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CHARLES HAMLIN
PAPERS

Box 357 Folder 12

Miscellany

WRITINGS --
"MEMORANDA CONCERNING THE
FEDERAL RESERVE BOARD...", "DIARY
Vol. 12, 21 MAY - 21 DEC. 1926
(IN THE ...)

VOLUME XII

May 21 - Dec. 21, 1926May 21, Friday

Board met in morning with Federal Advisory Council and later adjourned until afternoon to hear their answers to our questions.

Afternoon Board met to prepare letter to Secretary of Treasury as to Cuban Agency voted yesterday.

Miller read a draft which he had prepared asking Secretary Mellon to obtain from State Department an expression of opinion which the Platt amendment or the policy of the Government placed upon the Board any obligation to continue any Federal Reserve Agency in Cuba, or to supply Cuba with American money. C.S.H. suggested adding a clause that, apart from above, there was a banking question for Board to decide, whether it was its duty to continue the agencies, which were established primarily to assist the Cuba banks by supplying currency, enabling them to carry lower reserves.

C.S.H. also suggested annexing copy of a letter from President Harding three years ago, saying he and the Cabinet were unanimously in favor of creating such an agency. Both of these suggestions were adopted.

Finally it was voted to send the letter. C.S.H. stating he voted for it only on the understanding that if Secretary Mellon thought the letter inexpedient the Committee would report back to the Board.

James is temperamentally impossible. Whenever he makes a committee report, he takes any criticism or suggestion as a personal insult and refuses to "play". He seems to think every report he makes must be promptly accepted by the Board!

The Board then met the Federal Advisory Council which read the replies to our questions. In answer to the question - what is the function of New York call loans in our banking system as modified by the Federal Reserve Act? - the Council replied:

"The New York call money market under our banking system, as modified by the Federal Reserve Act, affords the basis of a desirable secondary reserve for banks throughout the country."

Miller objected to this as not going far enough, evidently wanting to fortify his recommendation to Banking and Currency Committee that the Federal Reserve Act be amended to enable Federal Reserve Banks to refuse rediscounts when the member banks were carrying speculative loans. A long debate followed and the Council refused to add anything.

Alexander and others all agreed that banks should on general principle reduce call loans or holdings of Governments before rediscounting, but where a bank's deposits were suddenly reduced and money was needed only for a few days, it would be perfectly proper to rediscount and not disturb the market by calling loans which meant that the loans called must be replaced by some other loans.

Alexander said banks should try to make their paper liquid and acquire funds in that way as well as by calling loans. He said the whole question was one of proper banking judgment and prudence and that if any bank were using Federal Reserve money acquired through rediscounts to invest in call loans, a word from the Federal Reserve bank would quickly rectify the situation; that he believed this action was not frequent; that no prudent banker would incur a debt to Federal Reserve bank pleading eligible paper, in order to loan on call.

The whole tone of the Council was opposed to any change in existing law.

C.S.H. explained what the Federal Reserve Act had done - it had not prevented member banks from sending their funds to New York banks but had limited their funds to surplus funds instead of reserves.

Mr. Wetmore of Chicago said that the damage caused by the break in the New York Stock Exchange was not nearly as imperious as the recent real estate speculation.

Alexander said it was wonderful that two millions could be taken from the call loan market suddenly without any appreciable injury to business and agriculture.

Many deprecated attempts to reduce stock exchange speculation by increasing discount rates. Rue said to increase discount rates meant higher call loan rates.

C.S.H. asked Alexander if he was right in interpreting the Council's answer as to call loan market as not to even imply that these should be a rigid rule of precedence: - 1. Reduce call loans; 2. Sell investments; 3. Rediscounts. Alexander said C.S.H. was right as he had before explained.

Alexander said the break in the Stock Exchange was caused by an inflation of stock values.

James told me Crissinger was absolutely dominated by Governor Strong; that Strong hated Mitchell of the National City Bank and wanted the Board to at least threaten to get out of Cuba so that Mitchell must bend his knees to Strong and implore his help to have the Cuban agency remain; that this was why Governor Crissinger insisted on asking an opinion from the State Department in hopes that an adverse decision

would enable him to induce Board to pull out or threaten to pull out of Cuba. James also said that when he first came on the Board, Barney Baruch warned him not to be dominated by Governor Strong.

James also said that a year ago Governor Crissinger went to Cuba in company with a Mr. Hayes, a tricky contractor who wanted to get some contracts in Cuba; that years ago he came to Washington with a Cuban delegation and delivered addresses to the Board and a joint picture was taken which Hayes has been using to show that the Board was behind him in his efforts to secure these contracts! James said that Strong was trying to cripple the F. R. Board; that he had arranged to have Dr. Stewart stolen away from us and placed in a New York position at an absurdly high salary; that he had taken Warren away from the Research Division for the same purposes; that he (Gov. Strong) felt they were too able to be permitted to remain with the Board.

May 27, Thursday

At the Board meeting Governor Crissinger and James reported they had seen Secretary Mellon and delivered to him the letter about the Cuban agency; that Mellon said he felt we could not withdraw from Cuba, and that the question of doing away with the Boston Agency could well wait awhile, that Boston should be given the right to be heard, and that he feared if this should come up in the near future, it might result in political discussion in Massachusetts which should be avoided. They both said they agreed to this.

June 2, Wednesday

The Board received a letter from McFadden setting out the hold up in the Conf. Committee and asked the Board to give its opinion of the Hull amendments. James and Cunningham said they rather favored these amendments but as a matter of compromise thought they should be eliminated. The rest of us opposed this.

We finally voted to write him quoting his letter and saying the Board unanimously agreed the Hull amendments should be eliminated. As the letter was drawn, it could be and was voted for by all - as a matter of compromise.

June 3, Thursday

The Comptroller said McFadden told him he was embarrassed by our quoting his letter so extensively in our letter, as he would have to put it in the Record and suggested we write another one, which the Board voted to do merely referring to his letter but not quoting it. The Board reconsidered the first letter and voted to send another which was read and approved.

It seems extraordinary to address a letter to a Conference Committee and McFadden's requests show what a hole he is in.

Mr. James introduced to me Mr. Chase of the Havana Agency of the Federal Reserve Bank of Boston. He said it would be much better for both agencies to have one common office. He said the criticism of of the vaults in the 1st Nat. building was nonsense as to the Federal Reserve Bank of Boston did not use the vaults except for one safety deposit box in which the expense money was kept.

On the other hand, he said the Atlanta Bank used a partition of the National City vaults separated only by a grill and everything done by the Atlanta Bank could be and was known by the National City people, as they could hear and see everything done.

I asked him to tell Governor Harding to prepare a plan under which Boston could pay out a limited amount of its own notes, say 25%, and divide all profits with Atlanta, and arrange for putting out clean money, share the expense. He said he would try to prepare a plan but it would not be easy to do.

He also said the Cuban Government would be willing to pay one-half of expense of putting out clean money. I told him squarely that I feared the Board would discontinue Boston unless I could get them to accept some plan along the lines indicated to him.

June 5, Saturday

Eddy told me this A.M. that he told James that he (James) had told the Board the other day that he had not read to Newton the resolution of the Board directing the Federal Reserve Bank of Atlanta to investigate and report on the Cuban Agency charges; that he reminded James that he wrote him a letter for him to me which Governor Crissinger signed in Atlanta setting out specifically the resolution against Campbell and that calling for an investigation by the Atlanta Bank: that James said Eddy was correct and that he read Eddy's letter to Newton himself.

June 9, Wednesday

Board voted to file James' final report on Cuban Agency; also to approve a notice to show cause to Campbell, Deputy Governor, after making a few changes in it.

C.S.H. then moved that the Atlanta Committee of the Federal Reserve Bank of Atlanta be invited to attend the hearing on the order to show cause which was fixed for June 16.

this

Prior to/the resolution of the Atlanta Committee was read asking for names of all witnesses.

C.S.H. moved to send the Committee the findings and evidence on which James based his report.

James objected and Miller said we should give them no evidence except what Campbell testified to at the hearing. C.S.H. said the first step at the hearing would probably be a request of Campbell to be told what the charges were and to confront the witnesses, and that he should

vote that this be complied with if the request be made.

Wyatt said the Board was not legally bound to do this, but C.S.H. said, whether legally bound or not, he would vote that all witnesses be produced.

June 10, Thursday

At the Board meeting, James was asked as to his conference with Secretary Mellon as to the Cuban Agency. James said he had talked with the Secretary; that he said the cabinet and the State Department still favored an agency in Cuba; that personally he was inclined to favor the consolidation into one agency but that he felt the matter should rest for the present, at least until Congress adjourned.

June 17, Thursday

Harrison came before the Board to read some letter of Strong as to the European situation. He said there were some confidential statements which he would not read.

Winston and Assistant Secretary Dewey were present, and of the Board, Platt, C.S.H., Cunningham, James and the Comptroller.

Harrison read extracts from 3 or 4 letters. One stated the situation in France and the desire of the French Government to place a loan in the United States. Governor Strong told them he could only consult with the Bank of France, and that it would be inexpedient even to make a loan to it until the whole situation was cleared up, both as to the Government and private bankers. Harrison said the report in the papers as to an ultimatum and a demand that the Governor of the Bank of France should resign was absolutely false.

Winston said the French people were very prosperous but that the parliamentary situation was hopeless; that the French were taxing so absurdly that the taxes could not be levied, e.g. a bachelor in France theoretically pays about 95% of his income, while on real estate the tax is absurdly less.

On the whole, the Strong letters gave much hope that all interests in France may before long get together and meet the situation in an intelligent manner.

Governor Strong also wrote of an interesting interview with Mussolini. He said Norman wanted Italy at once to stabilize on the gold standard but Governor Strong thought she could not do this alone.

He said Mussolini said there would not be another war for 25 years as the nations could not afford it, that there might be some snarling but no war.

He said the Government of Italy under Mussolini was most efficient; they could do things at once--the very reverse of France.

June 20, Saturday

Governor Harding said that the letter he sent to me last Thursday on the Cuban Agency was read to his Board of Directors and fully approved by them, although not formally ratified.

He said his directors would fully approve if C.S.H. said to the Board and moved that Boston be discontinued and Atlanta given the sole agency in Cuba on condition that she keep on hand, say, 15 millions in lawful money other than Federal Reserve notes and that as often as her Federal Reserve notes were received by her, she should redeem them and pay the Federal Reserve Agent for them; that it would normally take three or four years or perhaps longer to redeem all her Federal Reserve notes now in circulation in Cuba.

He said his note to C.S.H. was intended to be personal and not official but he had no objection to C.S.H. showing it to individual members of the Board.

Meeting with Open Market Committee - June 21, Monday

They advocated no change permanently in the System holding of Government securities but asked authority to buy temporarily between now and July 15 if the need arose.

Governor Case said the banks would undoubtedly reduce their rediscounts for window dressing purposes and this would withdraw money from the call loan market and might put up call loan rates to 5 or 6% thus creating a nervous condition bad for general business. He felt the Committee should be given authority to meet a condition temporarily. C.S.H. asked that Winston be invited in and he came.

C.S.H. offered a resolution to effect that it was the sense of the meeting that the System's holdings of about 275 millions should not be disturbed at present and that the Committee be given authority to purchase or sell temporarily until July 5 an amount not to exceed 50 millions, such purchases to be liquidated with a reasonable time as market conditions warranted.

Platt was at first opposed to this as also Governor McDougal who thought 275 millions as permanent holdings was too much. Governor Norris said his directors believed we should hold permanently between 250 and 500 millions. He favored this resolution because of the peculiar window dressing conditions but did not believe we should take care of the stock market under such conditions as existed in April of this year.

Governor Case said the outside banks withdraw their call loans and the burden is put on New York banks and they should have assistance.

Finally all agreed and C.S.H.'s resolution was passed unanimously.

C.S.H. said he favored 500 millions permanent holdings and James agreed with him.

June 22, Tuesday

Winston came in and told us that Governor Strong had gone before a Parliamentary Committee and testified in the matter before the Committee - having an absolute gold standard for India. He said that the Indians wanted this but if done it would require an enormous supply of gold which would drive Great Britain from the gold standard and take much gold from us, to our injury; that it would turn our silver in India into a commodity and ruin the Indian people.

He said Secretary Mellon tried to get J. P. Morgan to testify before the Committee but that he said he would have to say it would injure the U.S. which would make the Indians on the Committee even more in favor of it; that Secretary Mellon asked Governor Strong to testify as to the injury this would be to India and that Governor Strong had carefully studied into this and recently had so testified. He said Secretary Mellon did not want this to get out but thought the Board ought to know of it.

Winston spoke in contempt of Senator Pepper. He said the bill to buy further silver bullion had passed the Senate; that Glass was about the only friend of the Administration who fought it; that Pepper found his boss would vote for it and he accordingly voted for it - against the Administration!

June 25, Friday

H.R. refuses to concur in conf. report on McFadden bill; refers it back to conf. committee and instructs conf. committee to stand by the Bill as it passed the H.R.

Glass calls up Platt and says Senate will never yield. Platt said the Comptroller told him that Secretary Mellon wished he would try to persuade Glass to yield on his opposition to the Hull amendment.

The trouble is, however, that Glass would have to accept the whole bill as it passed the H.R. which Glass certainly would never do.

June 29, Tuesday

The Comptroller asked me to call up Glass and see if he would not yield in the Hull amendment. I did, and Glass said even if he were willing to yield the Senate never would. He said I might tell the Comptroller, that the conf. committee would agree on a bill but that the Comptroller should drop the Hull amendment. I told this to the Comptroller's secretary as the Comptroller was out at lunch.

July 2, Friday

The Board this A.M. approved a letter to the Department of Justice asking it to continue its investigation of McCrary of the Atlanta Bank. It also directed Herson to examine the Bank July 10, the earliest date he said he could do it, and especially, with assistance of Department of Justice to examine into all sales of collateral pledged by embarrassed banks.

July 7, Wednesday

Mr. Early, a member of the Tennessee Legislature and a lobbyist called on C.S.H. with Cordell Hull and Congressman Byrnes about the Caldwell claim of the Fourth-First National Bank. C.S.H. said he would be glad to go over the record with them at any time.

Later Early called along. C.S.H. asked him to put what he had to say in writing, which he did not seem willing to do. He denied that the repurchase agreement authorized the Federal Reserve Bank to force Caldwell to buy back the bonds, on 60 days' notice, when their price rose to the book value of the bank's books.

C.S.H. again asked him to put his views in writing, which he half promised to do.

He tried to wheedle C.S.H. telling him he had worked hard to get him confirmed speaking to many senators.

James said some time ago he threatened him to black the McFadden Bill as to recharter if he did not direct the Federal Reserve Bank to agree to an arbitration of Caldwell's claim.

C.S.H. told Board Governor Harding wished him to come to directors' meeting next week to talk over the Cuban situation. All, including James, agreed he could go over the whole Cuban situation with them in confidence.

C.S.H. said he thought the directors would take the position that if the Federal Reserve notes of Atlanta were to continue in circulation in Cuba, the Federal Reserve Bank of Boston would not want to continue the Agency.

C.S.H. asked James if the Boston bank reached this conclusion whether it should tell the Board so now or wait until the Atlanta investigation was over. James said it made no difference, if they reached this conclusion, when they announced it.

July 14, Wednesday

Went to Boston to attend Directors' meeting of Federal Reserve Bank of New York.

The Board discussed the Cuban situation and unanimously felt that if the Atlanta Federal Reserve notes were to be left in circulation they should prefer to give up the Cuban Agency. Governor Harding told them it was not inconceivable that the Boston Bank might incur some liability if the Atlanta Bank failed to pay promptly cable transfers, and C.S.H. said he could not deny that conceivably such liability might be incurred. The directors felt very strongly that they should know each week at least just what funds Atlanta had in Cuba and directed Governor Harding to write the Board to get this information. C.S.H. told them that before any decision was made on the Cuban Agency the Boston Bank would be given a hearing. C.S.H. was authorized by the Board to say this.

July 20, Tuesday

Board considered a letter from Secretary Mellon referring to an expense charge of Governor Strong abroad in connection with his appearance before a Parliamentary Committee to testify as to the effect of proposed British legislation putting the gold standard into effect in India. Secretary Mellon said that the matter was a fiscal agency one.

There was some discussion as to whether the cost item required approval of the Board, but it was the concensus of opinion that the approval of the cost was for Secretary Mellon, as a fiscal agency matter over which the Board had no control, and that, therefore, nothing more than acknowledgment and notation was necessary.

Governor Crissinger and James were very bitter against Secretary Mellon saying he should have consulted the Board before asking Strong to testify. Governor Crissinger said he had heard of this before Strong sailed but not from the Secretary or from the Board.

July 23, Friday

At the Board meeting Mr. Herson sent us from Atlanta a copy of a letter dated July 17 from Under Secretary Winston to Governor Welborn urging him to do everything in his power to assist the embarrassed banks in his district, in short, the idea was to go the limit. Herson also sent a copy of Welborn's reply, dated July 20, giving a review of what the Atlanta bank had done in the past and was doing to assist embarassed banks, also quoting an old letter to him from Governor Crissinger praising his work to the limit.

It seems extraordinary that Winston should have written such a letter. It would have been just as proper for our Board to write the Collector of Customs at New York and give him instructions as to passing the baggage of returning tourists.

At the meeting the Comptroller said the language of Winston in his letter to Governor Welborn was almost exactly what he had used in talking with Secretary Mellon. Possibly Mellon asked Winston to write this! Very likely we may find that Winston has also written other Governors.

August 3, Tuesday

We appointed a Deputy Federal Reserve Agent for Atlanta. The suggestion came from Governor Crissinger but we did not make the appointment until Newton the Federal Reserve Agent and Governor Wellborn asked for it. His duties will be to go to the member banks and help them put their paper into eligible form and give them general assistance.

James at first strongly approved this but when it came to a vote, voted against it. Being an executive committee meeting, this killed it but James finally changed his vote most reluctantly. James said nothing could be done until the whole Atlanta outfit was cleaned out. He is evidently out on a vendetta and would, I believe, like to have trouble in Atlanta to vindicate himself. Herson's report in Atlanta was laid before the Board. It disclosed little that was new and cited quite a number of criticisable actions, some of which were of real importance, but most of which were not vital.

In one part of the report he said that there was no hope of satisfactory operation until the "one man power", meaning Wellborn, was eliminated. The report was referred to the Atlanta committee much to James disgust. He told me, in reply to a question, that he already had read it, and I said I wanted to study it carefully, and Eddy said he would send it in to me at once.

August 4, Wednesday

Board appointed an Assistant Federal Reserve Agent at Atlanta in accordance with request of Governor Wellborn and Newton.

Governor Crissinger told Board that Harrison had telephoned him that the New York directors were in doubt as to increasing discount rates and wanted to know if the Board would sustain them if they voted to increase.

Governor Crissinger gave a very patchy account of his talk with Harrison, mentioning no directors by name; said Case was away and finally strongly favored an increase.

Goldenweiser also favored an increase but said there was no reason for this on purely commercial grounds. He said the Bank of England rate was 5%, that customers' rates were about 4-1/2% as against 3-1/2 discount rate; that there was much speculation on the stock exchange. He admitted that production was increasing and prices practically stable.

C.S.H. said he should like to know more about New York conditions from the directors before deciding this question. All present felt that if rates ought to be advanced this was a good psychological time to do it.

James said the New York directors evidently wanted to pass the buck to the Board so that if anything went wrong it and not they would be blamed.

James said he was ready to vote to put in 4% over the heads of the directors whether they wanted to increase or not.

C.S.H. said he thought we should announce that if the directors believed that conditions demanded higher rates the Board would carefully consider their recommendation, adding that if rates should be determined to be advanced the present was a good psychological time.

All opposed this.

The Comptroller seemed to want an increase, why, I cannot see.

Finally, it was proposed that the Board reply that if the directors recommended an increase the Board would approve it. C.S.H. objected, pointing out that the Board had not sufficient knowledge of conditions to say in advance what it would do, and finally it was determined to tell them that if they recommended an increase a majority of those present would approve it. C.S.H. insisted on this latter statement.

I am amazed the Comptroller favored the increase. President Coolidge has just given out an interview showing generally prosperous and sound conditions, and if the Board at once favors higher rates it may have a bad psychological effect. If a rate increase were clearly necessary, C.S.H. would not mind this, but to his mind this necessity is not clear.

C.S.H. read over Herson's report on examination of Atlanta Bank. On a separate memorandum, not signed, Herson spoke of the "one man power", and C.S.H. filed a memorandum suggesting that Herson give a brief general resume of his report, which was very long, stating what his conclusions were as to the standard of efficiency of the bank and also pointing out what facts he had on whether his statement of "one man power" was based, as there was nothing in the report bearing on this.

August 6, Friday

James made no objection to the inquiries I put to Herson.

Governor Crissinger said it was a mistake for Platt and C.S.H. to alternate on vacations to executive committee attendance and suggested that hereafter we leave the same week so we can have a meeting of the full Board.

C.S.H. pointed out that this arrangement was made at the suggestion of the Board members.

Finally, C.S.H. was asked to wire Platt to be here next Wednesday to have a meeting to decide on appointing a man to study State bank examinations and ultimately a Board to do all such examining ourselves--apart from the Federal Reserve Bank.

C.S.H. agrees to the appointment but feels all examination should be made through the Federal Reserve Banks, with our assistance if necessary.

Did not go to Mattapoisett this week.

August 9, Monday

Eddy said he caught Herson just before he left for his annual leave - to Bampf and as he then examines San Francisco, he won't be back here much before Christmas. Herson asked if he must prepare an answer to C.S.H. during his leave or could he wait until her returned. C.S.H. told Eddy to consult James, that C.S.H. would do whatever he wanted--that before deciding the Atlanta questions he must have Herson's answers.

August 11, Wednesday

Board granted application of Capital National Bank of New York for trust powers in spite of adverse report of Federal Reserve Agent Jay and New York directors.

Aye--Governor Crissinger, Comptroller and James.

No-- C.S.H. and Platt.

Governor Crissinger originally gave this bank a charter over protest of Federal Reserve Bank of New York. The report showed constant deficiency in reserves. Governor Crissinger almost foamed at the mouth denouncing the Federal Reserve Bank of New York for its ill treatment of the Jew who controlled the Bank. The decision is extraordinary.

The Board took up question of bank examinations--State member. Governor Crissinger and James wanted a new examiner appointed to study reports of examination by States of State member banks. C.S.H. agreed to this and so moved and it was passed.

Governor Crissinger then wanted a Board of examiners appointed to conduct all examinations hitherto made by Federal Reserve banks of State member banks.

C.S.H. said he had no objection to such a Board providing its duties were to cooperate with the Federal Reserve Agents.

Governor Crissinger and James would not agree to this. C.S.H. said that for the Board through a central bureau to take over the regular examinations of State member banks, over the heads of the Federal Reserve banks would be a case of centralization he could not stand for and moved that the proposed board cooperate with the Federal Reserve Agents.

There was a long discussion and finally Eddy drew up a resolution providing for appointment of a chief and other examiners to conduct special examinations ordered by the Board.

C.S.H. and all the others voted for this; C.S.H. saying he did so on understanding that this did not apply to the regular general examinations but merely to special examinations ordered by Board.

Undoubtedly, Governor Crissinger and James mean ultimately to make all general examinations special, but this can be settled when it arises.

James pointed out that some of the largest State member banks in St. Louis had not been examined by the State authorities for four or five years.

C.S.H. believes that above resolution is wise if not made general.

In speaking of discount rates Governor Crissinger said that Harrison told him Governor Strong cabled favoring an increase in rates and suggesting consideration as to whether it should not be 1% instead of 1/2 of 1%.

This, to C.S.H., looks as if the Bank of England felt obliged to increase its rates and wanted New York to make it easier for them by putting up its rates.

Governor Crissinger said today the Federal Reserve Bank of New York adjusted all its rates with a view to the condition of the stock market--intended to be a slap at the bank, yet shortly after he said he favored higher rates in order to stop stock exchange speculation.

Yet if our rates are to be used one way they ought to be equally good the other.

I do not believe in increasing rates, possibly penalizing business and crop movements in order to control the New York Stock Exchange.

In present conditions there is a spread 1 to 1-1/2% between customers' rates and our discount rates, and it will be well to take up this slack.

August 12, Thursday

The Board approved application of Federal Reserve Bank of New York to increase discount rates from 3-1/2 to 4%.

August 18, Wednesday

Governor Seay wired Chairman of Open Market Committee as follows:

"Treasury is welcome to our proportion of bonds if it wants them. We do not need the investment, but I find it impossible to approve the policy of buying System bonds if it results in taking such a large amount of credit from the market in the face of rising interest rates at a time when financing crops and preparation for tax payments is going on. It can hardly fail to further increase of interest rates at least temporarily and coming on top of increase in the New York Bank rate cast a chill over business which has managed to survive splendidly notwithstanding the work of the oracles and sign readers who predicted decline and depression. Business does not need a chill

but encouragement when commodity prices and construction work are showing hesitancy and declining tendencies. Furthermore, rising interest rates should have an unfavorable influence on Treasury September financing. Please express this opinion to the Board and other Federal Reserve banks.

Seay"

I believe this is gospel truth and should have voted against such sale had I been present.

I voted with regret for the rate increase only after Governor Strong favored it and even suggested a 1% increase. Winston also favored the increase.

September 8, Wednesday

Had meeting to decide what to do on hearing on Campbell case as to allowing Campbell to see our committee report and other evidence. Miller bitterly opposed letting ~~Swissinger~~ ^{Campbell} have the evidence. He said he had made up his mind to vote to remove ~~Swissinger~~ ^{Campbell} and would agree that he might see the evidence only if the Board would now agree to remove him.

C.S.H. attacked this and said Campbell was on trial and should know what the evidence against him was.

C.S.H. agreed with Miller that under the law we were not bound to give any hearing but pointed out that at the last meeting we promised the Atlanta committee that at the next hearing they and Campbell would be given all evidence the Board had taken.

The record was read and fully confirmed this; even James was shown to have agreed to it. Finally it was agreed that if they insisted on having the evidence Governor Crissinger should give them a document prepared by Wyatt giving those parts of the committee report (James, Herson & Wyatt) relating to Campbell and other evidence.

September 9, Thursday

First hearing on Campbell case.

Governor Crissinger read a general statement of the charges. Mr. Howard, Counsel of Campbell, put in affidavits from practically all of the Party (except the Boston witness, Rich and Anderson to effect that Campbell was not intoxicated; one of the affidavits admitted that Campbell had taken a few drinks.

Affidavits were put in from all of the Class A and B directors that Campbell was well qualified for his position and had given perfect satisfaction; also from many bank presidents to same effect.

Campbell was cross-examined by Governor Crissinger. He admitted that a friend gave him two quart bottles of whiskey before going on board the "Cuba" and that he had taken two drinks.

Governor Crissinger also asked as to his expense vouchers. Tables prepared by bank auditor showed that Campbell was credited with a payment of \$150.00 in two accounts--a duplicate. Campbell said this was the auditor's error and that he could show he never credited himself but once. He admitted that he had put in board at a hotel for eight days when only five days should have been entered. He said the extra amount represented extraordinary expenditures which could and should have been entered as such.

Governor Crissinger cross-examined Campbell on certain parts of our evidence, e.g. he asked him if Rich and Anderson did not have to help put him to bed. Then Campbell's counsel asked that he be allowed to see the evidence of the Board as to this. He did not, however, demand all of the evidence, as C.S.H. supposed he would. Then the chairman of the Atlanta Bank Committee asked the Board to give the Committee all

of the evidence held by the Board, citing the agreement of the Board at its last meeting.

The Board then withdrew into executive session. Miller said he admitted the Board had so agreed but he was not at the meeting and was not bound by the agreement. He favored a refusal but rather weakly. Finally Miller drew up a resolution stating:

1. Board not bound to have a hearing under the law;
2. Hearings would embarrass Board in future;
3. In this case, because of prior agreement, the Board will give the evidence (as prepared by Wyatt) relating to Campbell, to the Atlanta Bank Committee as a privileged and confidential matter to keep it in its investigation.

C.S.H. asked if Miller meant that Campbell was not to have it. He said yes. C.S.H. then said he would, as a compromise, accept Miller's motion, if amended so that Campbell also should be given the evidence. Miller then withdrew his motion.

C.S.H. then offered Miller's motion amended so as to include Campbell. Much discussion was had. Some expressed the fear that disclosing Rich and Anderson's testimony might subject them to a libel suit. Wyatt said he thought the matter might be held to be privileged. This was reason for putting in the word "privileged" in the motion. Finally after some minor modifications, C.S.H.'s motion--changed so as to read that Governor Crissinger was to make a statement as above, which was to ~~make~~ be agreed upon in writing by the Committee and Campbell--was unanimously voted. Miller, however, being recorded as not voting.

September 10, Friday

Meeting with Open Market Committee. Governor Case reported that special investment account now amounted to about 210 millions and that there would be further payment by Treasury of 10 millions on September 15. His report stated that money was hardening and advised against further unloading of government securities, except as to the 10 millions and asked authority to leave the special investment account at about 200 millions.

Dr. Miller, to my surprise, said that at the present time, we should neither increase or diminish amount of money in the market, and added that the 10 millions should be replaced, also the 12 millions held as foreign account which matured September 15.

On motion of Governor Norris the committee voted that the special investment account be left at about 200 millions, still keeping in force a previous vote that the committee have leeway to increase up to a total of 250 millions. Governor McDougal moved to amend by adding "increase or diminish the amount of 200 millions by 50 millions, which Governor Norris accepted, and this was voted by the Committee.

In the afternoon the Board took up this vote. All agreed against the motion of Governor McDougal.

Miller's motion:

No change in System account; 10 millions should be replaced.

Lost. - Aye - Miller, Hamlin and Cunningham

No - Crissinger, Platt, James, McIntosh.

Platt's motion:

Board approve action of Open Market Committee except authorization to decrease System account by not more than 50 millions.

C.S.H. left meeting.

Platt, at James' suggestion, amended his motion:

Committee authorized to maintain special account at from 200 to 225 millions.

Carried. Aye - Platt, James, Cunningham and McIntosh.

No - Crissinger.

Not voting - Miller.

Sept. 16, Thursday

3.30 P.M. The Federal Advisory Counsel asked for a preliminary meeting and went over the papers for tomorrow's meeting.

September 17, Friday

Meeting of Federal Advisory Counsel. The council reported in favor of one Federal Reserve Agency at Havana.

September 23, Wednesday

The Atlanta Committee telephoned asking if they could go over their report on the Campbell case with Governor Crissinger or with some member of the Board informally so as to be sure that the quotations of testimony in their report did not violate the instructions of the Board as to the privacy and privilege.

James bitterly objected--said the Committee was trying to put the Board in a hole but did not say how.

After long discussion Eddy was directed to inform the Committee--waiting on the telephone, that the Board declined to have any individual discussion with the Committee, which must itself construe the Board's instructions. Eddy did this, but Mr. Black of the Committee said that the Committee would be in Washington tomorrow anyway.

C.S.H. asked if there was a quorum of the Board tomorrow, whether the Board would hear the Committee as a Board, but he could get no satisfactory answer.

James said the Committee would surely whitewash Campbell and again referred to what he told the Atlanta directors, that two of our Board had said they would not vote to continue the Havana agency unless Welborn, McCreary and Campbell resigned or were removed. C.S.H. put James the direct question--who were these three?

James said he was one but he would not reveal the others without their consent:

September 24, Thursday

Atlanta Committee came up. Board decided not to hear them but to let Governor Crissinger talk with them. Later he told me they wanted to refer to Rich's testimony in some detail and Governor Crissinger said there was no objection to this.

October 5, Tuesday

Harrison came before Board. All members, including Secretary Mellon, were present.

Governor Strong ill in New York.

Harrison laid before Board a proposed agreement under which Federal Reserve Bank of New York for itself and other Federal Reserve Banks caring to join.

Based on a cable from Jay in London, New York directors approved subject to approval of Board and they will reply to Jay if Board approves agreement:

The Federal Reserve Banks to join with Bank of England and other central banks to buy 25 millions of prime bills indorsed and guaranteed by Bank of Belgium--to cover period of one year--Bank of Belgium to ship gold in payment if necessary and government not to interfere.

Agreement conditioned on securing a private banker's credit for Belgium of 75 millions - to be paid to Bank of Belgium by government in reduction of its liability.

The cable from Jay was read.

C.S.H. moved approval. Miller and James said exact terms must be stated. C.S.H. then made reference to cable in his motion. The agreement contemplated a commission charge of one-half of one percent in addition to discount at rate over Federal Reserve Bank of New York rate--minimum rate - five percent.

Miller and Governor Crissinger objected to charging any commission on bills purchased.

C.S.H. then added a paragraph to his motion that the Board, without imposing it as a condition, expressed hope a commission would not be charged by Federal Reserve Bank of New York.

Finally Miller moved to strike out last paragraph as to commission and substitute a direct prohibition of any commission.

Lost. The vote --

Aye -- Gov. Crissinger, Miller, James and Cunningham

No -- Sec. Mellon, C.S.H., Platt and Comptroller of the Currency.

C.S.H.'s motion was then voted on. Lost--the vote, same as before.

Adjourned until 3 P.M.

In afternoon Platt presented a motion very much like C.S.H.'s but adding at end that the Board desires to have the Federal Reserve Bank revise the agreement as to commissions as Board does not consider a commission on purchase of a Bill issued by a central bank as consistent with Federal Reserve Act or the principles.

Finally on vote, Platt's motion carried unanimously.

Harrison told me later in P.M. he had cabled Jay, Board's decision adding that what was said about commissions was not a condition of approval.

I think this is correct, but it may necessarily bring commission matter again before the Board later--but I hope not.

October 7, Thursday

Board considered the Campbell case and Federal Reserve Bank of Atlanta. C.S.H. read a resolution reciting that the Board had considered the testimony and also the report of the report of the Atlanta Committee of the Federal Reserve Bank of Atlanta; that the Board was not bound to give any hearing but it had so voted and, therefore, would decide the case on the Record; that the Board found that the evidence would not warrant removal of Campbell on charge specified of intoxication but that Campbell did bring liquor on the boat and gave it to his party for which the Board condemned and censured him; that he was also unbusinesslike and evasive in rendering his expense account of the trip and there was no evidence that the money was not actually expended, and the Bank was directed to take necessary steps so that such inadequate accounting should never again be tolerated.

The report of the Atlanta directors committee was an absolute whitewash of Campbell; it was really grotesque.

Yesterday I spoke to Governor Crissinger who said that Campbell should be censured but not removed and he should so vote. Platt told me Cunningham had said the same to him. James at once moved as a substitute to C.S.H.'s motion a declaration removing Campbell as an officer and director, such removal to go into effect on November 18.

Dr. Miller then said he would agree to advise Atlanta that the Board had decided to remove Campbell unless he at once resigned, but that if this was not unanimously agreed to he would second James' motion.

C.S.H. said he would not agree to this, that the Board had made up a record and had specified charges of intoxication and inefficiency; that intoxication was not shown by the record; that the voucher question as to accounts was not such as would warrant removal. Miller then seconded James' motion which was carried.

Aye: Governor Crissinger, Miller, James, Cunningham and
Comptroller of the Currency.

No: C.S.H. and Platt.

The absurdity of finding that Campbell was guilty and then postponing his removal until November 15 did not occur to the majority.

Finally it was arranged that Governor Crissinger should call up Campbell, inform him of the decision and tell him it would go out unless he resigned before 3 P.M.

The Board then adjourned for lunch.

At 3 P.M. Governor Crissinger said he had talked with Campbell and that he asked for time to consult the directors at their meeting tomorrow. The Board after long discussion decided to send out notice of the cause of removal as soon as the minutes of the meeting were approved--tomorrow morning, the majority saying that if Campbell resigned before November 15, they would vote to reconsider.

Governor Crissinger insisted on a complete statement of the record, charges and findings.

The Board has acted unjustly towards Campbell. He undoubtedly deserved censure but to remove him on this record was to my mind unwarranted.

James gave notice that he should more on a certain date in November for the removal of Director McCrary.

James said over and over again that he was on trial more than Campbell and he literally forced the majority to take his dictation--at least Governor Crissinger and Cunningham.

After the meeting Platt confirmed my statement that James specifically threatened to resign if his motion was voted down.

October 19, Tuesday

Harrison appeared before Board. Secretary Mellon present. Harrison said a misunderstanding had developed--that the minimum rate for buying Belgian bills was 6 per cent and not 5 per cent as the Federal Reserve Bank had understood and that the directors asked approval to agree to this rate; also that they had tried to carry out suggestion of Board as to giving up a commission on bills bought; that they had

finally agreed to collect the commission but to rebate it up to the time of the expiration of the British credit, which was also without any commission.

Platt moved to authorize the New York bank to agree to the 6% minimum commission. Long debate.

Dr. Miller said that he would be disposed to agree, had the New York bank shown proper respect for our suggestion as to giving up the commission.

Harrison said the directors had shown all respect to the Board--that the Board merely made a suggestion which the Bank tried to carry out and the above was the only way they could do it.

Miller and James thought it wrong to charge 6% due or purchase rate.

Secretary Mellon said the foreign banks and Belgians had agreed to this, that it was not an unreasonable rate, that it helped rather than hurt Belgium for she would have to increase rates at home (now normally 7% but really about 6%) to prevent speculation on return of Belgian capital after stabilization.

C.S.H. said the market was fixed in Belgium, the 6% agreeable to Belgium and the European banks, and there was no reason why we should give Belgium a lower rate than the 6%. The mere fact we were rich would not warrant giving the stockholders of the National bank of Belgium 1% on say 10 million dollars.

On vote, Platt's motion lost.

Aye - Secretary Mellon, Platt and C.S.H.

No - Miller, Governor Crissinger, Cunningham and James.

Comptroller absent.

Nothing further was done about the matter of commissions. Secretary Mellon got another picture of our Board in action. They refused to look on this transaction as a banking one, but looked at it purely from a charitable standpoint. If we give away \$100,000 to the stockholders of National Bank of Belgium, why not give some to the cotton growers or the wheat growers!

In the afternoon the McCrary matter was taken up.

James spoke about the record and claimed it was sufficient to remove McCrary. C.S.H. reminded James that in his report as a committee he did not recommend McCrary's removal but merely asked Board to consider the whole evidence and determine what ought to be done.

C.S.H. said if he were to vote on McCrary's election, he would vote against it; or if the Federal Reserve Act provided that the Board must approve the election of directors, he would vote against approval, but as to removal, he felt the evidence was clearly not sufficient; that really all that was proved was:

1. Going to Cuba;
2. Taking a friend with him; and
3. Drinking on board the gunboat, but no intoxication.

C.S.H. said it would be impossible to assign cause for removal on these grounds, and asked Board to remember that if we did remove him and the banks felt our action unjust, they might at once reelect him and we should be brought into conflict with them. The Comptroller and Platt said they were unwilling to vote for removal on the evidence as did also Cunningham.

James moved to summon McCrary to Washington to tell him the Board felt he should resign and if he did not resign it should remove him.

C.S.H. moved to lay on table, to be taken up at any time on a week's notice. Lost.

Aye - Platt and C.S.H.

No - All the others.

Dr. Miller moved to summon McCrary to Washington and put further questions to him. James finally accepted Miller's motion.

Then Cunningham moved that this evidence did not warrant removal by Board. This was in substitution of Miller's motion.

Carried.

Aye - Governor Crissinger, Cunningham, Platt and C.S.H.

No - James.

Not voting - Comptroller and Dr. Miller.

Then Miller moved about same as his original motions, further questions to Mil. Lost.

Aye. Miller, James and Comptroller.

No. Platt, Cunningham, Governor Crissinger and C.S.H.

This apparently ends that matter.

October 20, Wednesday

On reading minutes Dr. Miller tried to have them read as if the only matter decided yesterday was giving authority to the Federal Reserve Bank to buy Belgian bills. Dr. Miller said he would never agree to our Federal Reserve banks joining any consortium of European banks. C.S.H. pointed out that we had approved such a consortium, as shown by the reference in the record to the cable from Jay to the New York bank.

October 22

Secretary Mellon spoke of Dr. Miller's statement at the meeting that he would have voted for the 6% minimum rate for the Belgian bills had the Federal Reserve Bank of New York treated with respect our recommendation for wiping out the commissions agreed upon for opening the credit for the Belgian bills.

November 9, Thursday

Open market investment committee reported a Governors Conference. Asked authority to increase purchases by 50 millions in December to be sold later when money demand fell off.

Board held separate meeting to consider it. Dr. Miller, as usual, objected. Finally adjourned to get Winston's opinion in afternoon. Winston came in at 2:30. Said he thought request of committee a reasonable one.

C.S.H. offered motion of approval of committee's request. Dr. Miller offered substitute that no occasion existed to change amount already authorized last October - 200 to 215 millions.

Dr. Miller's motion carried.

Aye - Governor Crissinger, Dr. Miller, Cunningham and
Comptroller.

No. C.S.H. and James.

Open Market Investment Committee told us they did not intend to make any specific request to buy securities in their report, so Board reconsidered its vote.

November 12, Friday.

Hearing on Cuban Agency.

Present: Committee of clearing houses of district.

Committee from Federal Reserve Bank of Atlanta.

Representatives of National City Bank and Chase
National of New York.

Federal Reserve Agent Curtiss of Boston.

Governor Case and Norris.

Mr. Oscar Wells, president of bank in - opened for the Bank, followed by many other bankers all speaking for Atlanta. Representatives of National City of New York and Chase National spoke of the vital necessity of keeping an agency there; all agreed a joint agency was impracticable. Federal Reserve Agent Curtiss said if circulation of Federal Reserve Notes in Cuba was to be continued, Boston desired to withdraw from the agency; that a double agency was not practicable as experience has demonstrated: that there should be a single agency to act for the System any other Federal Reserve Bank to be allowed to participate and pay its share of expense of it if desired.

No one objected to designation of Atlanta except that Governor Case said Federal Reserve Bank of New York did not want it, but that Board should consider what Federal Reserve Bank was best fitted, and he filed a brief. Case, I think, really wanted National City Bank designated but did not say so nor did the National City ask for it.

In afternoon Oscar Wells and a committee of the Atlanta stockholders conferred with Board and said they would be glad to try

to clean up the friction between Atlanta and Board; that they would do all in their power to secure defeat of McCrary and Governor Welborn if the Board would so indicate.

C.S.H. said the Board had no right to interfere directly or indirectly with the election of a director or appointment of a governor; that all the Board could properly do was to let the committee know that some members felt that neither McCrary nor Welborn had their confidence, but that the stockholders had the right to elect McCrary and the directors to reappoint Welborn if they desired, subject, of course, to the right of the Board to remove them for cause.

Mr. Wills said he believed McCrary would not be elected again and also that Governor Welborn had told him that if reelected in January, he would resign at end of the year. Finally the Board--in answer to a statement of Wills, said that if a committee of the directors should ask for a conference with Board, the Board would grant it.

Governor Crissinger told committee that it had been suggested to him that the Board extend Campbell's removal until end of year.

If Governor Wellborn says he will resign as above, I think the Board should let him be reelected and give leniency to Campbell.

Wells admitted to Board that Governor Wellborn was drinking heavily as did also Mr. Ottley.

The Board severely criticised the whitewashing report of the Atlanta directors and Wills said they were angry because the Board made the investigation and did not first ask them to do it. C.S.H. said he thought we should have asked the directors to investigate but then report about satisfied him that it would have been idle to do so. Wells intimated that they would have made a different report, but C.S.H. said it would be an insult to Board to imply this.

Thursday, November 11

7 P.M. dinner given to Board by Governors and Agents.

Governor Norris presided and said C.S.H.'s reappointment was a great thing for the country.

Vice President Dawes was present as a guest and made a very interesting address on conditions in Europe. He paid a tribute to President Wilson saying he was one of the greatest men in the world and the great leader of Idealism but that he was ahead of his time. He said the elections of 1920 and 1924 merely meant that the people wanted rest.

Dr. Miller spoke of conditions in Europe. C.S.H. pronounced the benediction.

Friday, November 12

Dr. Miller asked for an informal conference of Board.

He said Governor Crissinger called him up last night before leaving town and said the Board ought to consider extending the time of Campbell's removal from November 15 to say January 1.

The Board went over the matter. Those who originally voted to remove Campbell called attention to the resolutions of the Atlanta Committee which not only exonerated Campbell but also attacked our Board for its arbitrary action. Three members felt that to change the Campbell sentence now would make the Board appear as bowing to the Atlanta committee, and, possibly, to have been influenced by what Mr. Oscar Wells said about Governor Wellborn's resignation.

I felt there was much force in the above reasoning. The Atlanta directors by their absurd report and bitter attack on the Board have merged poor Campbell into a broader question.

November 16, Tuesday

Mr. Hopkins, director of Federal Reserve Bank of Atlanta, called. He is one of the supporters of Governor Welborn. He came he said to explain the resolution of the Board of Directors attacking the Federal Reserve Board. He said he voted for it but he realized now it was a great mistake; that the directors were angry because they were not asked in the first instance to make the Campbell investigation. C.S.H. said he, himself, looking back, felt that the Atlanta Board should have been asked first to investigate; that when he read their report, however, he doubted whether they would have made any different report; that the report they made--a complete whitewash--embarrassed him very much in his effort to have the Board censure Campbell but not dismiss him; that the Atlanta Bank had the right to reaffirm their confidence in Campbell, but when it went further and attacked the Board, it was evident that such action did not help C.S.H. in his effort to induce Board to be lenient with Campbell; that Campbell deserved a severe censure and the whitewashing report of the Atlanta Committee did not help matters, to speak mildly.

Hopkins said he advised Campbell to throw himself on the mercy of the Board as C.S.H. told him at his first interview, but that Campbell was badly advised.

Hopkins said his directors were very much stirred up by James' statement to them that three members of the Federal Reserve Board had told him they would not vote to continue the Havana Agency with the Atlanta Bank until Campbell, McCrary and Welborn were eliminated.

C.S.H. said the Board had not authorized such a statement and that it was purely personal.

Hopkins then spoke of Governor Welborn and asked if he would be removed if reelected.

C.S.H. said he had no authority to speak for Board and did not know what it would do; that he believed, personally, that an attempt would be made when the annual salaries were fixed to disapprove the present salary of Governor Welborn.

Hopkins reminded C.S.H. that last year the Board approved an increase in Governor Welborn's salary and that Governor Crissinger suggested it and asked him to put it through at the directors' meeting. Hopkins then said - Governor Welborn wants to get out but not under fire and said, if I state to you that if reelected he will state that he will resign at end of year, would this satisfy the Board?

C.S.H. asked if he had authority to make this statement and could C.S.H. tell this to the Board.

Hopkins said he knew it was true but he would not now authorize C.S.H. to make the statement but that later he would write C.S.H. to this effect.

C.S.H. said he would not answer for the Board, but if he wrote him he would lay it before the Board.

C.S.H. said he had always been a friend of Governor Wellborn and that, outside of the Board, he had never been told that Governor Welborn was incompetent; that he had, however, heard statements that Governor Wellborn was drinking heavily and that this disturbed him greatly. Hopkins said there was no truth in this! Finally, he left saying he would write C.S.H. later.

December 3, 1940

At Board meeting Governor Crissinger said Jay was to resign to accept a position on Transfer Committee under Gilbert in Europe.

Dr. Miller said Warburg should be asked to be Federal Reserve Agent. James said New York Committee should consider this and Platt was away, so the matter was dropped. C.S.H. suggested Alexander.

December 4, Saturday

Governor Crissinger came in and seemed enthusiastic for Warburg. Miller asked me to step into his office. He was enthusiastic for Warburg. He said the New York directors had suggested Governor Case, Harrison and Burgess, the present Assistant Federal Reserve Agent; that Case did not want it but would take it as a matter of duty; that Harrison did not want it; that the New York directors really wanted Burgess; that Burgess was a good man for Federal Reserve Agent but as Chairman would be dominated by Strong.

C.S.H. said Warburg was eminently qualified for the place but that he feared he would not work in cooperation with Strong; that while the act intended the Chairman to be the dominant officer, a status had been created and that Strong undoubtedly was a potent factor perhaps overbalancing Jay although they cooperated together perfectly; that Warburg would undoubtedly seek to dominate Strong and with his lack of tact, there might be trouble for them from the start; that certainly nothing should be done in the way of putting in a man offensive to Strong and the directors; that as regards Burgess C.S.H. felt he was an admirable man and that he would cooperate with Strong; that in view of the status of Governor, towering up at most of the banks over the chairman, he felt it was a question carefully to be considered whether

Burgess would not be a good man; that C.S.H. thought Strong would cooperate with him rather than dominate him.

Miller said Alexander refused to take Warburg back as a director of his bank after he left the Federal Reserve Board, on ground that he did not want any director who had been actively connected with a banking house such as Kuhn, Loeb & Co.

C.S.H. then went in and saw Secretary Mellon. He was in favor of Burgess and seemed much disturbed as to Warburg. He said he would ask Governor Crissinger to tell Board he wished to confer with them when they took up the question.

I am satisfied Warburg's appointment would throw the New York Bank into confusion and that Strong would probably resign, although Warburg is, of course, fit for the place.

December 6, Monday

Atlanta Committee meet Board--said Governor Welborn would positively refuse to run another year if reelected for 1927. James accepted this and all ended in harmony.

Discussed Jay vacancy. Governor Crissinger did not play fair with Secretary Mellon. He knew Mellon wanted Burgess but told Board--of course it could appoint Burgess if it was willing to be dominated by the New York Bank!

Platt said Warburg if appointed would not represent Board in New York but he would be a Board in himself in rivalry with our Board.

December 7, Tuesday

C.S.H. and James reported in favor of consolidation of Boston and Atlanta into one Cuban Agency to be managed by Atlanta alone

beginning January 1, 1927. C.S.H. and James appointed committee to work out details with an Atlanta Committee and report to Board for final approval.

Senator Glass asked me to read over * * * *

In the Cuban agency, Miller first moved that the Board give notice of abolishing the agency after a given date. Lost.

Governor Crissinger, Miller - aye

C.S.H., Platt, Cunningham and James, - No

Then C.S.H.'s motion was carried, I think, unanimously.

December 15, Wednesday

Board took up reappointments of Federal Reserve Agents. Miller made a savage attack on Curtiss. C.S.H. and Platt called attention to this recommendation favoring his reappointment saying he was one of the best Chairmen in System. James also said he would vote against him unless Board agreed to tell him that it elected him only to give him a chance to arrange his affairs, as he would not be appointed again.

Same suggestion made as to Austin, Heath and one or two others.

C.S.H. demanded postponement to give directors' committee a chance to prove Curtiss was an outstanding man and Chairmen. Governor Crissinger intimated that Curtiss would be defeated if a vote was taken without this notification. Governor Crissinger said he had heard objections to him. C.S.H. asked if they came from the First National Bank. Governor Crissinger gave an evasive answer but refused to say.

Even Cunningham who said he knew nothing about Curtiss, said he felt there was need of new blood at Boston.

Finally after long debate it was agreed that all of the agents recommended should be unequivocally reappointed but that on January 15

or not later, the Board would consider all the agents and determine whether or not notice should be given them that they would not be appointed for 1928.

Governor Crissinger said Decamp of Cleveland was a great failure but that he had recommended him for reappointment because of the "great pressure" brought, evidently referring to Secretary Mellon. Then Miller and Cunningham began to make excuses for DeCamp as he had served such a short time, evidently to assuage Secretary Mellon.

Governor Crissinger asked C.S.H. to join in this recommendation--as a member of the Cleveland District Committee without saying anything about "pressure". Evidently Miller has been caucusing with James and Cunningham for they know nothing about Curtiss. Evidently also they would have refused to vote for Jay, had he not resigned.

December 22, Wednesday

Board took up consideration of salaries. The Federal Reserve Bank of New York had recommended an increase of \$5,000 (\$10,000 to \$15,000) for Assistant Federal Reserve Agent Burgess. Miller and James violently opposed any increase. Finally C.S.H. moved to approve increase. Lost.

Aye - Governor Crissinger, Platt and C.S.H.

No - Miller, James, and Cunningham.

Then a long discussion followed and finally Miller said he would agree to a 3,000 increase and so moved. This was voted, I think unanimously.

The sole desire of the "Bloc" was to show their authority to the Federal Reserve Bank.

Inasmuch as the directors were unanimously for Burgess for Federal Reserve Agent in place of Jay, the directors will take this as

a direct blow at them - which the Bloc undoubtedly intended as they are all against Burgess for Federal Reserve Agent.

The directors also recommended an increase in salary of _____ . C.S.H. reminded the Board that Philbin had been made Secretary of the Bank and that the increase (\$7,500 to \$9,000) was in part to make up for this increased duty - the previous Secretary having received \$8,500 for this alone.

Wyatt said he could not recommend an increase for his work as counsel but rather grudgingly admitted that the work of Secretary was worth at least \$1500.

All to no avail.

C.S.H. moved approval. Lost.

Aye - Platt and C.S.H.

No - Miller, James and Cunningham. Governor Crissinger not voting. Another exhibition of "authority"!

I went in and told Secretary Mellon who was greatly disturbed. I said there was no chance of appointing Burgess as Federal Reserve Agent. He said he would be glad to give Burgess a position in Pittsburgh at as large a salary as the Federal Reserve Bank of New York could give him as Federal Reserve Agent. He said he was satisfied that the Bloc wanted to hit the Federal Reserve Bank.

He said he was going away for Christmas; but would tell Governor Crissinger he wanted to be present when the matter of Jay's successor came up.

After the meeting I received a letter from Jay as to Philbin which I asked to have filed and circulated. Secretary Mellon said he thought it might be possible to fix up Philbin and Burgess later when he was present.

He said he did not want to go into the Board this P.M. and he put in the position of breaking a tie vote.

December 31, Friday

In afternoon met with Secretary Mellon to select Jay's successor. C.S.H. presented Burgess' name and gave sketch of his life. Secretary Mellon praised Burgess.

Platt said Gates McGarran would be a better man. Finally adjourned without action.

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