him accordingly. It will be a long time before I introduce any one to him again!

Jan. 13, Saturday

Board meeting to pass on letter from Governor Tremain, New York, relating to French credit of 50 millions . Tremain forwarded draft of proposed letter to other Federal Reserve banks stating the telegram and letter of Board, October 23, 1916, I think, indicating that Reserve banks should be cautious in buying such renewal acceptances but nevertheless not ruling against them. In the draft Tremain said to other banks--if we don't hear from you to the contrary we will assume you wish to take your share in any we may buy, or words to that effect.

I was not at the meeting in October, being away in a week's vacation.

The Board felt it was honor bound to refrain from advice not to buy this issue because of its action in October. This was the credit the Board had a row with Kent about in New York. Finally we suggested some changes in Tremain's letter and said if made Board would interpose no objection. During the discussion Delano said he had seen J. P. Morgan who did not seem in any incensed with the Board because of its warning vs British Exchange Notes; he said "Well, you

scotched us and we must find some other way." Delano said Morgan said as result of our warning Davison had to buy about 20 millions of exchange, which in Delano's opinion was the reason the call loan market advanced to 15%. This confuses what Peabody told me. Miller said the French Ambassador was at first very bitter about the warning as an attack on French credit; that he did not even know Davison had consulted the Board; that he finally felt we had to do what we did but thought Davison had badly bungled the whole matter. Miller also said he heard that Davison had been speculating heavily in copper, which Peabody also told me.

Jan. 15, Monday

Harding drove home with me; said Warburg insisted on mentioning in Annual Report that power of President in designating the Governor of the Board should be cut down. Harding said he told Secretary McAdoo who said to say to Warburg if he wanted a "scrap" on this question to go ahead.

Lawsen in testifying before Congressional Committee named McAdoo, Warburg et als, as among those whom he was told profited by the leak in the peace message.

Jan. 18, Thursday

Miller said Vanderlip called on him and said Board made a great mistake in ruling that acceptances growing out of revolving letters of credit representing renewals could be rediscounted or purchased by Federal Reserve banks and that Board should reverse this ruling.

Warburg said he did not agree with Vanderlip; that while he was originally opposed to such rediscounts or purchases, it was only with a view to restricting the amount taken within reasonable grounds.

Governor Harding said he had had a two hours' talk with J. P. Morgan at the Metropolitan Club late this P.M.; that Morgan never mentioned the new British 250 million loan; that he seemed very bitter against Warburg evidently

thinking he was dominating the Board; that he said he did not trust Jews; that they had killed his father (referring, I suppose, to Untermeyer) and that some time he should get even with them; that our Board should consult more with national bankers; that some large national banks in New York were considering leaving the System, etc., etc.

Governor Harding said he thought he satisfied him that Warburg did not dominate and said the Board members would try to go to New York more frequently and confer with the National bankers which seemed to please him.

Governor Harding also begged me to dissuade Williams from making any public statement as to national banks subscribing to new British loans. I told him Williams talked with me yesterday about this and I advised him no action was necessary; even Warburg told me he thought this secured loan was all right.

Jan. 24, Wednesday

Governor Harding said McAdoo was inclined to have Williams issue a warning to banks as to further investments in foreign securities. Williams showed Governor Harding and myself figures that the national banks as a whole had about 20% of capital so invested and a much larger percentage in some cases almost double of foreign and domestic bonds.

In New England district the national banks held about 5 millions in foreign bonds and securities and about 30 millions in domestic bonds--their capital being about 30 millions and their surplus as much more. We all agreed that another warning would be unwise and unnecessary.

Governor Harding said McAdoo asked him to see Sir Richard Crawford and gently intimate that Great Britain ought to do something to appease U. S. in way of facilitating gold exports to Argentine, etc.

Jan. 24, Wednesday

Williams removed Examiner Starck, New York, and appointed Malburn in his place. Starck by attorney demanded hearing. Williams assigned date--Starck said could not come because of illness--assigned another date--attorneys could not come--finally Williams assigned Tuesday, Jan. 23, attorneys could not come and Williams removed Starck.

Starck wrote Williams a letter--said if Williams would say he removed him merely to give Malburn a place, he might resign. Among Williams specifications or charges he said Starck had a private telephone in his office. Starck replied this was there when he came--Williams knew it and frequently used it--Williams told him to use as he did not want Warburg--who was fighting him in examination reports to learn what he was saying--also to avoid wire tapping by enemies of himself--Williams. Starck also accused Williams of holding back his report of Merchants National Bank showing a dummy loan of \$200,000 to Morton Plant--until Statute of Limitations had run. Governor Harding said Sir Richard Crawford asked to see him in Bank of England Agency matter. Miss Loring sent me a letter from Dr. Dixon of Penn. Health Department giving particulars of death of Dr. Warren.

Jan. 25, Thursday

The record in the Starck case transmitted by the Comptroller was read by individual members of the Board and referred to the New York Committee--Delano and Warburg. Warburg and Delano reported that the letter should be sent Starck asking by what right he insinuated that members of the Board engaged in such unseemly contemptuous conduct as conspiring against Comptroller, etc. Finally I persuaded them to let it go over.

Jan. 26, Friday

Williams came in--said never knew Starck had a private telephone--that this had never been customary between him and Warburg as to examiner's reports. Finally referred whole matter back to Committee.

Governor Harding said had had a talk recently with Sir Richard Crawford who asked to see him on Bank of England agency; said Sir Richard was strongly in favor of it but wished to know--(a) whether Board had power to ensure participation of the other Federal Reserve banks; (b) whether the banks must get authority from their stockholders. Governor Harding said he satisfied him that Board had full power and that stockholders need not be consulted. Governor Harding also told me that Committee had turned down Federal Reserve Note amendment and others; said it would be easy to make a bargain with supporters of Kitchen Bill permitting 1/10 of 1% deduction for exchange charges; that if we agreed to that the Reserve Note Amendment could be put through over Glass' head. I told him I should stand by Glass.

January 27, Saturday

Governor Harding came in and again repeated above. I believe he has tried to arrange some trade of above nature as he has always been rather sympathetic with the Kitchen crown as to exchange. I said again I should stand by Glass and he dropped the matter.

January 29, Monday

Governor Harding said Miller came in and expressed great dissatisfaction over appointment or suggestion of Denman as Chairman of Shipping Board; said the short term was made Governor in Federal Reserve Board and long term ought not to receive it in Shipping Board. Governor Harding said Miller evidently thought he would be made Governor to succeed Harding but that the Governor and Chairman of Shipping Board could not both come from San Francisco. Harding said Miller said he thought C.S.H. was at bottom of this.

Williams told me McAdoo was much worried because telephone records showed Baruch, stock broker called him up December 19, the morning of the stump over President's peace message; that McAdoo said he merrily suggested a name for the

New York director of Federal Reserve Bank to succeed Starck; that he--McAdoo-- had mentioned it to Colonel House who probably had spoken of it to Baruch.

Jan. 30, Tuesday

Governor Harding said he lunched today with British Ambassador who was very bitter vs administration--said President Wilson by addressing Senate had lined himself up with Germany; that he was evidently apprehensive of being recalled--said it was a German plot. Said also he knew how McAdoo got into politics--his tunnel company needed reorganization--he took up cause of Wilson--went to Kuhn, Loeb & Co. and said Wilson would surely be elected--intimated he would be Wilson's right hand man and induced Kuhn, Loeb & Co. in this way to reorganize Tunnel Co. Complained also of McAdoo's intimacy with Warburg.

Jan. 31, Wednesday

Delano and Warburg reported on Starck case. Before reading report a telegram was received from Starck resigning as director of Federal Reserve Bank of New York. I raised point that having resigned (and not tendering resignation) he was out and no report, therefore, was necessary. The Committee insisted on presenting and reading report. It advised removing Starck simply because he had ceased to be an examiner--the only reason for appointing him. Also said a majority of Board wished to remove him in June, 1915; that several members or a majority asked Comptroller to remove him as a national bank examiner but that he refused; expressed regret Williams had not told Board about Starck before he did--said he had told some members--(Governor Harding and C.S.H.); expressed opinion that law should be changed to give Board complete control as to salaries, removal, etc. of examiners.

Williams took issue at some statements which Committee agreed to modify. I raised point that Committee report went beyond scope of resolution or vote appointing it and that it was really a report of censure of the Comptroller, a

brother member, without proper inquiry. Miller moved to recommit so that Committee could make the changes in facts it had agreed to. Miller did not mean by this that he objected to the censure. On vote to recommit, Miller and I voted Yes and Governor Harding, Warburg and Delano, No and it was lost.

It was then moved that the report be received and filed. I objected to having a censure of a brother member spread on files as a committee report. Delano and Miller were very angry and impertinent--said a committee could report anything it saw fit and Governor Harding agreed. I said any member could file any state/^{ment}he wished to make and I always had and always should so vote, but the contents of a Committee report, if beyond scope of authority, should be recommit^{ment}ted and not received. On vote to receive, I voted No and the others Yes. Williams did not vote. Williams told me that he had just learned that Delano had made a contemptible, outrageous statement about him and he would slap his face were it not for fact that he had pledged his word to the man telling him not to reveal his name. I told him he could take no action after giving this pledge.

Later Secretary McAdoo said a newspaper reporter told Williams Delano said to him in connection with the leak hearings that the Committee should examine Williams as his two brothers were in a banking firm and leaks might be discovered there.

I am sorry to say that Delano has a "yellow" streak in him.

February 1, Thursday

At the meeting Governor Harding referred to a letter from Secretary of State to effect that Bank of Russia wished to ear mark gold in its vaults against which the Reserve Bank of New York could pay out money in United States

or sell exchange. Some days ago, Governor Harding read a letter of reply--based upon vote of Executive Committee--stating Board did not wish to enter into such an agreement at the present time and Board voted the Governor should send it.

This A.M. Governor Harding said he had redrafted the letter and read it. In it, it was stated as the chief reason for declining that there were no Treaty relations between United States and Russia. Governor Harding said Warburg suggested this. I at once objected saying it referred to the fact that Taft put an end to Russian Treaty (because Russia would not give greater privileges to Jews) and that this put our Board in the position that it did not care to have any dealings with Russia because of there being no Treaty and that such a statement would infuriate Russia. I suggested that we merely say that as we had not yet entered into any arrangement with Bank of England we preferred to wait until that Agency was agreed upon before making others.

Warburg objected and after a spirited talk on my part said he meant that we had no gold Treaty with them--a palpable evasion. I replied--neither have we with England and pointed out that he was against all Agencies of this sort except through an International Gold agreement which he had recommended in connection with his South American trip.

Finally, in spite of my protest, the Board voted to send this letter to Secretary McAdoo to be presented to Secretary of State.

After the meeting I told Delano that this letter would cause us trouble and Russia would say Warburg had "put it over" and Delano seemed much disturbed and said he would speak to Governor Harding.

Later Governor Harding came in and said he had decided--on his own responsibility--to strike out all reference to Treaties. It is evident to me that

Warburg deliberately tried to deceive the Board and through it to insult Russia. He seems to be willing to do anything to gain a point.

Feb. 3, Sat.

President broke off relations with Germany.

Geo. Eustis asked us to dine with him but we had another engagement. Later learned that German Ambassador and the new Austrian Ambassador Tarvowski were his guests. Someone told H.P.H. that German Ambassador said he had warned his government that the submarine order would result in our breaking off relations, but that his government did not believe he was correct.

Feb. 5, Monday

Matter of reply to conduct of New York Reserve Bank in apologizing by cable to Governor of Bank of England for action of Reserve Board was referred to Executive Committee. At Governor Harding's request I prepared draft of a reply. Later Governor Harding read letter prepared by him based on my letter. He said Warburg thought we should drop whole matter and he replied--there are three Southerners and one New England man on Reserve Board and a letter will go out if necessary by a majority vote. Finally Warburg agreed to it and Harding went in to show it to Secretary McAdoo. Warburg told Harding United States could not have done less than to break off relations with Germany and that while he favored Germany as against England he should be loyal to United States as if born here.

Mrs. Houston told Bertie Mrs. Warburg telephoned and asked if she could have talk with her; she said she felt terribly at the position they were placed in--that, of course, they would be absolutely loyal to the United States, etc.

Wed., Feb. 7

Governor Harding said letter to Federal Reserve Bank in subject of cables to Bank of England was sent yesterday. Secretary McAdoo made some changes. It followed my draft literally except (a) Reference to Vanderlip's knowledge of the negotiations and (b) statement that a copy was to be sent to Bank of England--were stricken out. Governor Harding said he showed it to all members who approved it.

Governor Harding this A.M. had talk with Secretary McAdoo and Sir Richard Crawford and a representative of the Bank of France. They were disturbed over our reference in Annual Report to policy of Banks not investing in unliquid and unsecured securities. Governor Harding told Board he told them that our report related only to 1916 and in case of war we were free to modify our opinions as we felt best.

Miller is softening on Federal Reserve Note Amendment and is preparing an Amendment he will support.

Feb. 13, Tues.

Yesterday Mr. Lindberg of Minneapolis introduced an impeachment resolution of Federal Reserve Board. Referred to Committee on Judiciary.

Feb. 14, Wed.

Met Mr. Danforth of Judiciary Committee at Metropolitan Club. He said Lindberg came before Committee and had positively not a shred of evidence upon which to support his impeachment proceedings and that finally at his request the Committee gave him one week in which to present his evidence. I told him the Board was in the hands of the Committee as it could not call Lindberg to account. He said he thought the Committee should take drastic action against Lindberg.

Governor Harding walked home with me--said had had a conference with Davison and Secretary McAdoo this P.M.--that Davison wanted to bring up matter of another loan on unsecured Exchange Notes, as time was coming when it might be difficult to provide American securities as collateral: he also said if we insist on collateral the American people may insist on collateral for our own bonds if and when we issued them.

He said he told Davison and McAdoo agreed that the warning of Board applied to conditions at that time and that if conditions changed the Board might change its views; that clearly war with Germany would be a radical change and that very possibly, even without war Board might find conditions so changed as to warrant a change in minds of Board. Davison said the warning had injured British credit and if any issue of such Notes were made it would not be sufficient for Board merely not to object--it ought to go further and at least say it did not object; that he and Secretary McAdoo said that if amount were specifically limited and Morgan were to certify that there would be gold in Canada sufficient to pay all who wanted payment at maturity, the Board would give careful consideration to the matter and that possibly it could be worked out.

Feb. 15, Thursday

Governor Harding rode home with me. Said last night British Ambassador and Sir Richard Crawford dined with him staying until nearly 12 P.M. He showed me just before going home a printed memorandum to effect that British Government should offer 250 millions of Exchange Notes running two years at 6%, Morgan to certify that there would be held at Ottawa at least 20% in gold in case any holder demanded payment before due date on certain interest days specified - 2 in all; that if so demanded, interest should be only 5% and $4\frac{1}{2}\%$ respectively. Governor Harding said Ambassador wanted an assurance from Reserve Board that if

such a suggestion were made by Great Britain the Board would state it had no objection to Banks investing; that Secretary McAdoo and he soon would have another interview with them.

I said to Governor Harding that times were changing so rapidly it would never do in advance to agree as above even if at present time all of us agreed; that the farther the could properly go would be to say that such an offer would be the least the Board could consider, but that if made he would bring it to the attention of the Board for its consideration.

I also said that as far as I was concerned, I thought--apart from changing conditions--the matter could be worked out along some such lines as these but that I should not want to have the British Government given any such intimation in advance.

I said that the original warning was forced on us by Davison's action and that we did not know then the exact amount of foreign bonds, etc., held by the national and State banks as investments--we merely knew of rumors that the banks had heavily invested, etc.; that if we had waited until the Comptroller got the full returns--only a few days later--we might not have deemed it necessary to issue such a warning or at least in such specific terms; that the new memorandum covered many of our objections (a) It was fixed as to amount; (b) it provided for a distinct pledge as to gold held at Ottawa; (c) it gave holder privilege to demand payment before two years by taking his interest.

Feb. 16, Friday

Secretary McAdoo sent for me but only to get some information as to Fuller, elected to Congress from Massachusetts in place of Roberts. He said MacFarland (Boston) said he would try to find out how Fuller stood politically. While leaving he put in call for Justice Brandeis to ask him about MacFarland. Said nothing about proposed British Exchange Note loan. I fear he has committed

Board or a majority. If he has, he had no authority to do such a thing, at least not from me.

Feb. 17, Sat.

Secretary Lansing told me at lunch at Metropolitan Club that Germany was much puzzled at our not breaking all relations with Austria--he said Germany would soon get suspicious and think Austria was playing double with her. He also said Bernsdorf in his opinion had lately done his best to keep peace.

Feb. 19, Mon.

Meeting Federal Advisory Council.

In afternoon, 4 P.m., Morgan said he wanted to have a long talk with me about future British loans-- I asked him if he had talked with Governor Harding-- he said perhaps I will talk with him first and later talk with you. He then said-- do you think the matter will be adjusted all right? I said, I cannot commit myself until we go into the whole matter with the Board. I hope, however, we can find some way to maintain our export trade. After the meeting I told Governor Harding of this and he said he had a new memorandum covering the matter which Secretary McAdoo had or would (am not sure which) communicate to the British Ambassador and Sir Richard Crawford as approved. He did not say whether or not Secretary McAdoo had undertaken to commit the Board or only himself and Governor Harding.

Governor Harding said if I would come into his office he would show me a copy of this. I then told Governor Harding that if the British Government wished us to recommend a loan along lines of Memorandum, he showed me the other day, I did not see how we could do anything which savored of advising Banks to invest in it as our warning as to other loan was specific on this point, and I had noticed several statements in papers that Great Britain did not want her banks to invest in their latest loan as they should keep themselves liquid; also said

I had read that the British banks too about 1/3 of the earlier loans as Investment^{ment}ments, I added that if all they wanted was some state/that Board did not look with disfavor on new loan so far as regards individual investors, that was another matter which might be worked out in view of the promise in the Memorandum shown me to keep 20% gold always in Ottawa to pay all who wished to redeem before final due payment.

Governor Harding agreed with me as to Bank investments and I gathered from what he said that what Great Britain wanted was not any recommendation as to Bank investments. I did not go to Governor Harding's office to get the copy but went right home, as I did not wish to be committed by any statement the Secretary may have made or might make, but wished to keep myself absolutely free to take any course I thought the best interests of the country and the banks demanded.

Morgan was very bitter towards Congress--said he had the most supreme contempt for the whole body--Republicans as well as Democrats.

Feb. 20, Thurs.

Governor Harding said later this P.M. had long talk with Secretary McAdoo and Morgan; that Morgan now wants to issue 250 millions of short-term Exchange Notes--just like old Exchange Notes against which we gave warning, amount limited, however, to 250 millions and will agree to keep 20% reserve either in Ottawa or in Federal Reserve Bank--says must have Bank subscriptions; that Secretary said he was inclined to favor it but that Morgan should prepare statement showing how new loan met requirements of Board in its warning and later come down and have hearing before full Board.

Feb. 21, Wed.

Governor Harding reported as to talks of Secretary McAdoo and himself as to International loans--said Morgan now insisted on putting out short-term Exchange notes precisely like old ones--and objected to a two-year bond with

right to prior payment by accepting lower rate of interest; that he wanted Board to reverse itself and give out an approval both for banks and individuals; that Secretary McAdoo had told British Ambassador this could not be done; that British Government had overruled Morgan and directed that next loan should be for two years, etc., as in statement previously shown me. Warburg expressed his approval of this decision--at least as to a fixed maturity of two years--nothing said about security.

Feb. 23, Friday

Vanderlip called. Had general talk--feared that peace might bring some trouble although not in immediate future. I explained our position as to renewal acceptances--that Comptroller ruled that Banks could give such Acceptances--private holder was not bound to renew--that our counsel ruled that we could not legally prohibit a Reserve Bank from rediscounting any acceptance a member bank could lawfully give. Although we might limit amount in any reasonable way. He said this opinion put a new phase into the matter and he saw clearly that Board was right; he felt, however, that it was not good banking and should be kept within reasonable bounds.

He also said our warning vs British Exchange Notes was undoubtedly good for the country but wrong in theory as such loans were necessary to absorb gold imports; that Banks would always expand up to full limit of their gold holdings.

Spoke of attacks of New York Financial Chronicle--said he had never met any of the editors--that their editorials showed profound ignorance, etc.

Feb. 24, Sat.

Robert Greer Monroe called. Said he had been asked by interests in New York to go to Washington as a Democrat and work to bring about a declaration of war against Germany; said that the opponents of Germany were largely

Republicans and their partisan hatred of the Administration had spoiled all their efforts.

March 2, Friday

Board decided for present to make no statement as to future purchase of foreign securities by banks. Each member prepared draft.

March 8, Thursday

Secretary McAdoo called meeting at 4 P.M. to consider issuing statement, for said time under consideration by Board relating to clearing up the misconceptions of Board's warning of November 28, 1916.

Governor Harding told me McAdoo said the President had just received a cable from Ambassador Page in London saying that our previous warning had scared investors and injured condition of Great Britain; that Great Britain could not continue shipping gold to United States; that in any event it could not be done safely because of submarine activity; that France could not spare any more gold without injuring her domestic position and that ^{if} something was not speedily done Great Britain must suspend specie payments which would probably mean a world wide panic which would necessarily involve and greatly injure the United States.

The meeting took up a draft of notice based largely upon draft prepared by Delano and to less degree by Miller and after some suggested changes by Warburg and Miller and a few by C.S.H.--which were previously accepted by McAdoo, the Board voted unanimously to publish it in papers tomorrow.

About 7 P.M. Secretary McAdoo called me at house over telephone and asked how I liked the announcement; I said I thought it was in good shape.

March 12, Monday

Board voted to recommend to Treasury for charwoman a woman who was Dr. Miller's washwoman. The Committee reported this at Dr. Miller's request.

We had no one in mind for the place and it was not under Civil Service Miller said his washwoman wanted the place and that it would not interfere with her work as she had to be at the Treasury early only certain mornings in the week. If any other member had proposed his washwoman now Miller would have raved!

March 21, Wednesday

Governor Harding spoke in New York at Quill Club. Threw out suggestion that in case of war, United States should lend Allies one billion dollars taking their bonds as collateral and issuing its own bonds. Told Board today he was asked to throw out this suggestion--meaning that McAdoo wanted it done. Never consulted any of Board.

March 27, Tuesday

Secretary McAdoo informed Board that he had decided to issue 50 millions of certificates of indebtedness at 2% and asked us to offer them to Reserve Banks. He said he could sell them at that price anyway but wished to give Reserve banks the first opportunity. Warburg bitterly opposed this--said rate should be $2\frac{1}{8}\%$ and at such price the Reserve banks could sell them to other banks. He could not deny, however, that the Reserve banks could easily take this issue as an investment--the certificates running only for three months. He said the banks would be very angry--I said if so the reason would be that such an issue would have a material effect upon future bond issues and enable them to be placed say at three instead of at three and one-half per cent. Of course, he denied this.

He insisted on our holding up the matter until he could talk with the Secretary--who was at cabinet meeting. I pointed out that it was for the Secretary to determine at what rate he would offer the certificates and it was not our business--that all we could do would be to inform the Banks or refuse to do so which would be ridiculous. Everyone except Warburg voted to

inform the Banks.

March 28, Wednesday

Eight Reserve banks have already taken whole issue with Atlanta, Minneapolis and Chicago yet to be heard from. New York said would take any part of 25 millions.

April 4, Wednesday

Meeting of Governors. McAdoo presided and severely criticized New York Reserve Bank because it passed a vote objecting to being asked to subscribe to new 2% certificates without being consulted as to their issue.

While the Bank was clearly wrong, it was most unpolitic for the Secretary to attack it as he did. The Secretary also said he wanted to have law amended so that Reserve Board could appoint a majority of the directors of the Reserve banks. Board considered this and every appointive member opposed it. I said I favored it in principle as very likely necessary in the future but at present time deprecated it--would cause bitter opposition and might defeat our amendments. It certainly would change whole Act and in time of war like the present nothing short of suspicions of treason on part of banks would warrant such drastic action. To say that the banks furnish all the capital and resources of the System were to be in a minority of Board of Directors would be enough to condemn it except for extraordinary circumstances.

April 17-19 - In Boston

While away Secretary McAdoo asked Board to sound Reserve banks as to how many certificates of indebtedness could be placed at 2 $\frac{1}{2}$ %. Board very indignant. Warburg go Kuhn, Loeb & Co. to take 10 millions and this forced

Morgan to do same.

Then Warburg and Harding told Secretary it was willing to do this as it ignored market conditions--that 3% was right rate. Finally Secretary changed rate to 3%.

April 22, Sunday

Bulfurn and party arrived. Lansing, Polk and Phillips of State Department met them. The Governor of Bank of England rode with Phillipps--most extraordinary as the Governor of Reserve Board should have done this. In P.M. Secretary McAdoo called up H.P.H. and said he had to give an official "stag" dinner to Lord Cunliffe, Governor of Bank of England, Tuesday evening and, therefore, could not attend the dinner we were to give in his honor next Tuesday evening. He then called me up and somewhat sheepishly said that as the visitors would not care to meet Warburg he had decided only to ask Harding to his dinner,--also said he would invite Jay and Truman of New York Bank, Aiken of Boston, Rhoades of Philadelphia and Seay of Richmond. I fear this will anger the Reserve Board and justly so. While Warburg is in the Board he should be treated with decent civility.-- and I believe this is merely an excuse for not inviting the five appointive members of the Board. Am curious to see whether Williams will be invited.

April 23, Monday

Lord Cunliffe called on Secretary McAdoo for over an hour. Our Board was in session but McAdoo did not ask us to come in. After our meeting was over Harding suggested that we send in word to the Secretary that we would wait in his room for Lord Cunliffe. I suggested that we did not know that Lord Cunliffe cared to see us. Then someone suggested that if he came to Harding and asked to meet us, Harding could take him to each of us in our rooms.

Finally we adjourned and Harding said if Cunliffe called he would send for us. Later Cunliffe did call and we were sent for and met him very briefly.

Evening President Wilson gave a dinner and invited many assistant secretaries, including Roosevelt and Vrooman, the whole industrial defense commission, Governor Harding, the Chairman of the Shipping Board and also the Comptroller of the Currency. To invite Williams, the Comptroller, merely a Bureau Chief over the heads of the other members of the Board seems, speaking mildly, somewhat surprising. It is small wonder that the members dislike Williams. Apparently the Assistant Secretary of War and the Assistant Secretary of the Treasury were not invited either. Yesterday Delano insisted on having a lunch for Lord Cunliffe and he agreed on Wednesday.

I feel, personally, it was a mistake to do this. Harding and Williams having been invited to meet him could give him any hospitality they might desire but the Board should have maintained a dignified silence.

Secretary McAdoo has now clearly shown his jealousy of the Board and his contempt for them and I fear trouble may arise in the future.

Tomorrow, Tuesday, evening, Lansing, Baker and McAdoo are to give dinner, and so far as I know, no member of the Board, except Harding, has been invited. After the dinner, there is to be a reception at the Pan American Building to which apparently none of our members are invited. It seems certainly an extraordinary proceeding.

April 24, Tuesday.

Received invitation to Pan American reception at about 4 P.M. Gave dinner--Mr. Kuhn said he had received no invitation to Pan American reception. Later at reception saw Lansing and he said all Representatives and Senators were invited.

The State Department has botched the affair.

April 25

Went down on Treasury south steps and with McAdoo, Lord Cunliffe, et al saw Viviani and General Joffre pass by. Great enthusiasm.

Went back and showed Lord Cunliffe our Board room--then gave him a lunch at Chevy Chase. After lunch he talked to us for nearly two hours. He said war will not be over in any three months--may be of long duration--money will be dear for many years, no matter when peace comes--follow market rate in loans to Government--France made great mistake in loaning to Government at 1%--disrupted exchanges--England has issued too many Treasury bills--feel this because rates are higher than acceptance rates, e.g. of his own firm of bankers--in issuing bonds having long maturities with right to redeem after few years. The currency notes are issued not as loans to banks on collateral (as our Aldrich-Notes) but as payments of Government indebtedness exactly as were our greenbacks. He also told me he had great sympathy with our warning to banks as to investing in short-term securities which really were long-term loans--he felt England would have made a great mistake in issuing the Exchange Notes against which we warned our banks. I asked if his banks were forbidden subscribing to last British loan--he said No, but they were advised that public should take their redistribution through banks, but he said Lloyd George told the banks they must place the bonds with the public as the banks must take them if the people did not and this spurred up the banks to place them. He said last loan brought in practically no new money--it was really a conversion of old floating indebtedness and that banks turned in old bonds owned for conversion in large measure. In driving out Jay told me that the Reserve Bank of New York at request of Secretary of Treasury had done an ultra vires act--it had

given a deposit credit in name of British Government itself and not in name of Bank of England. Lord Cunliffe said Bank of England would at once agree to be our Agent and wanted to announce it publicly in few days--that while not much might be done now under Agency, at least gold could be earmarked.

April 26, Thursday

Lunched at Dr. Miller's with Lord Cunliffe. He said first British loan at $3\frac{1}{2}\%$ was very poorly subscribed--that he insisted on 4% but Lloyd George insisted on $3\frac{1}{2}\%$ --that the Bank of England was forced by the Government to underwrite the loan and in fact had to take $1/2$ of it.

He impressed on us necessity of meeting the market rate so that banks would have to invest in undigestible securities. He thought it unnecessary to provide for loans at special rates to banks to recoup for money withdrawn by subscribers to the certificates of indebtedness although this he said should be done as to the long-term bonds. He explained policy of Bank of England as to discounting finance bills--he laid down as a rule of practice that bank would not discount such bills although he said it was not always easy to distinguish them from common bills. I gathered from what he said that if bills were presented by a first class holder and not clearly finance bills or bills for permanent improvement to business, etc., they might possibly be taken in small amounts but the rule of practice was rigid, at least in form. He also read us a cable to Bank of England to close at once with Federal Reserve Bank of New York as to Joint Agency.

April 27, Friday

Secretary McAdoo said he wanted to get a good man to take charge of bond distribution who would give all his time to it--asked about Robert Winsor--I said he was too identified with special interests although very able--I strongly

recommend Starrow and seemed to impress McAdoo. He also said he wanted a good railroad man to go with the committee to Russia and run the Russian railroads. He spoke of Stevens the engineer--said he had a vague idea he was somewhat discredited.

April 28, Saturday

Lunched with Mr. Hohler, Counsellor of British Embassy--present Mr. Simon, Financial member of French Committee; Mr. Anderson, British wheat commissioner; Secretary Redfield and Trade Commissioner Davis.

April 30, Monday

Gave lunch (Federal Reserve Board) at Metropolitan Club to Mr. Simon, Cozenave and Baum--of French Commission. In morning Governor Harding at our meeting said the French commissioners told him they did not want us to put them any questions but to leave it to them to ask questions of us. I expressed some surprise at such a request but said if they wished to put a muzzle on us, of course, we must acquiesce. Such a request seemed to me almost insulting.

After the meeting, Harding said it was because of Warburg--that the commissioners declined to speak confidentially before him. It seems to me that we should have at once withdrawn our lunch but the other members did not seem to be aware of the insult to our Board.

At the lunch scarcely a word was said on subject of finance--not a question was put to us as to the Federal Reserve System--our guests evidently avoided any discussion and tried to keep the conversation away from finance. Their manner was in strange contrast to that of Lord Gunliffe.

May 2, Wednesday

The other day the papers all said the Federal Reserve Board had recommended to McAdoo a method for issuing Treasury Certificates weekly. As this had never come before Board, I asked Harding about it. Secretary McAdoo also wrote Board about it.

Harding said Warburg had written Secretary a letter and mentioned it to Miller who told it to Delano and Delano gave it to a reporter.

Harding said Secretary was very angry as he ought to have been. Can't see how Delano could have given out such a false statement as matter never came before Board and I never even knew Warburg had written a letter. Harding said Secretary McAdoo asked him to say to Board that henceforth it must be clearly understood that when he consulted with a member it was a personal, confidential matter not to be advertised.

May 3, Thursday

Governor Harding said Lord Cunliffe had decided to go West to meet bankers and Federal Reserve Banks, etc. and that Secretary McAdoo asked me to go with him as an Ex-Governor of Board. The trip was Richmond, St. Louis, Chicago, Cleveland and Boston. I suggested Delano for St. Louis and Chicago and I would meet him at Cleveland.

Later Harding said Secretary McAdoo wanted me to take whole journey as Delano could not speak, etc., so I agreed to do so.

P.M. Lord Cunliffe took tea with us at our house.

May 4, Friday

Lord Cunliffe called and said would have to cut out Boston for present as must be in New York Thursday, May 10. He said he would surely go there before leaving United States.

The itinerary is:

Sat., May 5	-	To Richmond
Sun., May 6	-	To St. Louis
Mon., May 7	-	Dinner - St. Louis
Tues., May 8	-	Lunch and dinner - Chicago
Wed., May 9	-	Lunch - Cleveland
Thurs., May 10	-	New York

May 5, Sat.

Left Washington 2 P.M. for Richmond with Lord Cunliffe, Comptroller Williams, Governor Strong and Sherman Allen. Train $1\frac{1}{2}$ hours late; arrived Richmond 7:30. Drove out to Williams' house - a company of Militia guarded house. Had dinner - about 15 guests including Governor Stuart who was placed on left of hostess, Lord Cunliffe being given place of honor.

May 6, Sunday

Attended church--called on Governor Stuart--went back to lunch--left for St. Louis 2 P.M.

May 7, Monday

Arrived St. Louis 6:30 P.M. Had dinner at Hotel Jefferson given by Governor Wells of Federal Reserve Bank. Mr. Watts, Justus Wade, C.S.H. and Lord Cunliffe spoke. Took midnight train for Chicago.

May 8, Tuesday

Arrived Chicago 8 A.M. Went to Hotel Blackstone. In morning visited Federal Reserve Bank, where our photographs were taken--then visited Forghn & Reynolds banks, et als.

Lunch at Chicago Club attended by 50 prominent business men. At my request Frank Hamlin invited and attended. In P.M. went to stockyards--then Lord Cunliffe drove over park system. In evening, dinner of 60 at Blackstone Hotel. Left in 11:45 train for Cleveland.

May 9, Wed.

Arrived Cleveland 8 A.M.--visited Reserve Bank and other banks. Lunch and speeches at Club. P.M. Drove out to White automobile works. Left for New York on 6:30 train.

May 10, Thurs.

Arrived New York 8 P.M. Lord Cunliffe drove to J. P. Morgan's house-- I went to University Club. 11 A.M., Allen and I met Lord Cunliffe at Mr. Morgan's

library--then went to Federal Reserve Bank. Lunched with American Bankers Association committee at Bankers Club. Took midnight train for Washington. Lord Cunliffe spoke very modestly and quietly--explained fully the three large British loans.

1. $3\frac{1}{2}\%$ Loan. Said rate too low and over his protest. Also income tax slightly increased. As a result the Bank of England had to take a large part of it--10 times as much as it ought. This loan was a failure.
2. $4\frac{1}{2}\%$ Loan. The banks invested heavily in this loan.
3. 5% Loan. The banks were advised not to invest in this loan but were told if people did not take it they must. As a result they worked very hard and placed whole amount with the people taking none themselves. They, however, loaned freely to their customers to help them.

The last loan resulted in small, if any, withdrawals of savings deposits in the Government banks--deposits in some commercial banks were drawn down but not seriously. Every effort made to prevent contracting the currency even temporarily.

Said our country, under new Federal Reserve System, now much better prepared from banking standpoint than was Great Britain when war broke out. He told me he did not like notes issued by Government but feared Great Britian would not for long time get back to old system. Said also he did not like controlling all gold held by people and giving notes instead as gold held in pockets was a good secondary reserve.

He said Bank of England had had to do many things not warranted by its charter.

He strongly favored member banks depositing gold in Federal Reserve banks.

Monday, May 14

Went to Boston with Lord Cunliffe. Allen and I called for him at 5:45 and then we all had early dinner at our house then taking 7 P.M. train.

Thursday, May 15

Arrived 7 A.M. Went to Copley Plaza Hotel where Governor Aiken met us. Took breakfast--J.P. Morgan was in hotel and called. Drove to Federal Reserve Bank where some bankers met us. Then went to Harvard where we met President Lowell at 11:15 at University Hall. Went out with Lowell and reviewed the Harvard battalion on Soldiers field. Drove in town and called on Robert Winsor at Lord Cunliffe's request who knew him. Lunched at University Club given by Governor Aiken--present directors and other bankers--took drive around Jamaca Pond--took 5 P.M. train for New York.

In New York, Mrs. Robert Bacon met us--Mr. Bacon was to take Lord Cunliffe in a special car to Miami, Florida, for some tarpon fishing, but he had to go to Washington that A.M. to see Secretary Root and Mrs. Bacon came to take Lord Cunliffe to Penna. station. I told Mrs. Bacon I would see him to his car and she went home. With two secret service men we went across and put Lord Cunliffe in his car.

May 24, Thursday

Heard Balfour speak before National Press Club. British Commission left for Ottawa.

May 25, Friday

Lord Cunliffe called on way from Florida. Had little to say as to not going to Atlanta Bank. I begged him to go to Philadelphia but he said it was impossible so I dropped the matter. He has missed a great opportunity to help his country and I am very sorry. He could have cut down his fishing trip

a day and have had ample time to visit Atlanta and Philadelphia.

I gave him a lunch at Metropolitan Club also Assistant Secretary Crosby and Sir Richard Crawford. We were to give a dinner in evening and I invited him--he said he could not accept as he left that evening--I asked him when he left and he said he did not know--he evidently did not want to come so I dropped it. We went down into Board room and had a talk about gold exports which he asked us to do all in our power to prevent. Said feeling in England was that England should not send so much gold to United States and if we permitted it to go out he feared opposition in England would increase.

We discussed Spanish situation--he did not see how Spain could insist on taking our gold only at a discount--intimated that Spain wanted food more than gold and that we might have to cut down our exports to her.

Also discussed Ludlow Manufacturing Co. which had been ordered by our Government to make ⁷ and cloth but could not get rupees to pay for it in India. He finally said that if we would certify that it was for Government account the Bank of England would provide us with means of payment. He said no objection to New York banks shipping silver bullion to India as Indian Government would be glad to give rupees for it. He showed me a cablegram from Chancellor of Exchequer asking him to renew the 6 month's acceptance credit given by American banks through Vanderlip--to eight London banks--this was the 50 million $4\frac{1}{2}\%$ credit due about June 1; he said in his opinion it ought to be paid and not renewed but he was bound by instructions of Chancellor.

After lunch went back to Treasury and he met Vanderlip and asked him to renew--Vanderlip said this could undoubtedly be arranged but could not be done tomorrow, Saturday, and would have to wait until Monday. Lord Cunliffe then said he would stay in New York over Monday. I then drove him to station to his

private car to get his passport said it would be reissued by British Embassy-- then we drove to house and called on Bertie--then to Embassy where I left him. He intimated he would like to have me to with him and make some calls but I did not do this as I felt I had done enough for him--in view of his selfishness. He told me he caught 4 tarpon in Florida, one weighing 125 lbs. His devotion to fishing has been at the expense of his Government.

June 3, Sunday - To Boston.

" 4, In Boston

" 5, Spoke at Boston City Club with Secretary McAdoo. - Left for Detroit.

" 6, In Detroit. Left late P.M. for Cleveland.

" 7, In Cleveland. Spoke for liberty loan.

Left 5 P.M. for Buffalo. Arrived Buffalo 8:45 P.M. Guest of Mr. Rand, President of Marine National Bank. Drove with him to Niagara on Lake in Canada and spent night.

" 8, Spoke twice in Buffalo.

" 9, In Boston. Left 1:15 for Portland, Maine. Attended dinner of Maine Bankers Association and later spoke in City Hall on Liberty Loan.

June 13, Wed.

Spoke with Secretary McAdoo in Baltimore at the Academy of Music.

Theatre packed. Had tremendous reception.

August 10

Governor Harding redesignated as Governor and Warburg as Vice Governor for 1 year.

September 19 or 20

Governor Aiken of Boston called and stayed with me 20 minutes--said he came down to talk with Secretary McAdoo as to new loan. Then went to Warburg just before our meeting and Warburg was 1/2 hour late. The next day Governor Harding told me that Warburg said Aiken told him that he had been offered

\$65,000 per year by the National Shawmut bank, that he had a family and relatives to support etc. and was in doubt what to do. Governor Harding said it was extraordinary that Aiken did not consult me as Chairman of the Boston Committee. Later as Warburg did not mention the matter to me, I wrote him a letter asking what the facts were. Two days later he told me he had the letter--that Aiken consulted him confidentially--that, of course, he supposed he had also told me, that Aiken was not going to accept, etc., etc.

Governor Harding told me that Warburg had also talked with Delano about it, and later Williams told me Warburg had said Aiken would probably accept and that there were only 2 men fitted for his place, one of whom was Ripley--he did not remember the other. Governor Harding also said Warburg wanted to increase Aiken's salary to \$50,000 but that he--Governor Harding--would not stand for this.

I am amazed at Warburg's duplicity in concealing this from me--if anyone in New York had consulted me behind Warburg's back, he would have been furious.

October 18

Spoke in Omaha, Nebraska on Liberty Loans.

October 20

Spoke in New Bedford on Liberty Loan.

October 22

Spoke in Savannah, Georgia, at noon at luncheon of Rotary Club at 7 P.M. Spoke at open air meeting at lighting of Liberty fire: at 8 P.M. attended a dinner given by Mr. Lane, President of Citizens and Southern National Bank.

October 23, Wed.

Spoke at Bankers lunch at Jacksonville, Fla.

October 24, Thurs.

Spoke at Chamber of Commerce 10 A.M.

October 25, Friday

Spoke at noon at Chamber of Commerce to ladies of Charleston and at 7:30 P.M. to men in same place.

November 17, Sat.

Japanese Financial Commissioner arrives in Washington. Secretary McAdoo asked me to represent him and look after him. Baron Majata the chairman dined with me in Boston April 11, 1902 with Marquis Mantiukata. At 11 A.M. the commissioner called on Secretary McAdoo and later on the Reserve Board.

Nov. 20. Tues.

Gave a lunch at house to Commissioner. Present: Ambassadors from Great Britain, France, Italy, Japan and Argentine Republic; Secretaries Baker, Lane, Houston, Redfield and Daniels; the Federal Reserve Board, the Federal Advisory Council, including J. P. Morgan, F. A. Vanderlip, Mr. Hoover, the food administrator, Dr. Tounsig, Norris, Chairman of Farm Loan Board, Albert Straus, banking advisor of Secretary McAdoo, Assistant Secretary Philipps, Assistant Secretary Long and Baron Cartier, the Belgium Minister and others.

Mr. O. Matsukata, son of Marquis Matsukata, came to visit us this A.M. and stayed until Friday; he was at the luncheon.

Nov. 21, Wed.

Went with the Commissioner to Camp Meade; rode with Japanese Ambassador and Baron Mejata. Urged Baron Mejata to have Japan join in war--he said he felt that if Japan did it must send a large army--that a small force for merely sentimental reasons would avail nothing.

Nov. 22,

Commissioner left for New York.

Nov. 23

Matsukata left asked if I had any message for his father. I told him the people of America hoped Japan would enter the war with a large army--appealed

to his imagination--the civilization of the East to help that of the West restore order and Democracy. He said he would tell this to his father.

I wrote Lansing this A.M. asking if I could say this as a personal expression of hope. Later he telephoned me through his Secretary, Lane, that I could do this.

Dec. 3, Monday

Secretary McAdoo said the Japanese Commissioner wanted to induce American capital to invest in China along with Japanese and that Assistant Secretary Long and Williams of State Department had put together a very foolish diplomatic document on this subject; that if American capitalists invested so, also foreign governments would insist on doing same and we should have to loan to Great Britain and France the wherewithal. Also said some one must go to China to help readjust the 5% *ad valorem* ~~voluntary~~ duties on Chinese imports.

Said that he thought I would be a good man to go, with perhaps Dr. Willis. I said under present conditions every member of Reserve Board should be at his post: that if I should leave no one could tell what Board might do as Administration would not have a majority. He seemed to accept this.

That afternoon Dr. Rowe called and said he had intended to send Segur and Assistant Appraiser at New York who was not in Havana, but Secretary McAdoo said he had decided to send me. I explained to him this was impossible and told him Dr. Taussig could give him some good names. He then said he should order Segur to Washington and send him. I thought this a good solution.

Dec. 7, Friday

Secretary McAdoo asked me to tell Baron Mejata in New York that Treasury had not yet decided to ask authority to sell any part of the silver behind the silver certificates; that if they so decided, Congress must have legislation to permit it,

and that if this were done in the future and if the Baron were then to renew his request for authority to buy part of this bullion, the Treasury would then give it careful consideration.

Asked me also to suggest to him that Japan for the present keep out of the market for silver or the price would greatly advance and it might be necessary to refuse all licenses for export. I also talked with Strauss about this-- he said if Japan went into market, it would be very embarrassing as silver miners now looked on \$1.00 per oz. as a good price and if Japan should buy she would so drive up the price that the miners would want far more than \$1.00. I was not able to see Baron Majata privately and, therefore, did not give him this message. I so told Secretary McAdoo and he said he would write him or if he did not I could speak to him in Boston.

We had large dinner in New York this evening. Four hundred present: I spoke praising Japan but not committing myself on any pending question. After the dinner, Mr. Smith, President of Export Association, said Mejata had ordered an abstract of my speech to be cabled to Japan that evening.

Dec. 11, Tuesday

Secretary McAdoo met me in entry and said he had suggested my name to Secretary of State to go to China; I told him Mejata did not ask for any Government participation in loans to China and he said we may desire to participate.

He was quite indignant with Reserve Board for passing a resolution either Monday or Saturday last, condensing the Calder bill (Federal Reserve notes vs. certain securities) and suggesting a Government corporation to loan to savings banks and corporation on investment securities and asking him to send it to President which he did. He said it went beyond our jurisdiction.

Dec. 12, Wed.

President acknowledged our resolution in an apparently friendly letter

saying the suggestion had been made to him before and that he was awaiting a report from Secretary McAdoo on the matter. All of us except Delano and Warburg thought it was a plain intimation not again to interfere in matters not our own.

Dec. 14

Spoke in Boston at dinner tendered by banks to Japanese Financial Commissioner--400 present.

Dec. 15

At lunch of Governor Aiken to Financial Commissioner. Spoke.

Dec. 16

Dined at with Newton at dinner given by Mr. Wing of 1st National Bank to Japanese Commissioner.

Baron Mejata asked me to ascertain confidentially whether New York Federal Reserve Bank would appoint Bank of Japan its Agent if it made a future application.

Week ending Dec. 22

Committee of New York Federal Reserve Bank came down to discuss dividend of Bank. Board approved setting up a reserve fund to cover depreciation in Government funds held, etc.

Secretary McAdoo strongly opposed this to Governor Harding but whole Board felt that with the conversion 3's selling at 86, sound principles demanded some depreciation account although we all agreed the value should not be marked down. The Comptroller agreed with Secretary McAdoo.

Secretary McAdoo told Governor Harding that Warburg's plan of a new Government corporation to loan on investment funds, etc. was not out of the question. I regret this as I believe it would cause present troubles in security prices.

Something must be done.

Friday, A.M.

Governor Harding said Comptroller Williams had shown him a letter he had sent to Secretary predicting a panic worse than 1907 unless something were done and suggesting legislation authorizing issue of Aldrich Notes again. Whole Board opposed this. Governor Harding said he was drafting a bill.

Dec. 22, Sat.

Governor Harding said he had talked with Brennan, Ex National Bank Examiner at Boston, he said large Boston banks would agree to take care of the savings banks and their country correspondents, if Secretary McAdoo would agree to maintain a fixed Government deposit with them on which they would pay 4% interest and they would loan at 5%. Governor Harding said he would draw something on these lines.

Secretary McAdoo asked Governor Harding to read a letter of his to Federal Reserve Board asking if it would act in an advisory capacity on matters of flotation of new securities all over the country, he, the Secretary, however, to sign all the letters.

The Board vigorously fought this on ground chiefly that the Board should be given full jurisdiction and not be asked to act as assistants to the Secretary-- also on ground that a large department would have to be created. This latter would be so whether Secretary or the Board had jurisdiction. Delano said a public request of President or Secretary to Governors of States would make applications less numerous. He said McAdoo had replied to several such communications and in one case his letter was published with the flotation circular. Finally I suggested that Secretary McAdoo had put us a simple question--whether we would act as his advisors and we ought to answer it. On vote, I voted yes and Harding, Warburg, Delano and Miller No.

Finally voted that Governor Harding write a letter to Secretary on subject. I agreed to this but said it should state that I favored acceptance. The point was brought out that if we decided a case and sent it to Secretary it might be days or weeks before he would sign it and we should be very much embarrassed. There is force in this argument. Secretary McAdoo is so busy he can't attend to Department duties. Governor Harding complained he could not reach Secretary--sometimes had to wait a day or longer. Delano said he often had to wait an hour or longer in outer office.

Governor Harding said he thought Secretary McAdoo would soon break down and if he took over the Railroad operation, it would kill him. Governor Peabody, I think, said McAdoo had been advised by his friends to resign as Secretary if he managed the Railroads. Governor Harding, I think it was, said Bertrand told Secretary if he did both he would have to serve as his pallbearer within 90 days.

Dec. 22 - 29

Baron Mejata asked to ascertain whether in case Bank of Japan asked for reciprocal agency with Federal Reserve Bank of New York, the request would be complied with. I said I would ascertain. Baron Mejata said all he wanted now was the appointment and announcement in the Press; that he did not expect to do any business under the designation for the present and probably not until after the war and that the details of the arrangement could be left for future consideration.

I spoke with Secretary McAdoo and he thoroughly approved and suggested my seeing Lansing which I did. Lansing strongly approved and told me to say so to Board.