

The Papers of Charles Hamlin (mss24661)

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Hamlin, Charles S., Miscellany, Writings, "Memoranda Concerning The Federal Research Board...", Diary Vol. 4, 19 Nov. 1916 – 22 Mar. 1919 (PP. 290-356) (7 of 19)

CHARLES HAMLIN
PAPERS

Box 357

Folder 3

Miscellany

WRITINGS --

"MEMORANDA CONCERNING THE
FEDERAL RESERVE BOARD..." DIARY
VOL. 4, 19 NOV. 1916 - 22 MAR. 1919
(PP. 290-356) (7 OF 19)

I spoke to Board and I was authorized informally to speak to officers of Federal Reserve Bank of New York. When Governors Treman, Peabody and Woodward were down last week I spoke to them and they all said they knew directors would be glad to appoint Bank of Japan as Agent, the fact to be announced and details to be arranged later. Also spoke to Governor Strong at lunch given to Mr. Morse, New Governor of Boston Bank--he also said no trouble at all about it. He also said the details would have to be carefully worked out and it would take a long time--that if care were not taken the Japanese would skin our eye teeth. He said, however, the appointment would surely be made on understanding no action contemplated at present and details to be worked out at the convenience of the parties. He added that it might be advisable to send our expert to Japan to work out details and that he would like to go himself.

Later Governor Treman wrote me the Executive Committee would be glad to enter into an arrangement similar to that with Bank of Italy which both he and Governor Strong stated was an Agency but nothing at present to be done under it.

Dec. 23, Monday

Met Baron Mejata by appointment at Shoreham. Told him Agency matter was all right but would write him a personal confidential letter that A.M. He said he wished a letter so he could cable it to Japan.

He asked how the matter could be now officially presented. I suggested a letter to State Department. He thought this was better way and said would consult Ambassador. Later he said Ambassador thought it better not to negotiate through State Department as it was not a diplomatic but a purely bank matter.

I then prepared draft of a personal letter to him which the members of the Board and Secretary McAdoo approved. Harding in a memorandum attached to draft asked if I was sure New York Bank was all right. I said yes Governor Treman had so written me.

As matter of caution called up Governor Tremain in New York. He was out at lunch (1 P.M.). Read draft of his stenographer and asked him to call me at 2:15. At 2:15 Secretary Curtis called me up--said Executive Committee had certain changes to suggest--strike out Agent and substitute correspondent, etc. I expressed great surprise--asked how to define "correspondent" as Baron Mejata would ask its meaning and he was to meet Secretary McAdoo at 2:30 when I was to give him the letter. Curtis could not show difference between Agent and correspondent--said he would write me.

Went into Secretary McAdoo's office--Mejata was there--told him not clear attitude of New York bank as to Agent or correspondent--he said correspondent would not be satisfactory. Said I would take matter up with New York bank. This seemed satisfactory to him.

Friday, December 27

Told Board of status of matter. Governor Harding very indignant--said we should force New York bank to appoint Bank of Japan Agent. Governor Harding said Vanderlip some time ago said to him that if any mutual deposits made with Bank of Japan, he should withdraw from Federal Reserve System; that he would not stand such competition. I advised holding matter up until I sent proposed letter to Governor Tremain. Warburg had seen this and said it was too apologetic and it was this remark which precipitated the outbreak. Delano was quite irritable and said he knew nothing about matter and moved it be referred to Governor--a slap at me. I told Delano he knew all that anyone knew--that every step had been authorized by Board in his presence. Finally whole matter referred to Governor Harding and myself.

Meantime Baron Mejata had called, Board agreed at my suggestion that I had better put him off for a day or two. I went to see him. He said he had prepared a memorandum which would be better than appointment of Agent and handed

it to me. It was a general declaration of mutual cooperation between Federal Reserve Bank of New York and Bank of Japan with relation to gold exports, etc. I was much relieved at his practical withdrawal of suggestion of Agency for I saw at once that this new memorandum must go to Secretary McAdoo as it was within his and not in our jurisdiction. I sent this to Harding and asked that it be docketed.

Sat., Dec. 28

Governor Harding said he concurred in my letter and that I should send it which I did. (See files) I then sent for Dr. Willis--he said we should order New York bank to appoint Bank of Japan as Agent; that the New York banks looked on exchange privileges with Eastern countries as through monopoly and were determined it should not be interfered with; that the Agent of Philadelphia bank had not been able to sell a single acceptance to New York bank because of this opposition; that National City Bank controlled International Banking Corporation and were determined its business should not be interfered with by Federal Reserve Bank.

The whole thing is clear to me. Governor Strong and Tremain said to me the bank would do it--then they went home and Vanderlip, et. al. ordered them not to do it--then Tremain sent me a note (see files) which I thought meant yes but which was shrewdly drawn by referring to arrangement with Bank of Italy and which really meant no.

Mon., Dec. 30

Curtis, Secretary of New York Bank wrote Governor Harding that New York Bank was not adverse to appointing Bank of Japan as Agent but would be glad to confer with Baron Mejata on the matter. Governor Harding told me Curtis called him on another matter and he told Curtis the Board had power to order the appointment.

Governor Tremain called me on telephone and said that while Curtis did not deliberately intend to misstate it and that if Board desired the Bank at meeting next Thursday would vote to ask authority of Board to appoint Bank of Japan as Agent and correspondent. I told him I would speak to Governor Harding and that the Bank could discuss matter on Thursday and if we so notified them could vote on it. Curtis has acted very queerly in this matter. See complete files.

- 1918 -

Week of Jan. 1,

Strauss at gold meeting said Baron Mejata had informally asked Secretary McAdoo whether the United States would join with Japan in a loan to China of 50 million dollars. We talked it over in Gold Committee. Warburg was bitterly opposed--said it would help Japan throttle China; also spoke contemptuously of President Wilson's refusal to back up the Six Power Loan to China. I told him I thought that was one of the best things Wilson had done. We all agreed that the question of participation in loan was a matter for State Department to determine.

Friday, Jan. 4

At Gold meeting something Strauss said made me think he had advised Secretary McAdoo that the Board was adverse to loan with Japan, and I stated that I wished it distinctly understood that I favored it and asked that if anything were said to Secretary McAdoo he should be told that I differed from others in the gold committee. Warburg and I had a running controversy and finally Strauss said he would talk over matter with Warburg that afternoon at 4:30 and Warburg said I could come at that hour.

At 4:30 I sent Foulke in to Warburg's office and asked if Strauss was coming. Warburg said he did not know but that there was no necessity of my coming in if he did. I waited in my office until 5:40 and not hearing from Warburg I went home.

Sat., Jan. 5

Learned that Strauss had called on Warburg and that he, Governor Harding and Warburg had a conference and that they had decided that we ought not to join with Japan in loan to China except in cooperation with the other great powers.

Warburg is acting more for interest of bankers than for the United States in this matter. His action in not notifying me of the meeting was extraordinary.

Noon.

Lunch given to Baron Mejata by Warburg. We told Baron to consult with Strong on Agency matter and with memorandum prepared by Baron Mejata.

Baron Mejata spoke briefly to effect that in future might be possible to have large dealings with Bank of New York and Bank of Japan--that Great Britain owed Japan 150 millions, etc.

All the members after Baron Mejata left seemed to favor joining in loan.

Jan. 7, Mon.

Baron Mejata called at 4:30. Made an appointment for him with Strong for tomorrow at 10:30. He said Bank of Japan had cabled him authority to sign the memorandum he had prepared. I pointed out that his reference to "monetary movement during and after the war" might be construed to refer to gold exports and if so would have to be decided by Secretary McAdoo. He said it was not

intended to refer to gold exports but to monetary circulation and said he wanted merely some understanding with the Bank of New York and Federal Reserve Board. He also said about 20 millions of Japanese bonds in New York had been owned by Germans who had sold them in New York and that Bank of Japan would be glad to buy them. He asked if there were now owned by Americans whether they could take this money. I referred him to Governor Strong.

Tues., Jan. 8

Baron Mejata had conference with Governor Strong at my office. In late afternoon called up Baron Mejata at Shoreham to tell him I was going to Boston. He said he had reached an understanding with Governor Strong as to the Bank of Japan and Federal Reserve Bank of New York and that Governor Strong would refer it to Executive Committee.

7 P.M. left for Boston.

Wed., Jan. 9

Spoke at dinner of Mass. State Bankers Association. 800 present.

Friday, Jan. 11

Called on Baron Mejata to say goodbye.

Federal Reserve Bank of New York filed with us request for permission to appoint Bank of Japan as Foreign Correspondent and Agent. Granted.

Governor Harding told me that Board had instructed Governor Morse to protest to Governor McCall of Massachusetts against passage of a bill to issue 10 millions in bonds to pay Massachusetts soldiers \$10 per months over Army pay. I told Governor Harding this was a matter of wages rather than of capital and was a military question with which the Board should not interfere. Later he said he had talked with Secretary McAdoo who said Board should not interfere--that it was a matter for War Department. He asked me to call up

Governor Morse and tell him to take no action in matter. I did this at once and Governor Morse said he had not yet spoken to Governor McCall and would not in accordance with our instructions. I reported this to Board and had its full approval. Later in P.M. Senator Weeks called me up and said two Massachusetts Senators were with him--that they opposed this Massachusetts bill and he asked if Board would come out against it. I said this was a wage and military matter and that Secretary of War, if anyone, should act. He said Secretary Baker had said he would not side step the matter but would act. He then asked what Board would say if question were put to it whether such an issue of bonds would interfere with Liberty Loan. I said, personally, I could not say that the issue of a loan of 10 millions would necessarily interfere. He said the matter was a very ticklish one--as politics might be invoked. He said he disapproved of any such bill. I told him that if every State should pass similar legislation, it might prove embarrassing, but that it was not a matter which the Board could properly act upon.

Sat. Jan. 12

Board voted to increase Governor Strong's salary to \$40,000 and salary of Sailer from 12 to 15,000. New York directors voted for \$50,000 to Strong, \$18,000 to Sailer and \$18,000 for Curtis, Secretary and Counsel. Board turned down Curtis.

Williams, Comptroller, protested against all increases. Suddenly Secretary McAdoo came in and also protested, not on merits but because of War. Board then reconsidered and referred matter to New York Committee to talk with Strong.

The same arguments Williams used for increase in Elliott's salary applied at least to Sailer, but this made no difference to Comptroller who as vigorously opposed the argument as to Sailer as he favored them as to Elliott.

Warburg reserved right to move to reduce Elliott's salary accordingly. If passed don't see how I can vote against it.

Secretary McAdoo is introducing a strange principle as to Sailer: the New York Board says he is giving this value for his services. Secretary McAdoo will probably increase wages of railroad employees and why does he object to Sailer? We all thought that Strong ought to refuse to accept an advance to \$40,000 although he deserves it on the merits.

Mon., Jan. 21

Governor Peabody of New York called to talk over New York salary matter. He said that in the matter of making the Bank of Japan for Agent of the New York Reserve Bank, this course was opposed by the British and French and that in his opinion pressure had been brought by them especially on Woodward who was most active in opposition. Woodward was enthusiastic for it when in Washington.

This satisfied me that after our agreement, the pressure forced the Executive Committee to change its views.

He also said Vanderlip was very bitter as to Argentine agreement furnishing our importers with Exchange.

Wed. Jan. 23

We voted to give Sailer of New York Bank \$18,000 per year. Governor Harding said Secretary McAdoo said he had talked with Peabody and that he did not know how he should vote if present at meeting but Board could do as it deemed best.

Too busy with war business to keep up entries.

March 14

Spoke at dinner of Baltimore Clearing house at Baltimore to Governor and directors of Richmond Federal Reserve Banks.

March 17

Left for Cleveland to talk to Liberty Loan Agents.

March 18

Spoke at lunch at Cleveland; evening spoke at dinner given me by Reserve Bank to officers of State Banks not yet members.

May 19

Spoke at noon at Ashtabula, Ohio. Evening. Spoke at Warren, Ohio. Spent the night at Youngstown, Ohio.

May 20

Spoke noon at Mercersburg, Pa. Evening spoke at Beavers Falls, Pa.

May 21

Lunch in my honor at Duchesne Club, Pittsburgh. P.M. Spoke at Auditorium.

April 4

To Boston Liberty Loan Tour.

- " 5 Spoke at Exchange Club 3 P.M. to Liberty Loan Agents.
- " 6 Saturday, spoke at Bangor, Maine.
- " 7 Sunday, Spoke at Olympic Theatre. Boston at Jewish meeting 4:30 P.M. Evening spoke at Winthrop Theatre in Winthrop and later in Jewish Synagogue in Winthrop.
- " 8 Spoke at lunch, Concord, New Hampshire, then in House of Representative hall. Then spoke at dinner in Manchester, New Hampshire, and later at public meeting. Spent night with Mr. Carpenter.
- " 9 Left for Chicago
- " 10 Spoke in Auditorium Theater, Chicago, at Convention of United States Chamber of Commerce. Spoke in evening at Chicago Stock yards. 15,000 people present.

April 11

Attended dinner of Industrial Club to hear financial speech of Senator Smoot. He made a vicious attack against the Administration--a distinctly unpatriotic address camouflaged by an attack on Germany.

April 15

Spoke at noon meeting of St. Louis Chamber of Commerce. Entertained at dinner by Mr. Fouke at whose house Secretary Redfield was staying.

April 16, Thursday

Spoke at Hot Springs, Arkansas, at a noon lunch and in afternoon at the Good Roads Convention. Entertained at dinner by Mr. Cormick.

April 17

Spoke at Memphis at a noon luncheon; at Chamber of Commerce in P.M.

April 18

Spoke at Nashville. In morning went out to the "Hermitage" with some bankers and had lunch there; in P.M. spoke at Fisk University; at 6 P.M. spoke at Chamber of Commerce dinner with Charlie Chaplin; at 8 P.M. spoke at auditorium to 7,500 people.

April 22

Spoke at Knoxville, Tenn., called on Mrs. Wiley, the sister of Secretary McAdoo.

April 23

Spoke at Chatanooga. At noon addressed business men's club at lunch. In P.M. spoke to 1,200 medical officers at the Cantonment. In evening spoke with Gipsy Smith at theatre. Tremendous audience. \$55,000 raised in small subscriptions.

April 24

Spoke to small audience at Birmingham, Ala.

April 25

Thursday. Spoke at convention of country bankers in Atlanta.

April 26

Spoke at Woman's meeting at theatre in Atlanta. A comic opera company also took part. The prima donna offered to kiss any man subscribing to \$100.

When telephoning office from Atlanta, Foulk said Cooksey wanted to talk with me--he said my name was to go in as Chairman of Capital Issues Committee--this was the first I had heard of it.

April 29, Monday

Harding said Warburg was furious at not being made Chairman of Capital Issues Committee--said he demanded to know now whether he was to be reappointed and made Governor in August. Said he wanted to have an executive committee of Board appointed to do all business of Board--then Board to meet formally only once a week.

May 1

During past year, we have had persistent applications of a Mr. Musher of Pompeian Oil Company for authority to export gold to Spain. Instead of exporting it when it was allowable, by securing credits in Spain, he held matters along until Embargo placed on gold. To pay his debts by bringing exchange now would mean loss of hundreds of thousand dollars and would bankrupt him. He was carried along by Washing^{ton} and Philadelphia banks who should have insisted on his covering his loans. The Board gave him a careful hearing and unanimously voted that it was against the national interests to permit him to export gold. One day he told Governor Harding that he would get permission all right as he had hired Mr. Bolling, the President's brother in law, as his manager. While I was in the West, the President wrote Governor Harding and expressed wish that Board would grant permit which the Board finally did.

The objection to granting permit was that many others had to buy exchange in Spain to pay for imports at a very heavy cost and it was unfair to them to grant permit to Musher for sole reason that by credits he had been able to postpone payment. Granting this application raises question whether we should not take care of all similarly situated. The trouble is they have paid up and taken their losses. The permit to Musher related only to particular transactions and not to future ones.

See correspondence of Governor Harding and an interview on matter in Press stating that President had ordered this.

May 9, Thursday

Senator Hollis called and I told him about my speeches in New Hampshire and Senator Gallinger's letter. He told me that he and Senator Owen went to Secretary McAdoo and said that if Warburg's name were sent to Senate in Capital Issues Committee, he would not be confirmed. I told him that if he was under the impression that Warburg had opposed his brother for appointment as director of Federal Reserve Bank of Boston, he was mistaken; that Warburg and I on Boston Committee joined in reporting his name for reappointment and Board unanimously approved it. He said he and Owens suspected that Warburg dominated Harding, Delano and Miller. I told him that he certainly did not dominate Harding--that Harding had had many differences with Warburg; that I thought it would be a distinct loss to have Warburg leave the Board; that no one on Board had had as many differences as Warburg and I; that I certainly had no personal reason for pushing Warburg--that he studiously refrained from congratulating me on my reappointment for the 10 year term but that I was broad enough to sink any personal feeling in the matter. I added that to me, it was better to have Warburg on the Board than to have him oppose it off the Board; and that I saw no reason for not reappointing him.

Senator Hollis then said he would accept my statements and would withdraw all opposition and would ask Senator Owens to do the same. He said, however, Warburg should not be made Governor. I said that was a matter for President to decide.

I then told Warburg briefly that I had talked with Hollis and that he would cease opposing him. Warburg said Untermeyer had seen Hollis who said Warburg opposed his brother for director. I did not tell Warburg what Hollis said about the Governorship.

May 10, Friday

A letter from Governor Strong was read bitterly opposing license to Mosher to export gold and suggesting very heavy charges for shipping it, etc. if Board insisted on its order. Warburg thought Musher's proposition for us to earmark gold for Bank of France against payment of French gold to send to Spain was a reasonable one, if Bank of France would agree to it, and said Board would be acting petulantly if it insisted that the gold must be shipped from United States as if lost, even tho' insured, the world would lose it. I agreed with him. Governor Harding suggested not filing Strong's letter. I said this would never do and that it would be better to let Strong know that he was really attacking the President and that then he might ask to withdraw the letter. Harding said Strong knew this perfectly.

Finally I insisted that Governor Harding consult with Secretary McAdoo before any answer made. I believe Strong is laying foundation for a political attack on President and that Secretary McAdoo should be advised. It was finally agreed that Governor Harding should see Secretary McAdoo.

Late this P.M. the Capital Issues Committee was confirmed by the Senate.

As regards Musher the following facts are interesting: On December 28, 1917, the Board refused him a license to ship gold. On December 29, Musher employed John Randolph Bolling, the President's brother-in-law as advertising manager at \$5,000 per year, this not to interfere with his work as advertising manager of Commercial National Bank. Bolling began work on January 1, 1918. On April 14, Tumulty telephoned for President directing Board to issue the license.

In later afternoon of April 14, Governor Harding notified Musher that license would be granted. On April 15, a letter from President confirmed Tumulty's telephone message. On same day Musher notified Bolling that Pompeian Company must cut down expenses and that his employment would cease after, I think, April 30.

Question also arose when Board first knew of Musher's employing Bolling. Governor Harding said Musher told Berklin, his secretary, but that this was after April 15, when President's letter was received. Comptroller Williams read to Board a letter he had written Bolling based on interview with him in which he said Bolling said he stipulated that he would have nothing to do with any business of Musher Co. with Administration and that he never had, etc.

May 31

Musher wrote Board asking it to order New York Reserve Bank to give him gold in London at 4.86 plus a small commission. Board replied it looked to banks which had helped Musher and that Equitable Trust Company only agreed because New York bank said if it did not it would break off whole transaction.

Harding said New York bank had been very liberal--that it cost 5.04 to ship gold and that bank had been offered 5.15; that 4.98 was splitting cost i.e. lower than actual cost of shipping gold.

Comptroller Williams said Bolling still had a desk with Musher; that Bolling told him he did not know whether his compensation was continuing or not. I told Williams it was his duty to tell the President. Governor Harding said he intended to tell him.

See Diary, August, 1924: Bolling gives a perfectly clear and satisfactory statement of his relations with Musher.

May 15, Wednesday

Question came up before Board of issuing formal license to Musher. Governor Harding said he would deal only with the Banks who were carrying Musher and that we should permit them to export or earmark this told. Question arose as to whether to tell Secretary McAdoo, who was then ill, or the President, as to above facts. Finally voted to have Governor Harding take this up with Secretary McAdoo or Leffingwell and to send out formal notice.

I then spoke with Leffingwell. He said the President asked whether license should be granted and he replied by letter saying yes. Leffingwell showed me copy of Governor Harding's letter, in name of Board, to the President and we both agreed that on that letter the President could not have decided otherwise. I had never seen the letter as I was away on Liberty Loan speeches when it was sent.

Leffingwell said he probably would soon ask Board to ship at least 10 millions gold to Spain. Leffingwell also said that to refuse Musher would have been to put his company into insolvency, entailing a large loss on the banks and that this might do great injury to the country at the present critical time, when Liberty Loan was going on and might cause alarm and induce other failures.

Capital Issues Committee were to be sworn in today but postponed because of McAdoo's illness. I wrote Secretary McAdoo as to organization of Committee said members wanted to appoint Chapman, Warburg's secretary, as secretary, Selden, an Executive Secretary, and Bradley Palmer as Advisory Counsel. Mr. Claggett, his Secretary, said Secretary McAdoo agreed as to Selden at a salary of \$6,000, which I had suggested, but said he wished to talk with me as to Chapman and Palmer. Claggett intimated that there was some question of coordination between War Finance Board and Capital Issues Committee and we had better wait awhile.

I talked with Selden and later with other members as to Chapman who is very anxious to be made Secretary. Selden and the others felt that Secretary should give all his time to his work which Chapman said he could not do as he was unwilling to leave Warburg.

Friday, May 17

Capital Issues Committee sworn in. President designated me as Chairman and those present applauded when Secretary McAdoo gave me my designation. Bertie was only woman present. I told Secretary McAdoo the members thought it impossible to appoint Chapman and he thought their decision was on the whole wise. I told him I would ask committee to organize temporarily until he could talk with them as to possible coordination with Finance Board.

We then met in my office and organized, electing Selden Executive Secretary and reappointing other officers, clerks, local committees, etc., temporarily. Also made Foulk, my secretary, temporary disbursing officer.

Afterwards Palmer said the members all wanted to make Chapman secretary--that the work could easily be done by him--that he was further invaluable in publicity work, etc.

This will have to be settled by the Committee on Permanent Organization--
C.S.H., Williams and Drum.

May 27, Monday

Mr. Drum called and said the four appointive members of the Capital Issues Committee all joined in asking that Chapman, Warburg's secretary, be made secretary of Capital Issues Committee. I told him that Chapman declined to give up his position with Warburg and that, therefore, his duties as secretary would be purely nominal: that I thought Selden was overworked and needed a secretary who could give all his time to the work. He said Chapman had done fine work for the voluntary committee and that they wanted to recognize this. Finally, I asked if it would satisfy them if Chapman were made secretary on understanding that if we found we needed a secretary who would give all his time, he would resign. He said this would be perfectly satisfactory to all.

I then explained the situation to Secretary McAdoo who said it was all right to do whatever we thought best. He added that Warburg was just coming to in/see him on some matter. He also agreed to have Palmer made counsel. I told him Palmer would have to select an assistant and that Williams had a man whom he thought a good man for assistant. He said this was all right and added that I should feel free to do whatever we thought best--that it was not necessary to consult him as to details, etc. I told this to Clagget who said the Secretary did want to be consulted, whatever he might say.

I then saw Williams who agreed to join in report as above on understanding that Chapman should resign if and when it was found necessary to have a secretary who could give all his time to the work. Called up Drum who said he would gladly report as above.

June 3, Monday

Governor Harding read letter from President Wilson enclosing telegram from Senator Owens protesting vs charge of Federal Reserve Bank of New York to Equitable Trust Company for gold to be delivered at Bank of England. President said while he knew little about it, Board should carefully inquire whether it was not treating Musher unjustly. Governor Harding said he would write President fully telling him all about Bolling. Board voted to notify Equitable Trust Company that if it did not pay for this gold within ten days the permit would be withdrawn.

Governor ^HHarding said Assistant Secretary Crosby told him Musher had intimated to him that there was great chance for making money out of this Spanish situation and Crosby replied sharply that such remarks should not be made to him.

Governor Harding in a previous letter to President said Musher had speculated in Spanish exchange on his own account as well as for his firm. I fear he will apply this told to his own personal account. Governor Harding said he believed Senator Owen was acting as attorney for Musher and that he would receive some fee for his services.

June 5, Wednesday

Another letter from Musher. Referred to Executive Committee. I said Mr. Williams or the Board ought to tell President about his brother-in-law, Bolling. Governor Harding said that he had stated all about him in his draft of letter to President giving the Comptroller as his authority based on his talk with Bolling and on his letter to Bolling which he had read to the Board; that Williams positively declined to allow his name to be used as authority in the letter and further said we ought not to tell the President; that he--Governor

Harding thereupon omitted this reference; that he sent a copy of his letter to the President to Secretary McAdoo and either wrote or told all about Bolling and especially that he was apparently still in Musher's employment; that Secretary McAdoo spoke contemptuously about Bolling but said Williams was right and that the President should not be told.

The Board members feel that having told these facts to the Secretary of the Treasury and son-in-law of the President, the responsibility for keeping these facts from the President can properly be placed upon him. It was finally voted to refer Musher's letter to Executive Committee to prepare notification to Equitable Trust Company, New York, in accordance with our previous vote that if the license to ship gold was not complied with by June 10 or the arrangement made by Equitable Trust Company and Federal Reserve Bank of New York not consummated, the license should be revoked.

I suggested it might be wise to await an answer from President to Governor Harding's letter lest President might order us to do what Musher wanted and this would put us in a ridiculous position.

Governor Harding replied that if the President issued such an order every director--so Governor Strong told him--of the New York Federal Reserve Bank would instantly resign and Governor Harding added that he also would resign.

June 7, Friday

New York Federal Reserve Bank today sold Equitable Trust Company, New York, for Musher and Company 250,878 sovereigns at rate of \$4,9825. This I hope disposes of Musher incident.

June 10, Monday

Governor Harding read letter from President in rather Delphic form saying it was evident that the arrangement for Musher was the "best that could be obtained". He evidently thinks more might have been done for him.

June 25, Tuesday

Dr. Miller said was going to take a month's vacation in California. Said his secretary was to help Jacobsen and he asked authority to employ temporarily a man to set in his office to attend to telephone calls: he said this man was his chauffeur and the Board voted it. This to me is contemptible: Dr. Miller is always boasting about his wealth and yet he puts his chauffeur on our salary roll to take care of him and avoid the necessity for paying his wages himself while away! Do not deny someone should care for his telephone calls but I dislike the poor taste and lack of keen sense of honor this transaction shows. If anyone else had done this, Dr. Miller would have been thunderous in his condemnation. As I remember once before, he had his washerwoman put on our rolls under somewhat similar circumstances.

Secretary McAdoo has been away for some months. Dr. Willis told me his secretary, Clagget, told him Secretary McAdoo went to New York for examination and that certain germs were found in his throat which the doctors said had not got down into his lungs and he was ordered to go to the mountains for rest. I fear this looks like tuberculosis! Poor man.

June 28,

Delano wrote letter to Board saying he had resigned from Board and accepted position as Mayor having charge of railroad matters under General Pershing. Board passed an appropriate resolution.

July 9

Lunched with Lansing. Governor Harding said rumor was that Carter Glass had been offered Delano's place in Reserve Board. Governor Harding also said Warburg said he would be glad to be appointed to Delano's two year unexpired term if he could not have the full term of 10 years.

August 9, Friday

No word as to Warburg's reappointment. Williams says Tumulty sent word to Warburg President would not answer his letter until McAdoo returns-- next Monday. Williams seems confident Warburg will not be reappointed.

Last week Drum told me Selden said a man told him that Brown told him Secretary McAdoo had offered the two year term on the Federal Reserve Board to him, Brown.

I cannot believe this, nor does Williams. Brown has only been here about one-sixth of the time since his appointment on Capital Issues Committee. He seems to be of fair ability but is not interested in his work. His absence has thrown a terrible burden on the other members. Warburg's term expires tonight at 12 P.M.

12 Midnight

The President has written Warburg a letter to effect that he can read between the lines of Warburg's letter to him that he prefers to be relieved and that he reluctantly yields to his desires and will not, therefore, reappoint him. Warburg did not show me the letter but Harding told me about it. Warburg made a great mistake in writing his equivocal letter to President--it gave him a chance not to reappoint him: he should either have not written anything or unequivocally withdrawn his name. If he had not written, it would have made it difficult for President and might have resulted in his reappointment. The letter as reported to me, Warburg never showed it to me, was a Janus faced letter. Warburg could claim that he did withdraw or not as he saw fit. It is the Jewish character--the desire to play with both strings to save one's vanity.

At 1:15 attended Dr. Rowes' lunch to Warburg at Army and Navy Club. Present. Rowe, Warburg, Assistant Secretaries Leffingwell, Moyle Dave, Mr. Strauss, Governor Harding, Miller and myself. We all spoke most kindly of Warburg.

Warburg is evidently bitterly disappointed--he told me he was satisfied he would be confirmed by Senate: that the Republicans told him they would offer no objections; that Senators Hitchcock, Reed and Salisbury had sent him similar messages. He was very bitter at Senator Owen and intimated he would get even with him.

I am really sorry he was not reappointed for he is a man of great ability and has done much for the System. The trouble with him is that he is an intriguer as shown by his effort to cut down the Reserve banks from 12 to 8 and his plot to oust me from the Governorship. His cunning, however, overreaches itself as shown in latter case where he got the Governorship from me only to give it to Harding. Since that catastrophe, he has behaved much better. He is full of envy, thinks no one on Board is fit except himself and is absolutely treacherous. He has, however, worked hard and has helped in development of the System. I fear he will attack us all now that he is out of office.

At lunch today he said that there must be centralized power either in New York or in the Board and he deprecated the former. This is largely because of his extreme vanity--he wants to be supreme wherever he is.

Williams told me President was to ask Glass to take 10 year term and Strauss the 2 year term. He dictated telegram to Glass begging him to accept if offered and he added my name as joining.

He also said Leffingwell said that Glass appointment would cause a financial panic in New York. He also said Harding would be redesignated Governor for one year.

Sunday, August 11

Dined with Harding at Metropolitan Club--he is strongly opposed to Glass appointment--says wrong to give this to South to exclusion of middle west; that Glass is not looked on as a Southerner by South, not being in cotten belt; that Federal Reserve Act prohibits Member of Congress from being member of Federal Reserve Board and this means that no member when Act was passed can well be a member of Board. I can't agree to this. I think Harding fears he will lose Governorship if Glass is appointed.

August 12

Williams asked me to send memorandum to Secretary McAdoo as to whether a member of Congress could be appointed a member of Federal Reserve Board (meaning Glass). I did this. Said yes.

August 15

Harding redesignated as Governor for another year. He told me Warburg, who was here yesterday, told him Secretary McAdoo had definitely offered appointment to Albert Strauss who had gone to New York to consult his family. Harding said Secretary had asked him as to Breckenridge Jones of St. Louis.

I feel the Secretary should have taken me into his confidence. He has been here since Monday and I have not seen him but Williams is with him all the time. Harding said Secretary looked well Monday but today seemed worn out and voice very weak.

Brown of the Capital Issues Committee has been here only 1/3 of the time--he seems more interested in politics than anything else, although he seems to be a man of fair ability and he is said to have a "pull" with Secretary McAdoo. I should have taken this up with the Secretary but Drum begged me not to. His absence has greatly increased work of the other members.

Thursday, September 5

American Tobacco Company and Mr. Stanley of Guaranty Trust Company appeared before Capital Issues Committee for authority to issue 25 millions of notes to fund equal amount of acceptances maturing Nov. 25. Flower had reported favorably but Williams had asked to have it held up. The notes bear 7% but were put out below par the rate netting about 7 3/4%. The Syndicate Meyer were to receive 1% commission and rest of Syndicate 2 1/8% making total commissions about \$875,000.

Before leaving Williams told us Secretary McAdoo asked him to say this offering would injure Liberty Loan and should be postponed till after Liberty Loan unless injury would result. Mr. Leffingwell told me he did not agree to this--that he thought the notes would be quickly placed and would not injure the Liberty Loan. It appeared that 3/4 of these acceptances had been rediscounted with Federal Reserve banks. Leffingwell said the banks should get rid of these unliquid acceptances and that finally this was necessary.

Williams brow beated and insulted Stanley--said bankers were profiteering and taking all the traffic would bear--that 7 3/4 was a usurious rate of interest--that Secretary McAdoo decided that Chicago and Western Indiana Railroad must go into a receiver's hands rather than pay over 6% on its obligations, etc. etc.

The Tobacco Company said they did not make the rate--that if Banks would agree to take these notes and not offer them until after Liberty Loan dive they would be perfectly satisfied even thought the interest rate might have to be higher.

Stanley said unless some cataclysm should intervene the banks could undoubtedly place these notes but he could not agree positively in advance to

do this--he said they could not place them before Nov. 22 if they begin only after Liberty Loan closed. Tobacco Company finally asked if Federal Reserve Board would agree that if a new acceptance credit were found necessary, it would rule that the acceptances were eligible for rediscount. We said they must ask Reserve Board as to this.

Finally we adjourned until 2 P.M. when Tobacco Company wrote us a letter to which we replied. We ruled proposed issue not compatible with National interest at present time because of Liberty Loan but said we would--after Liberty Loan--approve an issue along lines of present plan at reasonable rates of interest, etc. We told them that if Federal Reserve Board refused to rule that new acceptances would be eligible they could come back and renew their application. I firmly believe that at recess they had fixed matter with Stanley whatever the Federal Reserve Board might rule.

Leffingwell was very indignant that Secretary sent that message to us through Williams and not through him--said he felt sure Secretary had not been fully informed by Williams.

It is another instance of Secretary McAdoo being influenced by Williams behind backs of his associates.

The whole Committee felt they were bound by Secretary McAdoo statement as to effect on Liberty Loans. Before we could reach Secretary McAdoo he had gone away on a two weeks tour "examining terminals". He has done nothing about Reserve Board appointments--he is utterly neglecting his duties in this matter.

Dined with Goff the other evening and sounded him--as requested by Secretary McAdoo--on Reserve Board: he seemed boradmindred and fair and I wrote Secretary McAdoo that in my opinion he would be a good man.

Sept. 6, Friday

Williams intimated to me that Secretary McAdoo might appoint Simpson of Chicago a director of Federal Reserve Bank.

Meeting of Reserve Board:

I moved that we inform Tobacco Company that new acceptances would be eligible at Federal Reserve banks. Harding and Miller voted no and motion was lost. Governor Harding said keeping these acceptances in their renewals in Federal Reserve Banks would injure country and Liberty Loan more than funding them could possibly do. He said we ought to have approved the issue and I explained that we felt bound to accept Secretary McAdoo's statement that it would injure Liberty Loans. I am inclined to think they were more nearly right than I.

Sept. 6, Saturday

Told Leffingwell he should come to new hearing given to American Tobacco Company Monday: that the Committee had advised it of decision of Reserve Board and that the Company renewed its motion for authority to issue notes at once. Leffingwell then said he had changed his views and had reached conclusion that while if placed last week would not injure Liberty loan yet that every day counted and that now he felt it might injure loan. He called up Governor Strong and he seemed to know of no reason why it could not be postponed except that possibly they might have to pay slightly higher rate. In reply to question from me he said Bankers would have ample time to place loan between close of Liberty Loans and November 22--the maturity of the acceptances.

September 8, Monday

Leffingwell forgot to attend meeting. We voted to approve application now to take effect after Liberty Loan, except as to rates and commissions--with liberty to Company to come direct to us and not through New York District Committee--to determine as to reasonableness of rates and commissions, after October 12.

Sept. 10

Morgan in New York Times of September 10 defends rate of $9\frac{1}{8}\%$ including commissions which he asked to finance Chicago & Western Indiana Railroad notes-- said $7\frac{1}{2}\%$ was a reasonable rate and that $1\frac{1}{2}\%$ for syndicate was a reasonable rate.

As contrasted with this, in American Tobacco case the Syndicate members were to receive 1% and the Syndicate $2\frac{1}{2}\%$ --a plainly unreasonable rate. As to the $7\frac{3}{4}\%$ approximately net rate to public for Tobacco Company notes, it is interesting to remember that War Finance Corporation netted once 9% from Bethlehem Steel Company and that it charged $7\frac{1}{2}\%$ to Aurora & Elgen Electric Railroad. I believe 7% or at most $7\frac{1}{4}\%$ net is ample for Tobacco Company with its splendid credit.

Nov. 18

Last week the War Industry Board issued a notice releasing in part its prohibition on the use of many articles requiring steel. The day before issued I called up Baruch, the Chairman, and suggested a conference between his Board and the Capital Issues Committee. All I could get him to say was that he would be glad to receive a memorandum from our Committee on subject of Reconstruction. He never referred to the circular which he issued the next day and which seriously embarrassed our Committee. As a fact all applications fell off 50% within the next few days.

Leffingwell was very much disturbed by Baruch's action as it in effect announced that the lid was off, while Leffingwell knew that the Treasury would need 8 or 10 billions more which could not be obtained at present rates unless capital continued to be conserved.

A day or two later Secretary McAdoo called a conference at which Governor Harding and other members of the War Finance Corporation, Leffingwell, Franklin and

others were present. It was agreed that Mr. May should keep in close touch with Baruch to prevent, if possible, further ill advised notices.

I explained our embarassments and said it was disconcerting for us to be holding up hospitals, drainage plans and roads while Baruch was releasing shorting goods, etc. I then asked whether they thought it was time to wind up Capital Issues Committee--I said it was idle to continue unless we were given power to license all issues.

They all thought we ought to continue and Secretary McAdoo asked me to draw a Bill giving us the power we needed and he would do all he could to press it. He thought it most important for us to continue. I said our Committee felt we ought to be consolidated with the War Finance Corporation, the Secretary to be Chairman. He said he originally tried for this but failed. He suggested that our Bill in first instance should keep our Committee separate as at present. I asked if he approved calling a conference of bankers to talk over the situation and he thought it very advisable. I said I would do this.

I then called up Drum and said at next meeting I would bring up matter of a conference. He said that the day before a telegram had been sent calling a conference for Tuesday, October 19. I was amazed at this and later found that Goff ordered this sent without any authority from the full Committee--a most amazing usurpation of power.

I then asked Flower and Drum--Goff had gone away--to draw a Bill. Later, on Friday P.M., November 15, Flower sent me a letter and a Bill in which the present Committee was retained but the Secretary of Treasury was made Chairman--a * * *

On Saturday evening Leffingwell called me at my house and said he had just discovered that Secretary McAdoo had sent to the papers a notice that Treasury construction of buildings would not be resumed and other words indicating that the lid was off. Leffingwell said it came through Assistant Secretary Rowe and he knew nothing of it until it was sent out; that he tried to kill it but could not. He was very much disturbed.

November 18, Monday

I saw Drum--he said the Secretary had killed our Committee--that the active members wanted Committee wound up at once and that if not done they would immediately resign.

I saw Secretary at 2:30. He said there was nothing in his statement in any way interfering with Capital Issues Committee. I then showed him the statement that this action of the Treasury "should serve to encourage others to undertake without delay the fulfillment of the many and varied industrial peace needs of the country".

He seemed amazed and I suggested that he have a conference with the Committee and tell them he meant that all this should be done under its direction. He jumped at this and said this was just what he meant and he would meet Committee Wednesday and say so. He said he was tired out and that he was ready to quit.

I think he published this for political reasons to get ahead of Baruch without even thinking of the consequences.

Our Committee has been terribly hampered by lack of support from War Industries Board and this action of the Secretary is about the last blow.

Nov. 18-25

Secretary McAdoo followed my advice and had conference with Capital Issues Committee. I prepared headings for him which he followed closely. He

asked how long they could stay and they said about January 1, 1919. He strongly urged them to go on with their work and that on January 1, it could probably be wound up. This was on Wednesday, November 20.

On Tuesday, November 19, we had a conference of Chairmen of District Committees and bankers. They all strongly urged our going on and Baker pledged support of Investment Bankers Association. Goff told Secretary we all felt we should promptly be wound up but that action of the conference had great weight with him and he really thought we could function up to 90% without new legislation.

The next day we learned that Baruch had told Philadelphia and New York no further restrictions would be imposed by his Board. This was another blow at us. Then later the War Industries Board told us it could no longer advise us as to capital restrictions. I had at request of Board written Secretary McAdoo that the President should delegate to him the control of exchanges of bonds for other securities, as he had this power under Trading With the Enemy Act and Secretary McAdoo said he would look into this.

After this, Drum and Flower insisted on preparing letter to President advising our immediate winding up.

I then had another conference with Secretary McAdoo and Leffingwell.

I told Secretary that it was the unanimous opinion of our Board that it would be safe to remove all Capital restrictions and we believed it ought to be done, but that Goff and I, and we felt sure the other members would do whatever the President wanted and it was for the President to instruct us.

Secretary McAdoo--to my surprise--agreed with me that we ought to cease work--he said he would even prefer to pay a higher rate in future bond

issues than to hold up the country's development until next April--the proper time for a new bond issue.

Leffingwell strenuously objected and finally Secretary McAdoo suggested that we issue a statement that we would pass all issues except those involving present economic waste. I said I would advise our Committee.

The Committee favored the idea and started on a draft of announcement.

Friday, November 22

Announcement prepared but in rather more conservative lines. Showed this to Leffingwell Saturday, November 23, who approved and it was given out.

Friday evening, November 22, Secretary McAdoo gave out statement of his resignation. None of us had been advised of this.

Saturday, November 23

Held special meeting of Capital Issues Committee. We approved our public announcement and agreed that, in view of Secretary McAdoo's resignation, our Committee should do nothing to hamper Administration but should serve--gradually becoming more liberal in our decisions--until the President decided to wind us up. In P.M. held another meeting in my office. Williams, Goff & Flower present. Drum was in New York but before going had prepared draft of letter to President advising him to wind us up and asking him to say so in his coming message to Congress, also to recommend new legislation creating a national blue sky commission.

We decided ~~tht~~ it was unwise to do this although individually we favored the suggestion in view of Secretary McAdoo's resignation and we voted that for three weeks we should make no recommendation but go on with our work under new announcement becoming more and more liberal.

Saturday, November 30

Capital Issues Committee voted to put in its annual report a complete account of the Paw Motor Company with name of president, etc. The president is under indictment for fraud, using the mails. I said if we sent for fraud, we ought to send all such and we had many more.

I suggested that as all we wanted was to convince Congress of necessity of passing laws to stop fraudulent issues, it would be better to state the facts of this and other issues without mentioning names and then if Congress wanted the records it could call for them. I further pointed out that as the President of the Company was under indictment our action might be construed as an effort of a national committee to influence the jury and that in my opinion the president was entitled to a fair trial without interference on our part. I said also I believed the president was guilty but that our function was to place the record in the hands of the Attorney General.

Led by Comptroller Williams all present--Drum, Williams and Flower voted to send whole record. I asked to be recorded in the negative. Late that P.M. I wrote Secretary McAdoo saying we were making a great mistake but that a word from him to that effect would, I thought, be very persuasive.

Monday, December 1

Called on Secretary--he was not there. Told Kiley above matter very urgent. Later Kiley came in and said Secretary said the whole record, including names, should be sent to Congress. On Saturday and again this A.M., I wrote Secretary McAdoo suggesting that the President leave some nominations and commissions signed in blank for appointments to Capital Issues Committee to be used in case any of the members felt they must resign. I told him we then could appoint members of the Federal Reserve Board in their place. Later Secretary

McAdoo sent in some blank nominations which I filled in and returned to him, pointing out that State Department must also fill out and have President sign some blank commissions for same purpose.

Last Saturday, November 1, I called attention of the Capital Issues Committee to Brown's continued absence and suggested that I be directed to write him a letter referring to an interview he gave to a New York paper last week speaking having told Secretary McAdoo that he should have to resign from the Committee because of pressure of business, and that I ask him whether he did resign so that we could adjust our affairs accordingly. After discussion, it was thought best not to send this as we had no right to suggest his resignation although all were indignant at his course.

Tuesday, December 3

Brought up Brown matter again. Mr. Goff said he would write a personal letter and tell Brown he ought to resign.

Thursday, December 5

Glass' name sent to Senate.

Mr. Goff's name not sent in as member of Federal Reserve Board. On Monday McAdoo telephoned from White House asking Goff's initials so I thought it would go in.

I have no personal interest in Goff--I merely recommended him because of his eminent fitness for the place and feeling that it was really scandalous that the Delano vacancy had been so long unfilled.

Friday, December 6

Conference with Federal Reserve agents as to Capital Issues Committee. Leffingwell urged us to continue. Agents seemed divided.

Leffingwell especially wanted Treasury protection vs exchange of Government bonds for worthless securities. I asked him if Secretary of Treasury had been delegated by President to take control of such exchanges as provided by Trading With Enemy Act or some other Act--perhaps the latest Bond Act. I wrote McAdoo two weeks ago strongly urging this. Leffingwell said Treasury had decided it was not practicable!

The Treasury is trying to make a "goat" of the Capital Issues Committee.

We all agreed--except Leffingwell--that President Wilson in his message to Congress clearly stated that the lid was off. We are bereft of all power--only power we ever had was public opinion and that now has gone. Now the departments have notified us they can no longer advise us and we are all helpless.

We finally submitted two questions to Agents to answer. The first was whether they would favor urging Secretary of the Treasury to try to induce Congress to enact new temporary legislation especially on worthless securities giving power to Federal Reserve Board or Treasury. The second was, assuring Treasury will not do this should not our Committee wind up by January 1, 1919.

Saturday, December 7

answered

Federal Reserve Agents/~~and~~ our questions and said that if Secretary of Treasury and Federal Reserve Board would have introduced and press vigorously a Bill putting restraints on capital and fraudulent issues under Federal Reserve Board they would advise our Committee to continue pending decision on bill; if not, then our Committee should be wound up by January 1, 1919.

Williams has been very gloomy for the past week and looks wretchedly. I saw in a paper the other day a statement that he might be given the Delano vacancy on our Board. Today the Secretary sent for him and when he returned he told me he thought Goff of the Capital Issues Committee would be appointed. I think probably the bankers are so opposed to Williams that Secretary McAdoo would like if he dared to throw him overboard. It may, therefore, well be that he would like to put him on our Board. If he and the Secretary were talking about this today, Williams certainly refused or he would not have talked to me about Goff.

In the P.M. I had a talk with Goff reminding him that I had urged Secretary McAdoo to appoint him--I did this with Secretary McAdoo's authority, and that I hoped he would accept if offered. He said he appreciated the honor but did not see how he could possibly accept. We had a long talk and finally he said if offered him, his wife would have to decide whether she was willing to leave Cleveland. I am inclined to think he would accept. I told him I ought to tell Secretary McAdoo that he could not now say he would accept for fear he might suddenly send in his name, and he agreed to this.

I then went into McAdoo's office and found him there signing letters with several others there. He looked at me with a very sheepish, shamefaced look in his face and I told him I ought to let him know Goff did not want this place and that nothing but the sternest sense of duty would even induce him to take it. I said--be sure and see him first before sending in his name if you decide to do so. He said he would and then added--we will have to club him if necessary. From this I gathered that he had made up his mind to appoint him, but he is so shifty, I may be wrong. Evidently the President has left it entirely with him--he acted and talked as if he were the President.

December 10

At the Federal Reserve Board meeting yesterday Secretary McAdoo sent us a letter saying that before he left he wanted to vote for a \$50,000 salary for Governor Strong of the Federal Reserve Bank of New York. Considering that we wanted to do this some months ago and that McAdoo violently opposed it and prevented it, his present attitude is surprising to say the least. He evidently looks on matters differently as he approaches private life!

While the letter was being read Williams--who egged on McAdoo in his former opposition, looked thunderstruck but said nothing.

Williams also objected to the short reference in the coming December Bulletin to McAdoo's resignation. He said the Warburg resolution was four times as long. I explained that Harding and Miller came into my office late one P.M. Just when Bulletin was going to page proof. There was great difficulty in getting anything in and question was whether to let it go over to the January number. Finally, a short but very complimentary resolution was read by Harding and with some changes by Miller was accepted. Williams discussed at great length the financial sacrifices of Secretary McAdoo. He did not seem to think that anyone else had ever made any sacrifices!

McNary came down in Pennsylvania-Virginia Coal case. Someone sent us copies of World's Work for December attacking McNary's banker, Beusch as a scoundrel and fraud who had been indicted. We voted in the Board to have the Company investigated by an accountant and the property investigated by the Fuel Administration.

McNary went before Executive Committee at 3 P.M.. Later he called me up and said Committee told him as above and further said he would be given

a license if accountant and feel Administration reported favorably on condition that Beusch separate himself from the Company.

I told McNary in answer to a question that the Committee voted to have an investigation but that they did not vote to grant a license if investigation was favorable.

December 11, Wednesday

Governor Harding at lunch told me Glass called on him in the A.M. Seemed dispirited. Said he had had no experience in Administration work and that it was not congenial to him. He expressed a desire to have Willis help him but said he could not come at an Assistant Secretary's salary. Harding suggested making him Assistant Secretary and then appointing him on War Finance Corporation thus giving him \$12,000 per year. Harding said he would resign to make a place for him.

Later Harding saw Willis who asked if it could not be arranged for him to be present at all Board meetings. Harding said this was inadvisable. To have Willis present as a smelling committee would be intolerable.

Governor Harding will have trouble if Willis comes back in any capacity for Willis hates Harding for stripping him of most of his duties as Secretary of the Board.

Harding called my attention to New York Times of this A.M. containing a charge against Secretary McAdoo's brother of receiving \$25,000 to secure influence of a high Administration official in securing awards of submarine contracts.

December 12, Thursday

Lunched with Harding. He intimated that he was thinking of resigning. Harding spoke of a new circular of Comptroller requiring banks to compute accrued interest and discounts paid but not yet earned. He said the small banks could not comply with it. He also said the Republicans would try to

abolish the Comptroller. I said most of the troubles we have had could be avoided if the Revised Statutes were changed putting Comptroller under general control of Federal Reserve Board instead of under Secretary of Treasury. It would relieve Secretary of many troubles and the Comptroller is already in Board and could fully explain his actions to a Board which had time enough to consider them--which the Secretary had not.

Friday, December 14

Secretary McAdoo came to Reserve Board meeting to advocate increasing Governor Strong's salary to \$50,000; said his former opposition was because of the war; said we must consider the salaries paid by member banks in fixing compensation for Federal Reserve bank officers; that in the beginning of the System we could not do this but now we should. He also said Federal Reserve Agent Jay's salary should be increased.

I said I believed we ought to increase these salaries but that this would necessitate some increase at other Reserve banks and Secretary McAdoo agreed to this.

I then said again I cordially concurred with Secretary McAdoo but I should like to know attitude of new Secretary, Glass, for if he were strongly opposed to it, his opinion was entitled to great weight. Governor Harding said Glass told him he was only one member having one vote and we must act as we felt best. I reminded Governor Harding that he had said Glass was strongly opposed to any such increase and he admitted this.

Finally it was agreed to have a special meeting tomorrow at which Glass and McAdoo would be present, and then to settle the matter.

Governor Harding said the Board ought to ask Congress to repeal the power of law forbidding Board members to accept employment in any member bank for two years after leaving Board. I at once stated I should not join in any such action--that it would create a turmoil in Congress--that Congress would

believe some of the Board were negotiating for employment with member banks.

Secretary McAdoo said the best way would be to have some Congressman introduce a Bill and then have our Board asked to express its opinion. He said the active Board members should not have been included in the prohibition but that it was a wise one so far as to Secretaries of Treasury. Fiscal Assistant Secretaries and Comptrollers of the Currency. Any such move on our part would be ridiculous!

December 14, Saturday

11 A.M. meeting of Board called to talk over salaries of Governors--especially New York--with Secretary McAdoo and Mr. Glass.

Secretary McAdoo attended meeting--said Glass could not come but agreed with him that salary of Governor of New York Bank should be fixed at \$50,000 and other salaries throughout System adjusted accordingly. He stated that Mr. Glass authorized him to state this to Board. Board finally voted to fix Governor Strong's salary at \$50,000--this was unanimous.

The Federal Reserve Board then met again and voted for proposed New York schedule of salaries except that Deputy Governor Treman's salary was retained at \$25,000 instead of \$30,000 as recommended by the New York directors, it being voted, as a compromise, that when acting as Governor he should receive \$30,000. Strauss suggested this compromise.

During meeting I received a letter from Goff saying he could not accept a position on Federal Reserve Board. I went in and told McAdoo who asked me to ask Goff to come right over to see him. Later Goff told me the Secretary formally offered it to him in presence of Glass but after 3/4 hour's talk, he declined it and they both said they could not blame him for so doing.

December 16, Monday

At Board meeting we voted to fix Deputy Governor Treman's salary at New York at \$30,000. I wanted it kept at \$25,000 with \$30,000 when acting as Governor as we provisionally agreed on Saturday but this A.M. Governor Harding called up Jay in New York and had a talk with him and he went fully into the plans of the directors who felt that Treman was entitled to this increase as a business matter.

We all agreed, even Dr. Miller, that Jay should receive as high a salary as any Deputy Governor: Williams, however, objected. I reminded him that McAdoo at the meeting Saturday said specifically that Jay's salary should be as high as any Deputy Governor and that he should have \$30,000. Williams denied this but Governor Harding confirmed by recollection. I also understood the Secretary to say that Glass concurred in this specific salary. When McAdoo went over this he had the New York report favoring \$50,000 for Strong and \$30,000 for Treman. I know the Secretary said Glass favored the \$50,000, but I am not positive that McAdoo said Glass favored Jay's salary of \$30,000. McAdoo himself, however, did specifically favor it as stated above.

Last week Brown of Capital Issues Committee was in Washington and called on Williams. He did not even call on Capital Issues Committee. Williams was very indignant because his name was not attached to report of Capital Issues Committee sent to Congress. A space was left for all signatures and I signed it as chairman and sent it to Goff. Goff and Drum signed it and for some unknown reason did not send it to Williams who was in his office but sent it direct to Speaker of House. On learning this, I prepared a letter to Speaker asking that all names (except Brown) be added

as signers. Williams said it ought to be sent to Brown first to obtain his authority to add his signature. I explained fully to him at meeting of Committee that Brown had had nothing to do with making the report as he had absolutely neglected his duties and that if there was any more delay the Public Printer would print the report without any other signatures. He still insisted that it should be sent to Brown and this was done. Brown never acknowledged even the receipt of the letter, nor, so far as I know, did he ever answer letter of Goff suggesting that he should resign. As a result the report was printed by Public Printer with only three signatures. Williams must thank himself for this.

The President of Pan Motor Company is going to sue Flower. A Congressman wrote Flower about the Pan Motor Company and he replied giving all the facts. The Congressman gave the letter to the President of the Company who at once wrote Flower demanding to know by what right he did this.

I notified Glass Capital Issues Committee would on December 20 announce that it would do no more business after January 1, by letter asking him to let us know if he had any objections. I also had interview with him. He seemed to agree with us. I said--also in letter--that if we would press a Bill for a National Blue Sky Commission--we would cooperate in every way--even staying on until Congress decided the matter. He agreed with me that there would be no chance of getting such a Bill through Congress at this session. Senator Smoot also said same some time ago.

December 18, Wednesday

In P.M. called on Tumulty and explained my plan for winding up Capital Issues Committee and yet keeping it alive in case President wished to call it together again. I said I had written Glass and also had talked it over with him and he offered no objection. I added that as we were an independent committee

I owed a duty to the President to report to him all our plans, but I saw no reason to bother the President about this matter unless he--Tumulty--thought it advisable. He said he thought my plan was a good one and that there was no reason for communicating with the President.

I also told him about Brown of the Capital Issues Committee and his remarks about being assigned for political work by Secretary McAdoo and said it had got around and I feared an attack in Congress.

I told him Goff had declined to accept appointment on Federal Reserve Board--he said he was very glad because he was a Republican!

December 19, Thursday

Received a very savage note from Williams complaining because report of Capital Issues Committee was sent to Congress with only three signatures. Said he had just discovered this and had learned that although protests had been made no effort had been made to correct it. I brought it up at meeting this A.M. Drum said I signed it and sent it over with instructions to send it to Congress on that day, December 2, that this was late in P.M.; that he and Goff added their signatures and gave it to Cates instructing him to obtain William's signature and send it to Congress that afternoon as instructed by me. Drum added that they telephoned the Comptroller at his Treasury office and at Railroad Administration but he was not there and could not be found and, therefore, they sent it to Congress. Later I called up Cates who confirmed what Drum had said except that he said that while he called up the Comptroller's office in Treasury he did not call up his office at Railroad Administration. This should have been done and Williams has a right to be angry. That the mistake was not quickly repaired, however, is due entirely to the Comptroller.

I, the very next day after learning of the omission, prepared a letter to the Speaker of the House stating that some members could not be reached and, therefore, their names were not signed and asking that the fact be printed with all names except Brown added thereto. Flower's consent was quickly obtained by wire. I showed this letter to Williams who insisted that the report or a copy should be sent to Brown before the letter to the Speaker be sent. I fully explained to Williams that it would take days to get Brown's consent and that the Public Printer would print the report unless we immediately sent the letter to the Speaker.

I added that all the other members could see no reason for sending it to Brown for he was present at no session when it was being considered and had taken no part in the matter and in view of the fact that he had practically abandoned the work of the Committee long ago, there was no reason for recognizing him as a member. Williams, however, was obdurate and insisted that we should await an answer from Brown before sending letter.

Brown, in fact, did not answer Goff's letter to him sending him the report until yesterday and meantime the Public Printer had printed it.

4:30 P.M.

Secretary Glass sent for me and said he knew nothing about the Capital Issues matters but on reading my letter rather felt we ought to continue in our work and not dissolve. I explained matters fully to him and he said, "How can I make this announcement?" I explained he did not have to make any announcement, that we were to do that. I then told him our continuance was undemocratic and unjust for that not 5% or 1% of the issues were coming to us: that we discriminated against the one honest man voluntarily submitting to us while the 99

went ahead without paying any attention to us. I also told him we should be bitterly attacked in Congress for exercising war powers in time of practical peace. I added that we were not in fact saving any funds or keeping them in the pockets of the people to help a Liberty Loan not to be issued until next April.

He said I can't do anything about it--it is for the President. I said the President can end us but the active members are willing to keep in without pay and wait for further call.

He finally said he was suffering from Neuritis and could hardly think and asked if I would hold up the proposed announcement until tomorrow to give him a chance to think it over. I said that we would be glad to do this and left him. Poor man! He was ill, could not think, knew nothing about it, evidently not knowing what to say as between Leffingwell pulling one way and I the other.

On the other hand, Leffingwell has not the courage to regulate bond exchanges as I begged him to do getting authority from President under Trading With Enemy Act, he has not the courage to ask Congress to enact a blue sky law, and yet he has the assurance to demand that our Committee, shorn of all power, deserted by every Department of the Government, shall pretend to continue to give decisions and make ourselves the Treasury goat! It is most exasperating.

Friday, December 20

Governor Harding reported that Banking & Currency Committee would favorably report our amendments and also the amendment suggested by Warburg-- that Federal Reserve Board members could accept appointments, etc. from member banks by vote of five members of Board. Glass wrote Phelan, Chairman of Committee, calling attention to Warburg and Delano and said law should be amended as above. He thought law should not be amended as to Secretaries of the Treasuries,

Assistant Secretaries and Comptrollers. Goff called. Said he doubted whether Thornton Cooke would be good man for Federal Reserve Board. Thought Morgan Herrick also unfitted. Thought Forgan would be ideal man.

San Francisco and Richmond want to lower $4\frac{1}{4}\%$ rate on collateral note paper secured by Government obligations to 4% to come into line with other Reserve banks. Board discussed it--felt other banks should come up. Asked Glass to confer with us. Said he would come at 12:30. At 12:30 said he could not come so we postponed it until Monday. I am afraid Glass is a typical Southerner--do nothing today which can be put off until tomorrow.

Glass said nothing to me about Capital Issues Committee, although he asked us to hold up our proposed action until today when he would surely see me.

At meeting this A.M., the Comptroller came in on a personal matter. He said the directors of the Railroad Administration were to give Mr. McAdoo a magnificent silver tea service: that some other body was to give a \$1,000 rug, etc., and that the Federal Reserve Board had done nothing, etc! Dr. Miller objected to any gift--said it savored of commercialism. Harding pointed out that no gift had been made to Warburg or Delano. Finally after long discussion matter was left to Harding and Strauss.

Saturday, December 21

No word from Glass as to Capital Issues Committee. Drum called me up and asked me to write Glass again--said Flower was to be away for a week. Goff ought to be away, Cooke must go away, etc. Accordingly, I wrote Glass asking what his conclusions were. Glass later sent for me--Leffingwell was present: said he hoped we could hold on for a while until he could look into the situation. He finally said he would talk with full Committee Monday.

I told Glass and Leffingwell as to Brown's statements as being ordered to do political work by McAdoo: that I told McAdoo who said it was not true: that I said the Secretary should tell the President that Brown was utterly neglecting his work and that his resignation should be called for. Secretary McAdoo suggested that I write him calling for his resignation. I said that is for the President to direct and I again suggested president should be told. I then said I would write Brown asking him just what his intentions were as to Capital Issues work and Secretary McAdoo said he would ask Brown to come in and suggest his resignation. I wrote Brown as above and later Secretary McAdoo said he had seen him and told him that if he felt--as he said that he was too busy to remain on Committee, he would not regard him as a slacker. He told me Brown would resign immediately.

Brown, however, did not resign and some time ago gave a foolish interview describing a talk with Secretary McAdoo in which he said he told Secretary McAdoo he was going to resign and the Secretary talked of the expense etc. of being a President's son-in-law and other foolish twaddle. Selden in above referred to letter to Brown referred to this newspaper interview.

I also told Glass and Leffingwell I had several salary checks of Brown and that I did not want to give them to him although he was by law entitled to them as the Comptroller had ruled when I asked his office--referring me to discussions of his office and of United States Supreme Court.

They both said I ought to give them to him.

Secretary Glass and McAdoo brought Brown into his office since his appointment and introduced him as a splendid citizen, patriot, etc.

December 23, Monday

10 A.M. Conference of Capital Issues Committee with Secretary Glass
Brown, of course, not present.

Drum went over whole matter in detail. Also Goff who spoke of Brown's lack of duty and said he was a slacker. Secretary Glass said that while he would have liked to have our Committee continue, he appreciated the force of Drum and Goff's statements, especially as to the injurious effect of Baruch's statement releasing commodities without notice to or consultation with Capital Issues Committee and he regretfully accepted our conclusions. He added that he intended to ask legislation from Congress and asked us to prepare a draft of statement to be issued by him at the same time we issued our statement.

Drum and Goff then prepared and sent me a draft of statement. As originally drawn it stated that all previous decisions of Committee refusing consent should remain in force. I pointed out that we had imposed many conditions as to holding up stock issues during life of Committee, etc. and that our vote to suspend operations should be treated as the end of life of Committee, otherwise grave injustice would be done as certain honest concerns would be tied up while dishonest competitors who had not applied to us could go ahead freed from any restrictions; that what I said did not, of course, apply to fraudulent or worthless promotion schemes; that as to these we should not release them although, of course, if they went ahead we had no power to stop.

Finally Goff and Drum agreed to say nothing as to past conditions but to arrange to give power to Cooke who was to remain in Washington and to Chairmen of District Committees to put an end to any such conditions when they deemed it just and equitable. Later in P.M. Drum insisted on giving out our draft today-- I could not find Williams nor could he so I instructed him to hold matter up until tomorrow when draft could be shown to Williams and to the Secretary of the Treasury. I said it would be discourteous to publish it until Secretary had seen it. He said Jay called him on telephone and he told him about it. I told

him at once to telephone Jay to say nothing about it until we published it here.
December 24,

Meeting of Capital Issues Committee. Williams, Drum and I present. We corrected announcement and requested me to get Secretary Glass's approval. I took it into his office and he read it and authorized me to publish with it a statement of his own, prepared for him by our Committee, it to be released for Thursday A.M.

He said was pressed for an immediate answer whether Belgium could place a loan for 50 millions on U.S. He thought if new loans were not to be made by Government to Allies, we could not forbid them trying to place their own bonds in U.S. Said he did not want to answer today and I said he ought to wait until we knew better what success President was having abroad--that it might help President if he waited awhile. He said he agreed with me and would wait.

Also said Assistant Secretary Lane was leaving and he asked how Drum would do and whether he was a Democrat. I praised Drum but said some congressman did not like him as he lectured them on Capital Issues matters. I thought he could not get a better man. He said matters were very much mixed up in War Insurance Board. X

He asked me to find out Drum's politics. I went to my room and telephoned him. Said he and his father were Democrats but that he bolted Bryan. The Secretary said so did Wilson! Drum also said he voted for Wilson in 1912 but that in 1916 he voted for Hughes because he favored immediate war with Germany. He said he did not help finance Hughes and refused to act with the Republican Party and that if he knew then what he now knew, he would have voted for Wilson.

I told Secretary Glass and he asked me to ask Drum to come over and see him which I did.

Later I wrote Glass sending him a copy of the Capital Issues Committee and of his own announcement.

December 26, Thursday

Drum said he told Glass he could not accept if offered a position as Assistant Secretary of Treasury in charge of War Risk Insurance, etc.

New York Times printed Capital Issues Statement yesterday, Christmas morning, thus getting a "scoop" in all other papers. Called up manager who said he would investigate. Every copy given out was marked for release Thursday A.M. The Associated Press manager said "Times" could not have got statement from it as it sent it out by wire Christmas afternoon.

The only other copy not marked as to release was one I gave Leffingwell to read: this was before it was approved by Secretary Glass.

Drum sent over copies of two letters sent--no one knows by whom--to the Capital Issues Committee: 1. Dated November 30 from Brown to McAdoo enclosing resignation from Capital Issues Committee and asking McAdoo to send it to President, asks that resignation take effect November 30, 1918. 2. Letter, or rather copy, dated December 10 from McAdoo to Brown, acknowledging Brown's letter and saying will transmit resignation to President. Praises Brown in highest terms. Says, among other eulogistic phrases: "You have seen the war through and you have done your part like a true patriot. You can take back to private life the consciousness of service admirably and unselfishly performed".

Considering that last summer McAdoo agreed to call on Brown for his resignation because of his utter neglect of duty and continuous absence from Washington and considering Brown's statement to one of our executive force that McAdoo had detailed him from Capital Issues Committee to secure control of

"Louisville Courier Journal" and secure election of Democratic Senator in Kentucky,--I am amazed that McAdoo could write such a letter as he knew every statement in it was false.

December 27, Friday

Brown's letter as to resignation laid before Committee. Committee voted that the active members should send me letters addressed to President tendering their resignations and that they should, after January 1, 1919, indorse all checks for salaries to Treasurer of United States to account of Miscellaneous Receipts.

December 30, Monday

Senator Smoot called me up on a Capital Issues matter. I explained plan of Committee in suspending operations and turning back after January 1, 1919 all salary checks by indorsement to Treasurer of United States to credit of Miscellaneous receipts. He fully approved this and said it was the only thing to do as if Committee were legally put an end to it would be impossible to revive it by new legislation before Congress adjourned.

Selden called: he said Brown told him and others that Secretary McAdoo had detailed him from the Capital Issues Committee in order that he might help in securing control of the "Louisville Courier Journal" and in carrying Kentucky for a Democratic Senator.

Brown, I remember, told me that he was arranging for the purchase of the Louisville Courier Journal" and he brought the parties interested up to the Capital Issues Committee and introduced them to us. I remember also that he brought these parties to Secretary McAdoo with whom they had an interview. Brown told me this himself.

- 1919 -

January 1, New Year's Day, Wednesday

Telephoned Tumulty about Brown of Capital Issues Committee; said Kiley inquired at White House but could find no record of his resignation; said it ought to be accepted as of November 30, the date Brown suggested in his letter to Secretary McAdoo. Tumulty said he would attend to this.

January 2

Selden sends over telegram from Brown saying his resignation had been accepted for November 30 and asking that all accrued salary checks be sent him.

At once wrote Tumulty to be sure the date of acceptance of resignation was November 30. Wrote Brown sending back salary checks. Willis called; said National Bank of Phillipines had loaned heavily on hemp at inflated Government prices; that prices had now sagged 50% and that Bank would suffer heavy loss, but that it was perfectly solvent. Suggested that Board examine the Bank. I suggested that we write Secretary of War that Bank was our foreign agent and that if he requested we would send examiners to examine it, and asked him to make draft of letter. He said Governor Harrison was involved in a scandal with wife of an official out there and he felt that Phillipines matters were in bad shape and that Republicans by investigating would unearth scandals. I advised him at once to tell Secretary Baker. He said he had told Glass that Federal Reserve Board should now gather to itself all functions taken from it by McAdoo and especially should take charge of fiscal operations; that Reserve banks looked to Treasury more than to Board, especially the New York Bank which considered itself a central bank under control of the Secretary of the Treasury. He agreed with me that the Board could have handled all these fiscal matters including

exchange operations and loans to Allies, and should have; that Board cannot properly do its work unless these matters are given over to it. He said next loans must appeal to the market; if not could not be raised as taxes must be paid and loan raised at same time. He said he was satisfied Treasury matters were in bad condition--that McAdoo tried to do so many things he had to leave all details to subordinates who were not big enough men to handle them. He said Internal Revenue Bureau was filled up with politicians. Also said Glass must have thorough cleaning out in Treasury or would be held responsible for condition there.

Glass told me this P.M. President would be seriously embarrassed in determining whether or not to reappoint Williams as Comptroller. Said he appreciated his fine points but also realized his weaknesses. He said Republicans would fight his nomination and would undoubtedly throw it over to next session. I advised him to have law changed and put Comptroller under Board rather than under Secretary of Treasury. He feared decision of Board might cause delay. I pointed out that no more delay necessary now when approval of Secretary had to be secured. He feared Comptroller would feel humiliated but I said he would be a member of Board and no reason to feel humiliated. He then asked if Cates would do as Assistant Secretary of Treasury: said I would like to talk with Drum and he said to do so. Asked as to Cate's politics. I called up Drum and he said he was originally Republican and later a Governor Johnson progressive--that he hardly knew what he was now.

January 9, Thursday

Governor Harding said Glass had just told him that the President was not altogether satisfied with Crosby as Treasury advisor in the other side and that Lansing had suggested by cable that Strauss be sent over to represent the Treasury and Federal Reserve Board. Governor Harding did not like this; he

said the Board ought not to be represented at all as it had no control over foreign exchange as McAdoo had taken that to himself by delegation from the President; that if Strauss is to go he should be given leave of absence by our Board in order to represent the Treasury and not the Board.

I agreed fully and said if he reappointed the Board he might find it in some way which might thwart our domestic policy. Governor Harding said it would be absurd to have Board represented by one who had served only two months and knew little of its traditions or policies.

January 13, Monday

Dr. Miller very despondent about next loan: said there were about three billions of bonds now carried by banks and these must be placed as well as next loan. He also said he should borrow for any future subscriptions and put his cash into profitable investments to pay his taxes. Inasmuch as every member felt borrowing should be discouraged for future bond issues, I thought this a selfish, highly unpatriotic statement.

January 14

Called up Cooke of State Department and he said Assistant Secretary Rathbone outranked Mr. Meyer of the War Finance Corporation. He also said he always slated members of the Federal Reserve Board ahead of Assistant Secretary including acting secretaries when not actually acting.

January 15, Wednesday

Strauss told us at Board meeting that the President had cabled asking him to come over to Paris to advise the Treasury in connection with Peace Conference. He said the cable said that the President said that as there were only four left on Board, he hoped only a short absence would be necessary.

Harding told me Strauss spoke of it to him some days ago and then admitted that he had known of it for ten days but had never mentioned it: he

was very indignant and said it was a job put up by Strauss and Baruch--that Strauss was crazy to go and he believed fixed up the deal. We both agreed that it was a great error to let Strauss leave the Board at this critical time.

Governor Harding told me that he had not been well for some time; that he could not sleep and feared he was on the point of a nervous breakdown; that he had intended going off for a three week's rest but that Strauss' going would prevent this. I urged him to go and said I would do the extra work gladly.

I told him it was his duty to go to Glass and insist that the vacancy on the Board be filled at once. He said he had strongly recommended Charles Dawes of Chicago for the place but Glass was not much in favor of it; that Glass seemed to think that Mr. _____ of Indianapolis should have it; he said that

was a good banker but was a Democrat and this would cause trouble in the Senate. He also said he thought Glass rather favored Willis for Comptroller of Currency in place of Williams; that the President had said Williams had embarrassed him in the last election by some of the things he had done as Comptroller and that Glass said he was not at all sure the President would send in his name.

Governor Harding said Willis would give us more trouble than Williams as Comptroller. I then said the time was ripe to change the law and to put the Comptroller directly under the Board instead of under the Secretary of the Treasury; that this was done in draft of Federal Reserve Act reported by H.R. which put Comptroller under Secretary of Treasury as Chairman of Federal Reserve Board, and that Glass in the Committee report said it was the intention of the Committee to make the Comptroller responsible directly to Federal Reserve Board. This was changed back by Senate. (See my memo as to this in files.)

I then went in and told Glass about Governor Harding's condition and said some one must be sent in at once for vacant position. He agreed with me--said he had offered it to Wooley of War Trade Board, I think, but being a

resident of New York he was not eligible. He then suggested Mr. _____ of Indianapolis. I pointed out that he was a Democrat and said that appointing a Democrat would make the coming Republic Congress hostile and would make the Board a subject of political controversy which would seriously injure its usefulness. Glass agreed with me absolutely and then asked about Charles Dawes. I said I knew him but slightly but thought he would be a good man and pointed out that he had made a fine record abroad in the war.

Glass^s said he would cable the President and promised me that some name would be sent in this week.

January 16

Harding said Glass had about decided to ask President to send in Dawes name for Federal Reserve Board: that Comptroller Williams said he liked Dawes very much and that he was a good man for the place; that Williams had found a statute passed in 1896 providing that Treasury officials might hold over on expiration of term until successors appointed.

Harding said Warubrg is crazy to go abroad at his own expense and make a report for Federal Reserve Board on exchange condition; that he (Harding) asked Strauss about it and he opposed the idea vigorously; that he (Harding) thought this put the idea into Strauss' head of going himself and that he thereupon pulled wires and "arranged" it.

Strauss told me his whole family was going with him. This will be a great outing for the Strauss family--all at the expense of the Federal Reserve Board!

January 17

In reading over the circulated letters, I found one date January 4 to Governor McDougal of Chicago from Governor Harding stating among other things

that the Federal Reserve Board had recommended to Congress a National charter for banks to do a foreign business; that he did not believe a Government bank should establish branches in foreign countries to do a general banking business; that it should not exercise its powers over foreign exchange in a large way for the sake of profit; that the Federal reserve banks should not be competitors of private banks. I was surprised at this letter especially its assumption that Federal Reserve banks are Government banks. I originally thought they were but Elliott and the Attorney General ruled contra. Moreover, I believe Federal Reserve banks were established for the very purpose of competing with member banks when necessary in the public interest.

Secretary Glass announced that he would recommend Comptroller Williams to President for reappointment.

At Board meeting today the question of increase of discount rates in order to bring about liquidation was brought up. Dr. Miller favored putting up the preferential rate on 15 day call notes and commercial paper secured by Government securities from the present rate of 4% (in all but 3 banks) to $4\frac{1}{2}$ % the bond rate of interest. I said on general principles I thought this ought to be done but would like to hear any reasons which might be advanced against it.

Governor Harding said Mr. Glass told him to say that he could not be present at the meeting but that he earnestly hoped that the Board would not advance these rates as such action would gravely prejudice the Government's interest; that it would necessitate immediate raising of rates as United States Treasury certificates and the rate in next bond issue; that he was having the greatest difficulty in placing Treasury certificates now at the rate of 4% on 15 day notes and commercial paper secured by Government obligations.

Governor Harding and Strauss said they absolutely agreed with Glass; that money rates had eased up in the market which of itself made the Reserve bank rates relatively higher.

I suggested that we place Secretary Glass' statement in our records and then if anyone wishes to move to increase rates, he could do so. I intimated that I should feel obliged to sustain the Treasury views until, at least, the next bond issue was out of the way.

Mr. Noyes of New York Evening Post called. He said he thought it was premature to talk of an absolutely free gold market.

Walking home Governor Harding said he had heard that the President had become dissatisfied with Crosby because he talked so much and that his resignation was forced; said he had also heard of Crosby's pro-German views in the past.

January 18

The papers announce that T. W. Lamont of Morgan's firm is to go with Strauss to advise on Treasury matters in France. There has been altogether too much Morgan in one Administration considering that he represents the British Government. What with Davison (Red Cross), _____ (Asst. Secretary War) and now Lamont, I fear our Administration is laying the foundation of many bitter attacks in the future.

January 20, Monday

George Peabody called. Said that Ex-Attorney General, Geo. W. Wickersham, had gone abroad to Paris to act as correspondent of the New York Tribune; also that he knew that Roosevelt had picked out two men to be sent abroad nominally as newspaper correspondents but really to undermine the influence of the President in Paris. Peabody felt certain that Wickersham was there for the same purpose.

Firmly believe that the munitions manufacturers and kindred industries are conspiring to defeat a League of Nations and that Wickersham, Beck, et al are doing their dirty work.

At the meeting Strauss showed us a copy of a cable from Senator Owen's secretary to Musher as follows:

"To Nathan Musher, Washington

Am directed to advise strongly close out Italian deal

Immediately. (Signed) Beller"

Beller is Senator Owen's secretary. Our Board believes Owen is speculating with Musher.

January 21, Tuesday

Secretary Glass dropped in at my room. Said Governor Harding wanted to be relieved of the work of the War Finance Corporation and had resigned or would resign; that he would make Meyer the managing director in Harding's place and he offered me a position as member. I told him I felt much work would have to be done in the matter of a Bill as to worthless and fraudulent stock issues and that I feared I could not take on any more work, but that I would consider it and let him know.

Glass said matter of appointment to vacancy on Federal Reserve Board still undecided--that he would like to have John Farwell of Chicago appointed--but feared he would not take it.

I fear the President does not favor Dawes although Secretary Glass did not say so. He said he did not at all favor Strauss leaving the Board and going abroad at this time; that he wished Governor Harding could have been more positive in the matter and then he would have urged the President not to have him come. He said his understanding was that he was to be there only two or three weeks.

We spoke of Dr. Miller and Secretary Glass said McAdoo had told him that Dr. Miller should be dropped from Board. I said I thought there was reason for his being on Board; that as an economist he had ability although he stuck to straight laced orthodox theories and was impervious to existing conditions--that life to him was theory and not fact. Nevertheless I felt that it was wise to have one man, but only one, of his type on the Board. Secretary Glass spoke of his unwillingness to work, which I said was true.

Secretary Glass also spoke of early history of Federal Reserve Act. Said that in first draft almost all the powers of the Board were vested in the Comptroller of the Currency, there being no Board provided for; that it was President Wilson who first suggested idea of a central Government Board. He also said the Bankers insisted on having representations of the Banking interest on the Board and that he arranged an interview with the President at which Perrins, Reynolds and other bankers were present; that the President heard them and then challenged them to name a single National Board or Committee on which private interests were given representation; that they could name none and that ended the matter. Secretary Glass also said he had cabled Colonel House protesting against Senator Owens presence abroad and at his apparent efforts to participate in the proceedings. He added that he believed Senator Owens was speculating in exchange with Musher as shown by cable above referred to, and that he should show this to President.

He absolutely agreed with me that we should have at once told the President about Musher hiring his brother-in-law--that it was grossly unfair to him not to have at once done so. Secretary Glass said he had had a frank talk with Comptroller Williams; that he said he had made a fine record creditable to him and to Virginia, but that he had been very unfortunate in his manner and way of enforcing the law and had incurred the deep distrust of all the

banking interests and had injured the Administration by so doing; that there was some reason for this distrust and that he hoped he would in the future avoid these errors.

January 22, Wednesday

Secretary Glass asked Governor Harding to say to Board that any increase in rates on paper secured by Government obligation at present time would seriously embarrass the Treasury in coming Liberty Loan; that the ease in local rates in New York was equivalent to an increase in Federal Reserve rates.

In view of this earnest request, after discussion, even Dr. Miller concurring, it was voted to make no change at present time.

January 23

Secretary Glass asked me confidentially about a proposed public statement of Comptroller Williams as to a newspaper correspondent who admitted that he had been paid \$250 to attack him and prevent his confirmation. I said I thought it was very undignified to publish it but that the proper course was to give the information to the Senate Committee. He said these were his views exactly and he should suggest to the Comptroller not to publish it. The Comptroller, however, did publish it. See scrap book.

Secretary Glass also said he suggested to Comptroller not to recommend a guaranty of bank deposits in his annual report saying that while he rather agreed with it in principle, it would not pass during this session and would only irritate the banks. He said the Comptroller, however, went ahead and made the recommendation. He said he had no power to order him as he reported direct to Congress.

He was very much incensed at the Comptroller. He said he constantly kept coming to him and annoying him with petty matters of detail. I told him he ought to ask Congress to put him under the Federal Reserve Board and this seemed to please him although he did not specifically say so.

June 31

Governor Harding said Glass told him that Comptroller Williams gave him more trouble than all the rest of the Treasury; that he was told that he had notified a large State bank that if it did not convert into a national bank within a certain time he should withdraw all the railroad deposits from it. Glass was very indignant and said he should insist that Williams either give up the Railroad Administration office or the Comptrollership. Governor Harding said Senator Underwood was opposed to confirmation of Williams and also Senator Bankhead.

February 3, Monday

Conference with Jay and some New York Bankers over proposed Belgian credit of 50 millions to over 70 Belgian banks. The tentative form of agreement fixed the rate at 1% higher than the Federal Reserve Bank rate for Bankers Acceptances, i.e. $4\frac{1}{3}\%$. They explained that they fixed this with relation to the Federal Reserve rate because the Board in the April 1918 Bulletin said this should be done so that rates should not be held fixed for long periods through revolving credits.

I thought the rate for Bankers Acceptances was a spread rate but Jay pointed out that the only spread was in rate for open market purchases of Bankers Acceptances.

I asked Jay whether there was not danger that the discounting banks would turn in all these acceptances to Federal Reserve banks because of profit from the lower Federal Reserve rates, but he said No.

I then said that of course it was understood that even if the Board approved the eligibility of these acceptances, it would not in any way interfere with the discretion of the Federal Reserve banks to take them or not and in any amounts they wished. He said this was clearly understood. We then tried to induce them to fix rate at $1\frac{1}{2}\%$ about Federal Reserve rate instead of 1% . They said if whole issue were taken in New York, this might possibly be done but that New York could only take $19\frac{1}{2}$ millions because of its limited acceptance power and that the banks of the country generally would want 1% spread. Finally we heard the statement of Secretary Glass, Leffingwell and Assistant Secretary Rathbone that it was vital to put this through at once.

We voted that Executive Committee should inform the bankers that we would rule that these acceptances were eligible for rediscount at Federal Reserve banks, but that these banks would be free to use their discretion as to whether or not they would take them and to what amount.

The total cost to the Belgian banks was about 7% ; we thought this rather high but felt we would not insist upon fixing the rates.

February 4

Thornton Cooke told me sometime ago that Leffingwell was opposed to the Capital Issues Committee bill as to stock issues. I sent this to Glass sometime ago and he said he would send it to the House and Senate but nothing has been done. This P.M. called up Cooksey who said the Bill was still in Leffingwell's hands. He said he would try to hasten the matter.

Leffingwell has opposed our Committee in many ways, but I can't see how he can oppose this Bill--it will be of great help to the Treasury in next fund issue.

February 5

Secretary Glass asked me to consider certain changes in Capital Issues Committee stock issue bill suggested by Leffingwell and Rathbone. I thought them on the whole, good suggestions and arranged with Palmer, our counsel, to go over them. Glass said the Railroad Administration had to borrow some money for Southern Railroad and that J. P. Morgan & Company's Syndicate were the highest bidders, but that Leffingwell thought Morgan should get the loan as his Syndicate was A-1 while the syndicate underbidding him was not as high. Glass thought such an idea preposterous and so do I.

Glass said McAdoo bitterly protested against the appointment of Lamont to go to Paris with Strauss.

He also showed me a cable that Dawes could not accept position on Federal Reserve Board. I told him Dr. Miller told Governor Harding that Delano was coming back soon and wanted to be reappointed. Glass said he felt sure President would not be willing and that McAdoo would treat it as a personal affront; that Delano took his wife and daughters to Chicago in order to vote against Wilson.

I told Glass personally I should not oppose Delano, in fact, I should be rather pleased to have him reappointed and that I felt, with Warburg out of the Board, he would get along all right, but Glass indicated squarely he could not recommend it.

February 17, Monday

Governor Harding said that sometime ago Comptroller Williams asked if he would care to join in buying from alien property custodian, a German company manufacturing Railroad supplies; that it would require three millions of dollars but that there was a certainty of very large profits. Governor

Harding said he did not care to go into it. Told me he was astounded at Williams' suggestion as he was an officer of the Railroad Administration which would, or might, buy supplies from this company.

Mr. Catchings of Federal Trade Commission (counsel) had interview with Bradley Palmer as to Federal Stock Publishing Act. Catchings called last week and said the Federal Trade Commission had power to do most of the things covered by our bill and were ready to begin at once if we desired it, pending action on our bill by Congress. Palmer advised us to accept this offer as a move by the Trade Commission under its power to prevent unfair competition would scare the fraudulent promoters and protect the coming Liberty Loan.

February 18, Tuesday

Secretary Glass dined with us. I told him of Federal Trade Commission's idea and he heartily approved it and said go ahead.

February 19

Palmer gave me a draft of letter for Glass to send to Trade Commission asking their cooperation. I suggested a few changes, especially that Glass refer to Treasury bill as one requiring the large bankers as well as the small promoters to assume some responsibility for published statements.

I told Palmer there would undoubtedly be many profits and we must be sure Secretary Glass and Leffingwell understood this and fully approved our action. I called up Leffingwell and he said he unhesitatingly approved. I then made an appointment for him to talk with Palmer and Palmer went around to his office.

February 26, Wednesday

Secretary Glass asked me in confidence what I thought of Swager Sherley for Federal Reserve Board. I said he was an able man and one of character and personality, very agreeable to me and I favored the appointment

provided it was decided not to appoint a Republican who had all declined-- Goff, Dawes, Farwell of Chicago and Wooley (on some Board here). Glass said President had mentioned this to him. Glass also said Sherley was very quick tempered and brow beating and he had his doubts whether temperamentally he was suited for it. I agreed that with Williams' known lack of temper it would be bad to have another on the Board, but I thought Glass could talk frankly with Sherley and iron this out.

March 4, Tuesday

Williams told me Harding had written note to Mc Fadden of H.R. Banking and Currency Committee thanking him for his assistance to Federal Reserve Board and McFadden read this in House in answer to Williams' attack on him. Williams was nearly crazy with anger. Board's resolution authorized Harding to prepare and send Resolution thanking House and Senate Committees. Later Harding told me easier to write letter to chairman of each committee to which I agreed.

It seems that Harding did this but later Phelan, Chairman of House Banking Committee, telephone him very important to write each member and Harding did this without consulting me or Miller, who was in New York. Harding should not have written McFadden without consulting us--a thoughtless mistake. Williams and Harding had a row but finally I patched it up. Secretary Glass thought Harding acted innocently and matter should be dropped.

Friday, March 7

Miller announced that he was going to Camden, South Carolina for a week or ten days; he did not ask whether it would be convenient for us to have him go nor did he give any reason for going. Later I discovered that the Lanes were also going, which explains the matter. Miller seems to have no sense of obligation or duty either to his associates or to the Government. Nothing but

dire necessity would warrant him in leaving his post of duty, adding to the burdens of Governor Harding and myself. Governor Harding told me this P.M. that Miller said to him that he might possibly go on to Savannah, Georgia, and inspect the Federal Reserve Bank Agency there and asked whether it would not be all right to put in a voucher for his expenses from Washington to Savannah and return! Governor Harding told him it would not be all right. Miller is so stingy I believe he will still try to filch this money from the Government. I am slowly but steadily coming to the conclusion that Miller should be asked to resign. I stood up for him several times in the past when Secretary McAdoo wanted to get rid of him but I shall never defend him again.

March 10

Williams held up application of National City Bank to establish foreign branches in Australia, South Africa, Euracoa, Kingston, Jamaica, etc. They were all in proper form, but his hatred of the National City Bank evidently dominated him. He said the Bank had an amount nearly equal to its capital (25 millions) tied up in Russia. We pointed out that that was not its fault, that these applications were proper and vital to proper care of American commerce. He would not yield, however, and as there was no quorum nothing could be done. Governor Harding said he would ask Secretary Glass to be at meeting Wednesday. Later he said he had seen Glass who said he was satisfied Williams was inspired by malevolence towards National City Bank, that Williams had driven to the limit, etc., etc.

March 12, Wednesday

Meeting at Secretary Glass' office. Williams read extracts from examiners' report showing that National City Bank had tied up in the Russian State Bank an amount exceeding its capital stock. He argued from this that

the Bank should go slowly as to new branches. All the rest of us felt that these branches were most desirable and finally on vote even Williams did not vote against application. He succeeded in holding the matter up for some days and that seemed to satisfy him.

This P.M. Secretary Glass told me he was thinking of appointing Mr. Brookings on the Federal Reserve Board and asked my opinion. I rather favored it. I said I was told that he was a great talker. (Frank Tansig once told me he was tempted to resign from the War Trade Board because Brookings talked so incessantly.) I felt that he was such a good man--and also a Republican, that we could take the risk. Glass said he had offered the position to Goff, Dawes, Farwell, Wooley, and one other Republican but all had declined. He said he offered it to Sherley who also declined. (Shirley has just been appointed under Railroad Administration at the scandalous salary of \$25,000 per year.) He said he also offered it to _____ of Indianapolis who at first accepted it and then declined and now as disposed to reconsider.

Glass said he really felt Miller should be asked to resign and he was doing little work on the Board; he was very indignant at his going off for a week's vacation leaving Governor Harding and myself alone. I told him I had backed up Miller when McAdoo wanted to remove him but I confessed I had about reached the limit.

March 21, Friday

Important conference with Governors and Executive Committee of Federal Advisory Counsel. Miller left for lunch before 1 o'clock and did not return until 3:40 P.M.

March 22, Saturday

Continuation of conference. Miller did not appear as he had gone to Mt. Vernon on the Sylph with Assistant Secretary Roosevelt!

*End of
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