

## The Papers of Charles Hamlin (mss24661)

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CHARLES HAMLIN

Miscellany

PAPERS

Box 357

Folder 13

WRITINGS --  
"MEMORANDA CONCERNING THE  
FEDERAL RESERVE BOARD..." DIARY  
VOL. 13, 4 JAN. - 24 JUNE 1927  
(PP. 785-832) (17 OF 10)

VOLUME XIII1927 -January 4, Tuesday

Board voted that Governor Crissinger should break news of his being dropped from Federal Reserve Bank of New York to Snyder. C.S.H. voted No and said Board had no authority to prevent New York Bank from employing a statistician. Wooley came down from New York, said he had seen Secretary Mellon with Governor Crissinger and that Mellon agreed to McGarrah for Federal Reserve Agent.

Comptroller McIntosh told me he told Secretary Mellon that Burgess could get as a maximum only four votes - a tie - and that while he should vote for Burgess while the Secretary wanted him, yet he advised the Secretary to drop the matter as he knew that James, Cunningham, Miller and, he thought, Governor Crissinger had agreed not to vote for Burgess. I told him I thought Governor Crissinger would but I knew Platt would not vote for Burgess, and that four votes would be all Burgess could get. He said Mellon would no longer push Burgess.

When a letter to Burgess was read as to Snyder, it was directed to Burgess as Assistant Federal Reserve Agent. C.S.H. pointed out that he was acting Federal Reserve Agent. Miller and James objected to any change in the designation although C.S.H. read to them the Act. Comptroller McIntosh said he had no doubt but that the "bloc" were eager to down Secretary Mellon.

January 5, Wednesday

Lunched at Carlton Hotel with Mr. Wooley and Mr. Reyburn, directors of Federal Reserve Bank of New York. Reyburn explained attitude of

directors toward charging a commission on the Belgian credit which bank arranged to refund until after expiration of English credit. Dr. Miller said he was opposed to charging any commission because of a desire to do something to help Belgium. Mr. James said he would like to go oftener to the New York Bank but he could not forget the feeling throughout the country that New York dominated the Federal Reserve Board!

They both said the directors would welcome the appointment of McGarrah as Federal Reserve Agent.

January 11, Tuesday

Governor Crissinger asked Dr. Miller to speak about the matter and he spoke of the importance of the office. He said the Federal Reserve Agents work was of less importance and ought to be separated from the duties of the Chairman. He said the Chairman was the ranking officer of the Federal Reserve Bank, and said the Board, or at least certain members, felt that from now on only the more able bankers of the country should be given the place. He spoke of Mr. Sproul's article on the position of Chairman with full approval. He spoke very well but I fear created the impression that our Board was ready to defend the Chairman's duties so there could be no doubt that he was the most powerful officer of the Bank and should be dominant over the Governor in all matters at least of higher policy.

C.S.H. fears this could not be done under existing law.

Governor Crissinger asked C.S.H. to speak and he welcomed McGarrah as one of the best equipped bankers of the country. He said much has been said as to the inconsistency in the duties of Federal Reserve Agent and Chairman and that he was almost persuaded, in view of present conditions, that the duties of Federal Reserve Agent should

be taken away from the person acting as chairman by an amendment to the law. He pointed out, however, that when the Act was passed the duties of Federal Reserve Agent were considered of very great importance, passing as he did upon the issue of Federal Reserve notes as representative of the Board; that Congress paid more attention to his duties and responsibilities than it did to that of Chairman, concerning whose duties and power the Act is absolutely silent; that in practice the Federal Reserve Agent and Board do not examine into each issue of Federal Reserve notes, but leave the matter largely to the demand of the public for Federal Reserve notes as the small change of commerce and industry; that this change has made the duties of Chairman and Federal Reserve Agent appear more incongruous than they expected to be when the Act was originally passed.

Mr. McGarragh then said that he was fully appreciative of the honor the Board was willing to confer upon him and before making up his mind wished to talk frankly with the Board. He said he had a high opinion of Jay recognizing fully his ability but that he felt bound to say that the feeling in New York was that Jay was too busily engrossed in the technical details of his office as Federal Reserve Agent to be able to give the attention to the duties which he believed appertained to the office of Chairman of the Board. He added that he had a very high opinion of Governor Strong but that he felt that he had largely dropped the operative details of the Governorship and had taken over the functions properly appertaining to the Chairman of the Board; that it was the general feeling in New York that Governor Strong dominated Jay and was the real Chairman of the Bank. He intimated very clearly that if he took the office the Board must publicly so define his duties that there could be left no doubt that he was the

highest officer of the Bank and that the Governor was subordinate to him.

He spoke of the custom in English banks to have a President and a Chairman who jointly ran the Bank, altho the Chairman was the highest ranking official. He said the position of Chairman was better understood in England than in the United States., although in the United States bankers were generally in agreement now that the Chairman was the highest officer.

Secretary Mellon then came in.

Mr. James said there was a strong feeling that the New York directors managed the bank more in the interest of the bank's stockholders than of the public and he welcomed the change which would be brought about by McGarrah's appointment.

James seemed to feel that hereafter the Federal Reserve Board would operate the Banks, through the chairman, in the public interest!

McGarrah asked and was given a week in which to consider the matter.

I feel that McGarrah will never take this without having a clear understanding with Governor Strong that he and not Governor Strong is to be the dominating factor in the Bank, and I believe, Strong will never agree to this, or if he does, that he will resign within a very short time.

January 12, Wednesday

The Board tentatively approved the plans submitted by James and C.S.H. for broadening the functions of the Federal Reserve Bank of Atlanta - Cuban Agency.

January 27, Wednesday

Governor Norman and Sir Charles Lubbock, Deputy Governor, of Bank of England called.

Norman had been South for 8 days with Governor Strong.

Norman came into my office alone about 12:45 and we had a general talk for 15 minutes. He said the British debt settlement had placed a greivous burden on Great Britain. Then Sir Charles Lubbock came in for a few minutes with Mr. Harriman.

At 12:55 Governor Norman and C.S.H. drove with Secretary Mellon to the Metropolitan Club and we all had lunch. Present: Governor Norman, Sir Charles Lubbock, Platt, Harrison, Miller, James and Cunningham. Governor Crissinger was home in Ohio.

January 26, Tuesday

Board took up application of Mercantile Trust Company. Drum \_\_\_\_\_ for approval of Board to take over as a branch a Bank in Sansolite California, across the Bay from San Francisco. The Bank was in fair condition, the Superintendent of State banks and the Federal Reserve Bank approved the application. It was admitted that the taking over made no injurious change in the assets of the Mercantile Bank.

The point was raised, as it was before some days ago, Sansolite was not in contiguous territory under the Board's regulation. Platt contended that it was a municipality which fell exactly under the regulation.

James and Cunningham raised the point that/under the McFadden Bill such a branch would be prohibited and that it ought not to admit a branch on the very eve of its passage.

Platt said the Bank had complied with the <sup>the</sup> regulation, no member questioned the propriety of its admission on the merits and that we were bound to admit it.

C.S.H. pointed out that as there was an honest doubt as to whether it was in contiguous territory that question must be determined before it could be said that the Bank had any right to be admitted, and this notwithstanding that we had voted that Berkely, similarly situated accross the Bay, was in contiguous territory.

Then Miller moved that Sansolite be held to be contiguous territory. Carried:

Aye--Platt, C.S.H. and Miller.

No---Cunningham and James.

Platt then moved that application be approved.

Lost. Aye--Platt and C.S.H.

No---Miller, James and Cunningham.

C.S.H. supposed Miller moved to make Sansolite contiguous territory in order to meet C.S.H.'s objection, and that he would vote to admit, and is amazed at his action.

January 28, Thursday

Board received a protest from Drum of Mercantile Trust Company to whom a telegram was sent yesterday saying that the Board:

1. Had ruled that Sansolite was in contiguous territory.
2. Had denied application of Mercantile Trust Co.

It was suggested that Miller reply to Drum but he said he did not know what to say!

Cunningham said to say that Board refused because of nearness of passage of McFadden Bill, although otherwise Board would have been glad to grant it.

Platt pointed out that it would be absurd to refuse an application on bare ground that Board thought McFadden bill was soon to become law, that it was not law now and that a mandamus would be maintained to force Board to grant application as there was no element of discretion that had not been decided in Drum's favor. C.S.H. concurred in this.

Finally, the matter was allowed to rest until Governor Crissinger's return, Miller faintly intimating that we ought to reconsider.

Board voted approval of a Cuban agency resolution and James and Eddy authorized to go to Atlanta and Cuba to start the new agency.

It was agreed that James should consult with Ambassador Crowder and Atlanta Committee as to the choice of a new building; that the Atlanta Committee should finally report on this subject to approval of the Board.

James favored and Miller opposed having agency in same building as the U.S. embassy.

C.S.H. asked if, under the Resolution, a bank should offer a \$10 National Bank note and ask for 10 \$1.00 greenbacks, the agency could make the exchange. All said No.

C.S.H. asked if a bank offered a \$10 national bank note in an unfit condition and demanded a clean \$10 national bank note? The reply was No!

February 3, Thursday

The anniversary \* \* \*

At the Board meeting this morning the Board voted to increase the salary of Carrick, Assistant Counsel and Secretary of the Federal Reserve Bank of Boston from \$7,500 to \$9,000. Aye. Governor Crissinger, Platt, Comptroller of the Currency, James and C.S.H.

No, Miller and Cunningham. To C.S.H.'s surprise, James favored it and seemed very much interested in it. Cunningham raised the point that the Board had declared against any Secretary except one from the Federal Reserve Agents side of the Bank. The decision of the Board was read and it appeared that the Board in the circular specifically stated that the counsel was a proper man for secretary!

February 4, Friday

At the Board meeting C.S.H. read changes desired by him in the letter to Governor Talley as to a controversy between a Texas Trust Company and the Federal Reserve Bank of Dallas, also letters to President Coolidge and Senator Sheppard on the same matter.

These letters were brought in by Governor Crissinger at yesterday morning's meeting, he stating that they had been prepared by Wyatt. C.S.H. said they should have first gone to the Law Committee and moved this reference as he was not satisfied with them.

The Board voted so to refer them, C.S.H. to report on them at at meeting at 3 P.M. C.S.H. waited until 3:20 but the letters were not sent in. At that time Wyatt came in and said Governor Crissinger had directed him never to send anything to the Law Committee until he had seen and O.K.'d it. C.S.H. told Wyatt of this vote but he said he felt he ought to obey his instructions.

As C.S.H. had to go to the Cathedral he allowed the matter to rest. This A.M. the file was sent to him and he made many suggestions of changes. At the morning meeting he stated to the Board about Governor Crissinger's order.

Governor Crissinger answered very evasively but practically denied any such order had been given and C.S.H. accepted this.

After discussion C.S.H. was asked to draft a new series of letters which the Board approved at the afternoon meeting. In this case Governor Crissinger brought in the letters yesterday without any consultation with the Law Committee.

February 5, Saturday

The Board met Gates McGarrah. He gave us a notice of the Federal Reserve Bank of New York proposed new By-Law making the chairman, the chairman of the executive committee in place of the governor as heretofore; also suggesting that further changes as to the power of the chairman would be made following the analogy of banks and business corporation--are to be subject to approval of the Federal Reserve Board.

Another resolution was read expressing the hope that future boards of directors of the New York Bank would not disturb the decision of powers which they were to make, at least without the consent of both the governor and chairman.

Mr. McGarrah then said his health depended on frequent trips for rest, and that he hoped the Board would consent that he and the Governor could arrange that matter between themselves, without first securing the approval of our Board.

All the members expressed their approval of this, but Miller said it was better not to have any formal vote as the Board might not wish to extend this privilege to the other Federal Reserve Banks.

Mr. James then moved to fix the salary of the Chairman and Federal Reserve Agent at \$50,000 per year. Vote: unanimously carried.

Mr. James then moved to appoint McGarrah Class C director and Federal Reserve Agent for the unexpired term of Jay--to be announced on a day fixed next week.

Voted: Unanimously.

McGarrah then accepted but stipulated that he could not take office until May 1 as he was sailing in March for Germany to resign his connection with the Dawes Commission. This was unanimously agreed to.

It was then moved to ask him to report informally on the application of the New York bank for another Assistant Federal Reserve Agent and in the increase in salary of Philbin and Burgess. The meeting then adjourned.

C.S.H. fears that the agreement to waive approval of the Board of leaves of absence of the Governor and Chairman will cause trouble in other districts; he believes all should be treated alike.

C.S.H. suggested to Mc Garrah that the directors should pass another by-law fixing who should preside at Executive Committee meetings when he was absent.

February 6, Sunday

Board met this P.M. and approved record of meeting with McGarrah on Saturday. The record did not show that the Board agreed to approve the proposed New York By-Law as to the Chairman presiding over Executive Committee. On C.S.H.'s motion this was corrected. C.S.H. pointed out that record did not show the Board's agreement to waive approval of leave of absence for strong and McGarrah. At first Miller claimed we did not waive it but finally the record was written

in a very ambiguous manner, C.S.H. saying he would comment to this in the hope and belief that the Board will act similarly as to the other Federal Reserve Districts.

February 9, Wednesday

Governor Crissinger said Case had called up and said that the business directors wanted discount rates reduced but that he thought this would be a mistake. Governor Crissinger said he had talked with Mellon who felt there should be no decrease at present time and Goldenweiser felt same way. The Board took the same view and Governor Crissinger said he would go to New York en route to Marion and tell Case. Platt thought we ought even to sell some Governments and Miller said we should have done this a month ago to avoid possible inflation.

February 17, Thursday

Board met to consider application of Bank of Italy for consolidation with Liberty Bank of America of Los Angeles which had about 125 branches. The committee to whom it had been referred--Governor Crissinger, Platt and Comptroller reported that this had been under advisement for over a year; that the State Superintendent had approved it; that the change in assets, etc. was not injurious to the banks concerned. Miller bitterly objected and said the State Superintendent was absolutely under control of Bank of Italy; that we could not approve without violating our Regulation H, etc. C.S.H. pointed out that only Sec. 4(1) of Regulation H was applicable the change of assets, etc.: that the rest of Regulation H related to petitions for the establishment of new branches, that the branches of Liberty Bank were already established. Miller denied this.

Finally Miller moved to lay it on table. C.S.H. said he would vote Aye in understanding that all Miller wanted was a day or two to look further into the matter.

It soon became evident that Miller really wanted to kill the whole thing.

C.S.H., however, voted Aye. Vote:

Aye - Miller, C.S.H. and Cunningham.

No - Governor Crissinger, Platt and Comptroller. Failed--  
tie vote.

Cunningham said he would move to postpone until an examination could be held by the Federal Reserve Agent of both banks - which would take six months - adjourned until 2:30.

Miller stalked out of the room and with a lowering look on his face said he would not come to the meeting in the afternoon as did also Cunningham. They clearly meant that they would stay away to break a quorum.

Comptroller said he wanted C.S.H. to go with him to the Secretary and ask him to come in and break the tie. He was, however, out of town.

At 2:30 Governor Crissinger, C.S.H., Platt, and Comptroller were present and later Cunningham came in making a quorum. Cunningham had cooled off and seemed calm and cheerful. Miller did not appear.

The Comptroller said he had carefully had an examination made of the Liberty Bank, in view of its desire to become a National bank, and while not a regular examination, yet it was enough to satisfy him the bank was in good condition and that the change of assets would not injure the consolidated institution under Regulation H, Section 4(1).

Cunningham's motion was then put and lost.

Aye - Cunningham. No - Governor Crissinger, Platt, C.S.H.  
and Comptroller.

The Comptroller said if Crissinger wanted a few days he would gladly vote to postpone. Crissinger then said he wanted to force Board to pass on it. This would have meant at least 30 days delay until James returned.

C.S.H. explained his vote:

1. The consolidation was lawful under California law, the State Superintendent having given unqualified approval.
2. No question of new branches was involved, every one of the Liberty bank branches being already established.
3. Regulation H, therefore, did not apply, except Section four (1).
4. The Comptroller said he was satisfied that the change of assets did not violate Regulation H, Section 4(1).

Platt then moved approval to take effect only upon an agreement that Bankitaly Corporation for five years would not purchase or hold more than 25% of Bank of Italy stock or purchase or hold more than 25% of any independent unit bank in California. Carried.

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

No - Cunningham.

Comptroller told C.S.H. after meeting that James told him he would vote for the consolidation.

The majority felt that it would be far better for the Liberty bank to be brought into the Federal Reserve System; that heretofore it took quite a number of member banks out of the System. Also it was

distinctly understood that the consolidated institution would apply for a national bank charter which the majority felt would greatly help the branch bank situation in California.

The Federal Reserve Agent in this case made no recommendation but simply referred the petition to the Board. To have made a full investigation would have taken a long time and majority of Board felt that in the only question before Board -- effect of change of assets--the judgment of the Comptroller made such a further investigation unnecessary as to the Liberty bank and we all knew the Bank of Italy was in good condition, from our own reports.

February 19, Saturday

Hearing on petition of San Antonio for a Federal Reserve Branch. Congressman Garner and Mr. Frost spoke.

February 23, Wednesday

Board voted to establish a Federal Reserve Bank branch at San Antonio, Texas.

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

No - Miller.

February 25, Friday

Board voted to authorize opening of a Federal Reserve Branch at Charlottesville, North Carolina. Aye, Secretary Mellon, Governor Crissinger, C.S.H., Comptroller and Platt. No - Miller.

Miller said it had much merit but to be consistent with his previous votes against Federal Reserve Branches, he felt bound to vote No.

March 1

Had talk with Cordell Hull. Told him the Democratic party in House of Representatives as a unit were fighting the Federal Reserve

Pension Bill; that at a meeting of the House of Representatives Committee the democrats in a body left the room, leaving one Democrat to raise question of no quorum; that Governor Platt said the Committee on Rules did not want to issue a Rule because the democrats as a unit were opposing the bill; that I had done nothing and would do nothing to influence this or any other legislation and that I simply wanted to tell him this was the first time since the Federal Reserve Act became law that there was united Democratic opposition as a Party matter in any committee; that the Republicans had never done this; that I hated to see the Democratic party take a Party stand against a beneficent bill representing collective bargaining between employees and employer, especially where a large number of women were involved at salaries averaging about \$1200 per annum; that it was a record which the Democratic Party would have to apologize for in the future; that I granted the free right of any member to vote as he pleased but deplored Party action on such a meritorious matter; that the Treasury favored the bill, the Senate had passed it without a Party division and the House of Representatives Committee had reported it but with united Democratic opposition. I suggested that he get some of the Democrats who voted against it on Committee to tell the Rules Committee that they had no objection to a Rule although they should vote against the bill.

Hull agreed absolutely with me that a Party                    against a Federal Reserve Bill was most foolish and said he would do all he could to get a rule.

March 10, Thursday

Board finally wrote letter to McGarrah stating that no quorum was present but that those present were inclined to feeling that, as

this was not a question of a new appointment but merely of serving out his present term expiring in 1928, he could for the present continue in the office, and that the Board would promptly inform him if it reached the conclusion that holding this position would put him in a position of conflict of interest; that it was really a question of policy rather than of law as our counsel had advised us that it was not a violation of Section 4 of Federal Reserve Act. Governor Crissinger said Secretary Mellon felt he should be permitted to hold both offices, as did Young of New York.

March 11, Friday

Harrison came before Board and said the New York directors had listened to plans for a loan to Poland by the Central banks of Europe and a possible credit to the Polish National Bank by Federal Reserve Bank of New York. He said the representative of the Polish Government and bank did not want a loan conditioned on their being hit under the League of Nations as they were proud and felt it would be a reflection, as the League of Nations had had only bankrupt and defeated Nations under its charge. He said the plan talked over with the Federal Reserve Bank provided for an International Commission instead of the League of Nations. He said his directors wanted him to go over and talk the matter over with Governor Norman and Shacht et als. He would not in any way comment either his board or the Federal Reserve Board: he would not present the plan as that of the Federal Reserve Bank of New York but would merely discuss it and report. He said all Poland wanted was about 75 millions; that she was in good condition and had a plan which Harrison briefly outlined for stabilizing her currency; that both the Polish representative and the Federal Reserve Bank of New York felt that the

loan on credit they might be called on to give should be for the purpose of stabilization. He also said Dillon & Co. formerly representing Poland had been dismissed and a number of New York banks, especially the Guaranty Trust Co., had now acted for Poland; that Dillon was offering Poland all she wanted without any stabilization conditions.

Only Governor Crissinger, Miller and C.S.H. were present. Harrison said Secretary Mellon strongly favored his going.

C.S.H. said he also favored it on assumption that no meeting of minds would occur if the League of Nations opposed the idea of an International Commission instead of the League of Nations. Harrison said this was so; that all he would say to e.g. Governor Norman that this plan had been suggested and he saw no objection to it if Governor Norman (who, he said rather favored League of Nations control) and the others had no objection to it.

He said the reason for talking it over was that any plan might lead up to an ultimate request for some credit from the Federal Reserve Bank to the Bank of Poland.

We discussed it all this morning and again all the afternoon, Miller talking consecutively almost all the time.

Governor Crissinger opposed for fear we were injecting ourselves into a delicate international situation.

Miller blew hot and cold and C.S.H. thinks is opposed.

C.S.H. said stabilization will help our trade with Poland which buys an enormous amount of cotton from us.

Finally, Governor Crissinger and Miller insisted on Harrison writing the Board a letter to be taken up next Wednesday when James returned.

Harrison later called up C.S.H. and said Secretary Mellon was much disturbed at the opposition and would be at the meeting next Wednesday.

March 11, Friday

Federal Reserve Agent Curtiss called; he spoke of the appointment of First Governor of Federal Reserve Bank of Boston; that Phil. Stackton wanted to have one of his vice presidents (Blymm(?)) appointed. C.S.H. thinks this is why Stackton

March 16, Wednesday

Harrison came before Board again and went over Polish matter for benefit of James. C.S.H. finally moved--Board will interpose no objection, etc. Lost.

Aye. C.S.H. and Platt

No. Governor Crissinger, Miller and James.

James said Board should affirmatively approve or disapprove.

Secretary Mellon then came in. Miller strongly approved Harrison's visit.

Miller suggested merely writing a letter to Federal Reserve Bank of New York setting out the difficulties in minds of some members. C.S.H. asked if letter would be affirmative or negative. Miller said neither.

C.S.H. then asked if Miller would agree to have a vote interposing no objection but adding a statement of the difficulties felt by some members, but he would not agree.

C.S.H. said - we have given McGarrah of Germany power to act, salary of President of Reichsbank, removal of President, control of note issues, etc., but we hesitate to give Harrison as to Poland power to either act or think - an absurdity.

Finally Platt moved to approve action of directors in sending Harrison abroad, on understanding that no commitment be made. Carried.

Aye. Secretary Mellon, Governor Crissinger, C.S.H., Platt, Miller.

No. James.

Secretary Mellon asked James why he objected and he said he feared that west of the Mississippi River, the farmers would criticise us for helping to stabilize Polish currency when we refused to stabilize prices of farm products.

C.S.H. pointed out that Poland buys much cotton of us, and that stabilization of Polish currency will be a direct help to every cotton producer. C.S.H. believes Governor Crissinger and Miller at heart strongly oppose the motion but did not quite dare to vote against it. During the early part of the meeting while debating C.S.H.'s resolution, no objection, C.S.H. spoke of the action of the Board members in permitting McGarrah to remain as a member of the advisory council of Reichbank.

Miller then told the Board that he had met the German Ambassador a few days ago and had told him of the Board's action in permitting McGarrah to remain on the Reichsbanck advisory council, and said to him he was very anxious to know how the Reichsbanck would regard this action of the Board and whether anything in the German laws prohibited his continuing to serve; that the Ambassador said quickly--"I will find out at once"; that Miller said it must be considered informal and the Ambassador assured him it would be kept so; that a day or two later a member of the German Embassy staff showed him cables to the effect that the Reichsbanck officials were delighted to have McGarrah, as representing the Federal Reserve System to continue to serve.

C.S.H. does not remember what, if any, reply was given to Miller as to the German laws.

March 17, Thursday

Miller called attention to newspaper clippings pointing out that he had voted vs the Charlottesville Branch bank, and said he demanded an investigation as to whether any member had stated to anyone what the vote was.

C.S.H. replied that he had had many interviews with Senator Simmons and that he had an indistinct recollection that he had told Senator Simmons that only one vote had been cast against it - Dr. Miller.

C.S.H. started to say that he had told Simmons that Miller had acted consistently with his previous record in opposition to Branches, but Miller discourteously and savagely interrupted him and said he did not care what he said.

The old circular of the Board was read, but applied only to giving out information to the Press, and had no application here. Governor Crissinger, Platt and C.S.H. said there was no impropriety in telling an interested U.S. Senator how a vote stood, as the Senate could easily obtain a resolution directing the Board to submit its records for examination.

Miller was still ugly and murmured some almost inaudible statements as to breach of confidence, duty, etc.

C.S.H. then quietly said that as the Board appeared to be interested in the personal conduct of its members as to giving out information, he should now call attention to the Wall Street Journal statement of February 25 as to the intention of the Board to centralize

all authority in the Federal Reserve Board, and he asked--repeating Miller's question exactly as to the Charlottesville branch--whether any member, directly or indirectly was responsible for, or had given out any information concerning the article. Every member answered categorically No, except Miller, who C.S.H. thought, looked very much abashed and said "he had not seen Sergent (the writer) for months".

He did not, however, say that neither directly or indirectly he had given out any information on which the article could have been based,--an answer to which C.S.H.'s question called for.

C.S.H. told Board Senator Glass was much disturbed at the article and said that if it represented the views of the Board he regretted that the Federal Reserve Bank charters had been extended, and that the Senator would probably soon write the Board on the matter.

The assurance of Miller! To tell the German Ambassador of the Board's action as to McGarrah and yet deny to a Board member the right to tell an interested U. S. Senator of the vote of the Board!!

It was wonderful how quiet Miller became after C.S.H. had spoken!

March 21-27, Monday

Meeting Open Market Committee.

Committee advised (1) replacing 25 millions Government securities which had run off, leaving system account at 200 millions; (2) also buying not to exceed 50 millions to replace 50 millions taken from market by turning 50 millions investment by Federal Reserve Bank for foreign banks into acceptances taken from portfolio of the Federal Reserve Banks.

Board voted to approve (1), and as to (2), it voted that it was ready to meet Committee at short notice if any need arose, or it would meet the directors of Federal Reserve Bank of New York should the Committee authorize it to speak for it.

C.S.H. moved to approve (1) which was passed unanimously; also to approve (2) but Miller moved a substitute as above which was passed, C.S.H. alone voting no.

Governor Harding said that Miller asked Warburg if he would like to be Federal Reserve Agent at New York and Warburg replied not for a million dollars salary if you are to be my boss!

Governor Harding said Glass was wrong in saying that a majority of the Board favored reducing the number of Federal Reserve Banks in 1915,--meaning as he later said, that he would have voted against it. His memory, C.S.H. believes, is very faulty.

Governor Harding also said that Miller would have voted similarly.

C.S.H. said that Miller wrote the report in favor of cutting down the Federal Reserve Banks; that later he began to weaken and showed an inclination to go back on his associates.

Eddy tells C.S.H. he had a talk with Sergent about the Wall Street Journal statement; that Sergent would not tell who inspired it but said "I think you can guess!" He said he had great difficulty in writing it but admitted he had "help" from some quarter. This points to Miller.

March 29, Tuesday

Governor <sup>H</sup>arding prepared a statement in parallel columns showing changes in Federal Reserve Act by the McFadden bill and asked authority of Board to send it out. Wyatt O.K.'d it with certain slight changes.

C.S.H. moved approval. Lost.

Aye. C.S.H. and PLATT

NO. Governor Crissinger, James, Miller and Comptroller.

An absurd ruling, as Governor Harding did not interpret the McFadden bill but merely set out the changes.

Federal Reserve Agent Walsh of Texas asked Board to authorize him to speak on the credit policy of the Federal Reserve Bank of Dallas, and wrote Board a long report setting out the policy; in the alternative he asked Board to let him speak on the McFadden bill.

C.S.H. moved approval of a speech on Credit Policy, previously he did not commit the Federal Reserve Board.

Lost - Aye C.S.H., James and Platt

No Governor Crissinger, Miller and Comptroller.

Finally he was permitted to speak on the McFadden Bill, C.S.H. voting No because of the vote on Governor Harding's circular.

C.S.H. moved to take up for consideration Walsh's credit report on Friday, Passed.

March 30, Wednesday

The letter to Governor Harding was read and approved. C.S.H. voted no saying the bank had a right to put this out without approval of Board.

C.S.H. carefully read Walsh's report on credit policy. It was very well done. He laid down two general principles:

1. Credit is not helpful to a bank where internal condition is bad.
2. Banks loaning to tenant farmers on future crops should keep their loans within limit of their normal deposits which represent the capital savings of depositors. Deposits beyond this limit are apt to be speedily withdrawn before the loans on future crops can be liquidated.

These principles C.S.H. believes to be sound. It is another matter, however, for the Board affirmatively to approve Walsh & Talley's credit policies for these involve questions of fact as to the proper application of such policies, all of which the Board does not and cannot know.

C.S.H. believes that the Board could go no further than say that the principles appear sound but it cannot pass on their application from any knowledge it now has. C.S.H., however, would like to permit Walsh to explain his policies, or Talley, the Governor, without committing the Board, and see what the reaction is.

The Comptroller came in this A.M. and was very bitter against Talley's application of the policies laid down. He seemed to think the Federal Reserve Bank should go the limit in helping weak banks, in fact, C.S.H. thought he favored the old policy of the Federal Reserve Bank which Walsh pointed out cost the Federal Reserve Bank over two millions of losses in two or three years.

He also said Secretary Mellon and President Coolidge favored this policy strongly. I cannot believe this for such a policy would mean future failures of many banks which would very likely come in in time to have an important bearing on the Presidential election. The Comptroller is very close to Davis and C.S.H. can see how Davis and Lowden would profit from any collapse just before the election.

C.S.H. fears the Comptroller is influenced by political considerations, and considerations not friendly to Coolidge.

The shift from cheap money in 1893-97 to cheap credit now is an ominous one and the Board should be careful not to come out until it knows all the facts. C.S.H. is mindful of the censure visited on the Board for the May, 1920, convention of Federal Advisory Council and Class A directors, although the Board did not deserve the censure.

The Comptroller finally admitted that the criticism against Talley was based more upon the application of his theories rather than on the theories themselves, and he said he would be glad to have Talley speak defending his application, without committing the Board so we could get the reaction.

Board took up credit report of Federal Reserve Agent Walsh and Governor Talley.

C.S.H. said a very able report--really a history of credits since Civil War--a counsel of perfection--but very radical and useful as an Ideal.

C.S.H. said--based on:

1. Banks should not loan on future crops more than normal minimum demand deposits.
2. Banks should not loan to tenant farmers except on indorsement of landlord.
3. Loans based on prospective crops are subsidies.

Walsh set forth seven or eight typical cases and showed what had happened to them and asked Board if his policy was right.

Platt moved to approve and James seconded.

C.S.H. objected as approval would necessarily involve approving above principles in practice and Board should not do this.

Platt then moved approval of three or four principles set out in the report.

C.S.H. said could not do this without approving the three main theories above. Miller and Governor Crissinger also objected.

Platt's motion lost. Aye - Platt and James

No - C.S.H., Governor Crissinger, Comptroller and Miller

Platt told C.S.H. Comptroller is playing politics,--wants Collier, one of his examiners, to be made Federal Reserve Agent.

#### April 5, Tuesday

Platt says the opposition to Governor Talley is purely Republican politics; that Collier, the national bank examiner, was a candidate for Governor when Talley was appointed, and for Federal Reserve Agent when Walsh was appointed, and that he now wants to get into the Federal Reserve Bank.

#### April 12

Board voted to send Federal Reserve Agent Walsh a letter on his request to know if Board approved his credit policies. It was a

blind, dodging letter neither approving nor criticising. Aye--C.S.H., Miller, Platt, James, Cunningham. Not voting--Governor Crissinger.

It was voted that Comptroller objected the Board would reconsider.

Comptroller told C.S.H. if present he would have joined Crissinger in not voting.

April 14, Thursday

Board takes up Gilbert report on State Bank examinations.

Board voted that examinations should be made, as now under direct control of Federal Reserve Agent; that Gilbert as supervisor of State Bank examinations should prepare plans to facilitate examinations.

Board decided did not want a                      created and so named Gilbert instead. All agreed examinations should not be made by the Board. Miller especially took this view, reversing his previous position.

April 13, Wednesday

Board took up new regulations following McFadden bill, especially question whether the nine conditions under Regulation H can be continued. Board voted tentatively to continue 1--change in character of assets, etc. C.S.H. and Platt voted No. Board voted to continue condition that bank is to manage business so as to give safety to its customers. C.S.H. and Platt voted No. Others Yes:--Governor Crissinger, James, Miller and Cunningham.

Board finally voted to make draft and submit to Governors, Federal Advisory Counsel and Federal Reserve Agent.

April 15, Friday

Governor Crissinger notifies of meeting on Tuesday to take up Federal Reserve Agents.

C.S.H. directs Eddy to mimeograph letters from Federal Advisory Council and directors strongly favoring Curtis.

Charles Washburn sent private letter saying rumor is that Wing wants to put Curtiss out in order to put Governor Cox in--and that this will be resented by Boston banks.

Governor Harding writes fine letter but suggests that Curtiss has independent means--no reason to give him any warning. Suggested putting matter over to December election.

April 25, Monday

Harrison came before Board having returned from trip abroad in connection with proposed credits of central banks to Polish bank.

He said Governor Norman thought the plan excellent and raised no objection to its not being done through League of Nations; that he felt it vitally important for Poland to stabilize now at a time when she was willing to: that his only conditions were that the matter of extending the advisors' term beyond the proposed three years be left to some arbitrator, and that the matter should be settled wholly apart from any political questions.

Harrison said he then saw Governor Moseau of Bank of France in Paris; that he took the same view especially as regards political matters.

Harrison then saw Schacht in Berlin who took precisely the same view. He said Germany exported large amounts to Poland and he felt stabilization was vital; that he felt ultimately the Dantzic corridor must be changed.

Harrison then in compliance with these requests arranged a meeting of all in a little hotel at Calais, as Governor Norman did not want to go to Paris nor Governor Moreau to London. They met there and Schacht and Governor Moreau met for the first time. They all, except Harrison, agreed they would give credits to Bank of Poland if she asked for them.

Harrison said Gilbert in Berlin thought Polish stabilization very advisable.

Harrison then saw representatives of Bank of Poland in London. They said all the cabinet had installed the proposed plan, although the President held out for some time, hesitating to agree to stabilize because Poland could get credits in New York without any such agreement and he quoted Dillon and Governor Harding to this effect; that it was pointed out to him that his efforts failed two years ago and that another failure would injure France; that finally he consented.

The Poles are to bring the matter up formally soon.

Harrison said one reason for the Poles not going to League of Nations was that they felt Great Britain dominated the finance committee.

Harrison said Poland wanted an American to go in the export committee and hoped to get Dwight Morrow.

Governor Crissinger, C.S.H., James, Cunningham and later Miller were present.

Harrison said Gilbert felt confident Germany could pay the reparations with some slight changes in the agreement.

May 3, Tuesday

Comptroller of Currency tells C.S.H. that Wing called on him today and spoke very pleasantly of Curtiss--saying he was all right as Chairman and Federal Reserve Agent.

May 4, Wednesday

Governor Strong called. Had talk with Platt and Cunningham present. Very bitter against Cuban Agency--dangerous to have unissued currency in foreign country subject to revolutions. Wholly illegal--said John G. Johnson so advised New York directors. Wing to put burden on Federal Reserve Bank of New York to furnish money. Platt pointed out must furnish it even if agency abolished by giving it to member banks calling for it--finally said National City and other banks should never have established branches in Cuba. Had a plan which he spoke briefly of and of which he said he would give me a private memorandum.

Agreed, however, that if agency were abolished at once a panic would ensue and said this could not be done. Objected to legality of notes held in Cuba--said Assistant Secretary Dewey had opinion from Attorney General that Treasury could not put unissued currency in a foreign county. Said his new plan would require a treaty with Cuba and would take at least a year to establish.

Am about satisfied that this is a contest between Strong and Mitchell of National City Bank.

He was very bitter at Miller--said Miller forged Federal Reserve credit to Bank of England and charged Strong with having deceived Board by first inducing it to consent to buying foreign bills, said that Oscar Crosby published letter that such a credit was illegal; that Secretary Mellon told him he knew Miller must have given Crosby the information; that one day, Mellon said, Crosby called him on telephone at his office and said he wanted to talk with him; that Mellon said he was busy but could see him next day; that Crosby said--why you are to go with me to Warrenton tomorrow: that Mellon said there must be some mistake--to whom do you think you are talking? that Crosby said--to Dr. Miller, and was much surprised that he was talking to Secretary Mellon: that Mellon, therefore, believes Miller was responsible. He said that Miller accused him of catering to the stock market, once in Secretary Mellon's presence: it was just after this that C.S.H. called at his home and advised him not to attack Miller when testifying before Congressional Committee. He said Miller was then attacking Governor Strong's desire to buy 50 millions more of Government securities from Open Market Committee.

C.S.H. remembers Miller said in Board something about being informed on highest authority that desire for more money to help an syndicate in New York which could not place its commitments, and when asked who his informant was, Miller declined to answer. (See XI, diaries p. 152.)

Governor Strong said that Hoover told Miller this and that Hoover got it from Winston; that a California Oil Corporation was trying to sell out to an eastern oil corporation in which Miller was interested,

which Mellon turned down: that one firm of bankers agreed to take the stock and rumor was it could not make good; that a large amount was involved and that Strong felt it his duty to investigate--which he did, but found the commitment had been placed and the money raised--all of which he reported to Mellon; that while Miller was making above charge, Secretary Mellon was there and knew all the facts; that Miller's charge was absolutely false.

Governor Strong also spoke of McGarrah and said that he should govern the Federal Reserve Bank as long as he was Governor and that McGarrah had fully agreed to this.

Governor Strong also spoke of power of Board to fix rates on own initiative; said he had legal opinions against this; that Davis once advised Board it could not do this unless a Federal Reserve Bank was recalcitrant.

C.S.H. said he never had heard of any other opinion except Acting Attorney General King, December 9, 1919.

Governor Strong finally said or intimated that the Federal Reserve Bank of New York might institute legal proceedings as to the power to initiate rates and also as to legality of Cuban Agency.

Governor Strong also spoke of the French gold coming to U.S. He strongly favored offsetting this by purchasing U.S. Government 2s thus contracting the circulation of national bank notes, also of retiring national bank notes at maximum permissible each month. He said Secretary Mellon was inclined to favor this although he opposed it in 1924.

May 9

Governors' conference.

Open Market preliminary meeting.

May 12, Thursday

Meeting with Open Market Committee following a preliminary conference last Tuesday. Federal Reserve Bank bought of Bank of France 59 Millions of gold, part of 90 millions held by France in Bank of England which it had secured possession of, the loan for which it was pledged by France having been paid. The amount was about 90 millions asset the balance have been sent or is on way to U.S. In this transaction the Federal Reserve Bank of New York has sold System securities lowering total amount held to not much over 100 millions.

Committee unanimously recommended replacing securities sold and gradually increasing to about 250 millions.

Governor Strong said there was grave danger of future gold imports and the System account should be enlarged. Miller objected that to buy more securities now would be equivalent to letting the gold now in or coming in have free sway in producing inflation.

Governor Harding pointed out that if we brought gradually it could be done without inflationary effect as to the effect of gold imports psychologically would be greater than a continuous buying on our part.

Comptroller of Currency and Platt suggested postponement to consult Federal Advisory Counsel as we had already in effect referred matter to it.

C.S.H. objected--said that all we had sent to counsel was a general review of Open Market operations since beginning of System

that it would be a very bad precedent to postpone for purpose of consulting Federal Advisory Counsel--it would create a dangerous precedent--pointed out that Counsel objected because we had not consulted it before we established Cuban Agency--but after discussion, it abandoned this contention.

Miller said he favored principle of adding to special account but this was not the time, etc. etc.

C.S.H. moved approval of Committee's recommendation. Miller moved in substitution that matter be postponed until another meeting to be called by Governor after consultation with Secretary Mellon.

Passed.

Aye. Governor Crissinger, Miller, Comptroller, Platt and Cunningham.

No. Secretary Mellon, C.S.H. and James.

May 13, Friday

Special meeting. Secretary Mellon presided.

C.S.H. moved to approve Committee report.

After long discussion--during which Miller said he wanted benefit of Federal Advisory Counsel advice--Platt offered a motion:

That the Board approves the report and recommendation of the Open Market Investment Committee with the feeling that the securities proposed to be purchased should be accumulated slowly and with a view to the possibility that it may not be advisable to purchase the full amount authorized within the time limit mentioned.

Secretary Mellon said he had no objection to this and C.S.H. withdrew his motion.

Miller then moved a resolution in substitution approving the first recommendation that no further securities be sold at present time, but disapproving the other recommendation as to buying up to 250 millions. He claimed this would help the stock market and that there was no necessity for purchases now while if we waited until later we might stimulate business in the full. Mellon answered his argument as to Federal Advisory Council by saying that they were all bankers and that it might be of somewhat doubtful propriety to take them in advance into our confidence-- as to further purchases of securities.

Miller's substituted motion was defeated:

Aye--Miller, Governor Crissinger and Cunningham.

No----Secretary Mellon, C.S.H., Platt, Comptroller and James.

Platt's motion was passed:

Aye--Secretary Mellon, C.S.H., Platt, Comptroller, James,

Governor Crissinger and Cunningham.

No---Miller.

Cunningham asked leave to put on explanation on record, if vote was to be recorded, Eddy said no roll call had been demanded, so record would merely show--Passed 7 to 1, and Crissinger withdrew his request.

May 16, Monday

In reconsidering our refusal to present the Darlington reorganized bank to enter the Federal Reserve System (Federal Reserve Bank Va.) there was an informal discussion and later a vote. Miller was busy reading some letters and did not vote. On being asked to vote he asked if his vote was necessary to carry the proposition.

On being told No--he asked to be recorded against the proposition!

May 16, Monday

Board took up question of redesignating Federal Reserve Agents Curtiss, Austin, Heath, Hoxton and Martin. Austin's and Martin's three year term on Class C director expired in December 1927. The others were reappointed last December for three years as Class C directors and designated for one year as Chairman and Federal Reserve Agent on understanding that the question of their redesignation in December for another year as Federal Reserve Agent would be taken up early in the year. When the Board if it so voted, could inform them so they would have time to put their affairs in order. Martin was first considered--there was no objection to him and his name was passed over on the implied understanding that all would vote to redesignate him in December. There was a long discussion as to Heath. Finally the Chicago Committee was asked to report as to whether in its opinion he should be redesignated. Almost all of the members said they would vote to sustain the Committee's report on Heath, except Platt who at first intimated he would but later said he would not agree to accept it.

C.S.H. said he realized there was a question of doubt as to Heath's physical condition, that he knew the committee and all of the members had sympathy with him and if the Committee (Cunningham and Comptroller) should report to the Board that he ought not to be redesignated, he C.S.H. as at present advised would so vote, although if conditions should <sup>reserved</sup> change he ~~viewed~~ the right to change his opinion.

There was also discussion of Austin and much difference of opinion developed but no action taken.

C.S.H. said he had asked Delano to write him fully as to Hoxton and no action was taken.

Miller, at the beginning of the meeting made a long bitter attack on Curtiss--said he was absolutely unfit, and showed signs of mental breakdown.

C.S.H. and Platt said the Boston Committee felt Curtiss was doing first-class work and should be redesignated.

C.S.H. referred to the opinion of every member of the Boston Board. Governor Harding, Heard of Federal Advisory Counsel, and Sprague and said it was Miller's judgment against a united New England.

Miller sneered and said anyone could get a petition signed for any purpose.

C.S.H. said he resented this attack on New England--that the bankers of New England who had written the Board were men who would sign no petition they did not believe in.

C.S.H. cited--among other signers--Ripley as the Nester of New England Bankers.

Miller sneeringly said--how about Wing? C.S.H. said he was undoubtedly a prominent banker but Ripley was older and stood at the head.

C.S.H. asked Miller if his remark as to Curtiss's mental condition was the result of his own observation or the criticism of someone else.

Miller said it was his own observation dating back to beginning of the System and cited one remark of Curtiss at a conference that the

cause of business depression was the increase of unfilled orders of manufacturers--which Platt later told me was merely a slip of the tongue--that what he meant was that purchasers were countermanding their orders, thus piling up goods with the original manufacturers. C.S.H. believes Miller lied as to this evidence of mental weakness and that he was merely quoting Wing who, Curtiss once told me, spread this very charge against Curtiss years ago--before the System was started. The Comptroller then said he had lately been in Boston and that all the bankers were strongly for Curtiss; he also spoke of the rumor that Wing wanted Governor Cox for the place and that many bankers severely criticised Cox.

C.S.H. said Cox was a good man and if there was a vacancy he would gladly supplant him.

The Comptroller also said Wing told him he was not opposing Curtiss and that the easiest way would be to redesignate him. Some days ago he spoke to C.S.H. saying Wing said Curtiss was the right man for the place.

Miller then moved that an informal vote be taken on a motion offered by him to effect that Curtiss be notified that he would not be redesignated. At first, he bunched Curtiss, Austin and Heath together but on C.S.H.'s objection, he confirmed the motion to Curtiss. We then adjourned for lunch.

Platt told me that just after adjournment, Cunningham asked him to ask me to move that matters as to all agents be deferred until six months before expiration of the three years terms as Class C directors. C.S.H. said he did not wish to do this as it would look like trying to delay the Curtiss' vote, but that he would vote for it if Cunningham offered it.

After lunch C.S.H. moved that Miller's motion be--also informally--laid on table--without prejudice to right of each member to vote as he pleased when matter of redesignation came up in December--saying he would state that no notice to Curtiss was necessary--as he was a man of independent means and he would be responsible for statement that no member would be criticised for his vote for want of notice to Curtiss. Miller finally reluctantly assented to this and every member concurred. Cunningham then read draft of resolution that six months before expiration of three year term as Class C director Board should take up question of redesignation for the coming term, but that a committee of any Bank could at any time raise the question and bring it before Board for action.

Discussion then arose as to power of Board to designate Federal Reserve Agent each year.

C.S.H. said it was a recent custom and not done at beginning of System.

Governor Crissinger and Platt said Board had no such right and consensus of opinion was in favor of this view.

C.S.H. said even if we dropped a Federal Reserve Agent he would still be a Class C director and if Board not willing to designate the other Class C director, it could only fill the vacancy by removing the Federal Reserve Agent also as Class C director which would clearly not be the "cause" required by the statute.

Cunningham is to put this in shape later.

C.S.H. said annual designation meant the doom of the System as no first class banker would accept a position requiring sale of all

his bank stock to hold office only from year to year, subject to an annual vote of Board.

Miller spoke of Perrin--said he was the ablest chairman in the System and yet he felt it his duty to advise him to resign because there was some opposition to him in the Board!

Miller evidently feels that the moment a chairman does not have the unanimous support of Board he must go.

Miller objected to Board's getting information from bankers, etc. as to fitness of chairman and to consulting with directors. He said we knew all about these men and did not need advice.

C.S.H. asked if there was even an appointment made of an executive officer by the President or any appointing power, without consultation?

C.S.H. also reminded Miller that in appointing Newton to fill Perrin's place we asked Sproule and Moore--two directors to hand pick Newton---and meekly appointed him! At this Miller ceased.

Miller showed throughout bitter vindictiveness against Curtiss-- I firmly believe it grows out of the German incident of which Curtiss told me.

I wrote Governor Harding in confidence the result of the meeting as to Curtiss.

C.S.H. believes if he had forced the issue there was a fair chance of defeating Miller's motion outright--that Governor Crissinger, Platt, Comptroller and C.S.H. would have joined, with Cunningham in some doubt and Miller and James contra.

The risk was very great, however, as Governor Crissinger and Comptroller might have hesitated when the time came for fight.

Moreover, Governor Harding advised C.S.H. to make just the motion C.S.H. did make and C.S.H. believes it was good advise and at least staves off the matter until December when C.S.H. believes Cunningham, Governor Crissinger and Comptroller will be more certain of supporting Curtiss than they now seem to be, although both Governor Crissinger and Comptroller told C.S.H. they would not vote against Curtiss. This was hardly positive enough to run the risk of a decisive vote.

Board decided to make no formal record of this discussion.

May 20, Friday

Meeting of counsel.

Reported that it did not suggest wiping out of Cuban agency but hoped precedent would not be extended to any countries outside of continental U. S. and that Board would study to secure some better plan.

Wetmore added that Council was unanimously opposed to creating a member bank in Cuba an agent, as it would work discrimination against other member banks there. (National City Bank.)

Council approved open market policy of Board as based upon record of recent report of Open Market Committee.

Alexander especially favored cautious buying of securities at present time.

Wetmore then brought up the duties and rights of Council and a long discussion followed.

Wetmore said Council wanted reports sent to it of all action by Board in reports of Open Market Committee sent to it from time to time.

Governor Crissinger said there would be a division of the Board on this--that often--as in last report--the policy adopted is a continuous one--and it would not be right to give this information in advance to the 12 bankers on the Council.

Alexander said it would be no worse than to let the directors of the Federal Reserve Bank of New York to know it. C.S.H. spoke in favor of the position of the Council and gave a history of events leading up to creation of the Council from Glass' book.

The Council all agreed that their body was a useless one unless they were given current information as to the operations of the System.

May 23, Monday

Board voted to permit \$10,000 unissued Federal Reserve Notes in Cuban Agency.

Vote. Aye--C.S.H., Platt and James.

No---Governor Crissinger, Miller and Cunningham.

Then Comptroller was called in. Voted Aye.

Comptroller stated he so voted for reason that Wyatt advised him he was under no personal liability for so voting. Wyatt was present and affirmed this.

C.S.H. moved that the three national banks in Cuba be advised of resolution of Federal Advisory Council in Cuban Agency. Passed unanimously. C.S.H. told Board he had on Saturday notified Funnell's office, National City Bank of the resolution and thought all banks should be also notified.

June 1, Wednesday

Howes conference with Assistant Secretary Dewey on Cuban Agency. He said he should submit Strong's plan to State Department,

but meantime Agency should continue. He intimated he might have to ask opinion from Attorney General as to power to keep unissued Federal Reserve Notes in Cuba; said, if legal, this was the simplest way and seemed to favor it. C.S.H. said we could get along without unissued notes if Treasury would agree to increasing Atlanta's Government deposits in case of emergency and he said he would think this over.

June 6, Monday

Harrison came down with letter from Federal Reserve Bank describing proposed agreement to purchase within one year bills indorsed or guaranteed by National Bank of Poland, up to 10 millions, other central banks agreeing to take 15 millions--25 in all. Nothing was said in letter as to rates or commissions, but Harrison said he hoped the Board would approve the agreement leaving to the Federal Reserve Bank to work out the details. Harrison was not present at the meeting.

James at once asked about commission and Governor Crissinger said it was 1/2 of 1% which would barely pay the Federal Reserve Bank for Harrison's trip abroad, cables, etc., etc.

James pointed out that the commission would be inconsistent with the expression of opinion of the Board (not a condition, however) on the Belgian agreement. He also brought up the Bank of England credit which had no commission.

Secretary Mellon defended the proposed commission as did also C.S.H., who pointed out that the Bank of England credit was really a sale of gold made independently while in the Belgian case and in present case it was an agreement participated in by several central banks. Finally, C.S.H. moved to approve, all other Federal Reserve Banks to be allowed to participate. Passed unanimously.

June 7, Tuesday

On reading the minutes Miller asked as to the rate and Governor Crissinger said he understood it was to be a minimum rate of 6%--as was the Belgian loan, and, in reply to another question of Miller, said it was to contain a guaranty as to exportation of gold similar to Belgian agreement.

Nothing more was said and the records were approved.

Board then took up regulations for foreign trade corporations. Wyatt presented a draft prepared by himself and Albert Rathbone, Special Counsel.

Platt and Miller objected to first Strong stating Board would not approve such issues, as too and unnecessary; also that prescribing that the amount received by the corporation from sale of its debentures must be disclosed to Board for the information of the public, saying that Rathbone felt this was very important.

Matter went over to tomorrow.

C.S.H. and James met Assistant Secretary Dewey on Cuban Agency. He said he had talked over Strong's suggestion for a Cuban treaty with Castle and White of State Department; that they felt it would be ~~a~~very unpropitious time to take this up with Cuba, as next December the Pan American Financial Congress was to meet in Cuba, and they felt the Cubans would not understand it and would resent it and that it would cause trouble with our relations with Central and South America. They did not seem to approve the plan on the merits but felt the agency should continue as now for the present and perhaps well into the future. They said in no event would they take it up even for consideration until well after the Pan American Conference.

We told Dewey we should advise the Board to proceed with the erection of the vaults. He said he would ask the Secretary to ask the State Department formally as to its opinion, but we now knew what it would be and he saw no reason why we should not proceed.

He also said he should confer with the three banks in Cuba as to Strong's plan, and as regards unissued Federal Reserve notes he would do nothing until after talking with their banks. He intimated he might have to get an opinion from the Attorney General but seemed to think it might be favorable.

June 20, Monday

C.S.H. and James have conference with Assistant Secretary Dewey at 4 P.M. on Cuban Agency. He said he met General Crowder at lunch at Mrs. Corbin's yesterday and was to meet him tomorrow and go over Governor Strong's plan with him. He said General Crowder did not favor having Cuba furnish her own currency as it would be a step away from the Platt amendment and might cause trouble.

Dewey said it would take considerable time before the Strong plan could be examined into and threshed out, that Secretary Mellon and he were shortly going abroad and he suggested letting the matter mull along until he returned in August.

He said that meantime he from the Treasury end saw no reason why the existing status should not continue, nor why the Federal Reserve Bank of Atlanta should not carry unissued Federal Reserve notes in Cuba, the Board having been advised that this was permitted by the Act.

Board had long discussion as to its powers and duty to draw regulations covering purchase of foreign bills by Federal Reserve Banks.

This grew out of the sale by Federal Reserve Bank of New York of 60 millions of gold earmarked for it by Bank of England. The Federal Reserve Bank sold this to Bank of France accepting in its place a sterling credit with Bank of England which was to draw interest unless and until bills were bought for the Federal Reserve Bank of New York.

Governor Crissinger and Governor Strong would be here tomorrow and discuss transaction with Board.

June 23, Wednesday

Governor Strong was with us all day and explained above transaction.

The principal discussion turned on whether the authority given to Open Market Committee last May to buy 100 millions securities up to August 1, bringing total special account up to 250 millions still in force. It seems that the Bank of France drew on its New York correspondents for 100 millions gold to be deposited to its credit in Federal Reserve Bank of New York; that this drew down the New York bank reserves 100 millions; that to avoid the taking out of the market of this sum which would have caused interest rates to advance and might necessitate putting up the Federal Reserve Bank rate--which all agreed would have been most inadvisable--the Open Market Committee bought 100 millions of securities. The question was--as this purchase raised the investment account to about 250 millions--whether this exhausted the power of the Open Market Committee--or whether it still had power to buy another 100 millions.

Secretary Mellon presided.

C.S.H. moved that purchases to offset movements of gold drawing down member bank reserves, such as this, did not count and that the open market committee still had power to buy up to August 1, 100 millions if conditions in the market, in judgment of committee, called for this action.

Miller and Cunningham said No and Miller said that while he felt the committee had done right in this purchase, its authority was now exhausted, and a new meeting must be called if more purchases were desired up to August 1.

C.S.H. pointed out to Miller the probable lack of a quorum of Board--and he said he had cancelled his western trip so as to be at hand.

C.S.H. said under our regulations the executive committee must be unanimous and its action must be ratified later by full Board. Miller said he was willing to grant authority to a majority to act. C.S.H. said this would put the power in hands of two members of Board who might decide it contrary to wishes of the majority had one been present. Secretary Mellon said we ought to be willing to trust the Open Market Committee and showed some irritation against Miller's lack of confidence in it.

Finally Miller offered a long resolution and at the end he practically gave authority to the committee but it was so long it was not easy to comprehend just what he had in mind. He did not really move it, however, and Secretary Mellon offered C.S.H.'s motion which by suggestion of Governor Strong and other had been abbreviated. Passed.

Aye--Sec. Mellon, Gov. Crissinger, C.S.H. and James.

No---Miller and Cunningham.

Miller then said he would file a memorandum explaining his vote--which evidently irritated Secretary Mellon very much.

June 24, Friday

Left at 8:30 with Governor Harding for Maplewood Club (Hotel) Bethlehem, New Hampshire, to speak at dinner of the New England Bankers Association in session there. Mr. Bishop--the public relations officer of the Federal Reserve Bank drove us in the Bank auto. We drove up by Lake Winnepesaukee taking lunch at Laconia, New Hampshire; we then drove through the Franconia notch reaching the hotel about 5 P.M.--a total drive of 188 miles.

The banquet took place at 7 P.M. and 500 were present--about one-half ladies. Governor Spalding, the Governor of New Hampshire, C.S.H., and one other spoke.

We left about 12:30 going through Crawford notch, North Conway, Rochester, Dover, and Portsmouth. We dined at Rockingham Hotel and I showed them the Woodbury Langdon dining room and then we drove by the John Langdon house.

We reached Boston about 10:30 P.M. and I spent night at Harvard Club.

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